

PRELIMINARY OFFICIAL STATEMENT

Dated: July 30, 2025

(As Supplemented on August 1, 2025)

NEW ISSUE: BOOK-ENTRY-ONLY

In the opinion of Bond Counsel, interest on the 2025B Bonds is excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under the caption "TAX MATTERS" herein, including the alternative minimum tax on certain corporations.

\$99,870,000*

ARGYLE INDEPENDENT SCHOOL DISTRICT

(A political subdivision of the State of Texas located in Denton County, Texas)

VARIABLE RATE UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2025B

Dated Date: August 15, 2025

Interest Accrual Date: Delivery Date

Due: August 15, as shown on page ii

The Argyle Independent School District (the "District") is issuing its \$99,870,000* Variable Rate Unlimited Tax School Building Bonds, Series 2025B, consisting of its \$49,910,000 Variable Rate Unlimited Tax School Building Bonds, Subseries 2025B-1 (the "Subseries 2025B-1 Bonds"), and its \$49,960,000 Variable Rate Unlimited Tax School Building Bonds, Subseries 2025B-2 (the "Subseries 2025B-2 Bonds," and, together with the Subseries 2025B-1 Bonds, the "2025B Bonds" and each a "Subseries of the 2025B Bonds") in accordance with the Constitution and general laws of the State of Texas, particularly Chapter 45 of the Texas Education Code, as amended, Chapter 1371 of the Texas Government Code, as amended, an election held in the District on May 3, 2025, and an order (the "2025B Bond Order") passed by the Board of Trustees of the District (the "Board") on July 22, 2025. In the 2025B Bond Order, the District delegated pricing of the 2025B Bonds and certain other matters to a "Pricing Officer" who will approve a "Pricing Certificate" for the 2025B Bonds which will contain the final terms of sale and will complete the sale of the 2025B Bonds (the 2025B Bond Order and the Pricing Certificate are jointly referred to as the "2025B Order") (see "THE BONDS – Authorization and Purpose"). The 2025B Bonds constitute direct obligations of the District and are payable as to principal and interest from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, against all taxable property located within the District. The District has received conditional approval from the Texas Education Agency for payment of the 2025B Bonds to be additionally guaranteed by the corpus of the Permanent School Fund of the State of Texas, which guarantee will automatically become effective upon the Texas Attorney General's approval of the 2025B Bonds (see "THE BONDS – The Permanent School Fund Guarantee Program" and "APPENDIX C – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").

The "Initial Rate Period" for each Subseries of the 2025B Bonds shall mean the period commencing on the date of their initial delivery, anticipated to occur on or about August 26, 2025* (the "Delivery Date") to the initial purchasers thereof (the "Underwriters") to and including the "Last Day of Initial Rate Period" set forth for such Subseries of the 2025B Bonds on page ii hereof. During the respective Initial Rate Periods, the Subseries of the 2025B Bonds will bear interest at the per annum initial interest rate set forth for such Subseries of the 2025B Bonds on page ii hereof, which is the "Initial Rate" for such Subseries of the 2025B Bonds. The 2025B Bonds will have an irregular first interest payment date of August 28, 2025. All future interest payments on the 2025B Bonds will be payable on February 15 and August 15 each year through the respective Last Day of Initial Rate Period. If such day is not a business day, actual tender shall occur on the next business day (though interest will have ceased to accrue as of the Last Day of Initial Rate Period). Interest on the 2025B Bonds, except as provided below, will be calculated on the basis of a 360-day year of twelve 30-day months. The tables on page ii hereof identify the principal financial terms of the 2025B Bonds at their initial issuance.

The District intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York ("DTC"), but reserves the right on its behalf or on behalf of DTC to discontinue such system. The principal and interest on the 2025B 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 2025B Bonds. No physical delivery of the 2025B 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 (see "BOOK-ENTRY-ONLY SYSTEM").

During each respective Initial Rate Period, the 2025B Bonds (i) are not subject to optional tender by the owners thereof, but (ii) are subject to mandatory tender without the right of retention on the Conversion Date immediately following the end of each respective Initial Rate Period (or if such date is not a Business Day, the first Business Day thereafter). During the respective Initial Rate Periods, the 2025B Bonds are not subject to the benefit of a liquidity agreement provided by a third party. Accordingly, a failure by the Remarketing Agent to remarket 2025B Bonds subject to mandatory tender on the Conversion Date immediately following the end of each respective Initial Rate Period will result in the rescission of the notice of mandatory tender with respect thereto and the District will not have any obligation to purchase such 2025B Bonds at that time, and such respective Initial Rate Period will continue until the District successfully redeems or remarkets the respective 2025B Bonds. The occurrence of the foregoing will not result in an event of default under the 2025B Order or the 2025B Bonds. Until such time as the District redeems or remarkets 2025B Bonds that have been unsuccessfully remarketed as described above, such 2025B Bonds shall bear interest at the "Stepped Rate", which is defined herein to mean ____% per annum, calculated on the basis of a 360-day year of twelve 30-day months and the number of days actually elapsed (see "THE BONDS – Tender Provisions" herein.)

This Official Statement describes the 2025B Bonds only in the Initial Rate Period (and, after conclusion of such Initial Rate Period and if at all, the period during which the Term Rate Bonds bear interest at the Stepped Rate) and not the 2025B Bonds remarketed and sold into another interest rate period during which the 2025B Bonds bear interest in another interest rate mode.

Proceeds from the sale of the 2025B Bonds will be used for the public purpose of: (i) designing, constructing, renovating, improving, upgrading, updating, modernizing, acquiring, and equipping school facilities (and any necessary or related removal of existing facilities), the purchase of the necessary sites for school facilities, and the purchase of new school buses, student transportation vehicles, and security devices for school buses, and (ii) to pay the costs incurred in connection with the issuance of the 2025B Bonds.

CUSIP PREFIX: 040319

MATURITY SCHEDULE

See Schedule on Page ii

The 2025B Bonds are offered when, as and if issued, and accepted by the Underwriters, subject to the approval of legality by the Attorney General of the State of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Norton Rose Fulbright US LLP, Dallas, Texas. The 2025B Bonds are expected to be available for initial delivery through the services of DTC on or about August 26, 2025 (the "Delivery Date").

PIPER SANDER & CO.

RAYMOND JAMES

* Preliminary, subject to change.

MATURITY SCHEDULE*

\$49,910,000*

VARIABLE RATE UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2025B-1^(B)

(Term Bond: Term Interest Rate Applicable Through Conclusion of Initial Rate Period)

<u>Last Day of Initial Rate Period</u> ^{(C)(D)(E)*}	<u>Initial Mandatory Tender Date*</u>	<u>Stated Maturity*</u>	<u>Initial Rate</u>	<u>Initial Yield</u> ^(F)	<u>Stepped Rate</u>	<u>CUSIP Suffix</u> ^(A)
August 14, 2027__	August 15, 2027__	August 15, 2057__	%	%	%	

\$49,960,000*

VARIABLE RATE UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2025B-2^(B)

(Term Bond: Term Interest Rate Applicable Through Conclusion of Initial Rate Period)

<u>Last Day of Initial Rate Period</u> ^{(C)(D)(E)*}	<u>Initial Mandatory Tender Date*</u>	<u>Stated Maturity*</u>	<u>Initial Rate</u>	<u>Initial Yield</u> ^(F)	<u>Stepped Rate</u>	<u>CUSIP Suffix</u> ^(A)
August 14, 2028__	August 15, 2028__	August 15, 2057__	%	%	%	

* Preliminary, subject to change.

^(A) 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. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and is included solely for the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP services. None of the District, the Municipal Advisor or the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

^(B) The 2025B Bonds are subject to minimum mandatory redemption on the dates and in the amounts described in “THE BONDS – Mandatory Redemption.” Preliminary, subject to change.

^(C) After the expiration of each Initial Rate Period, each respective Subseries of the 2025B Bonds will bear interest in an interest rate mode designated by the District at a rate or rates as determined by the Remarketing Agent (hereinafter defined).

^(D) Each Subseries of the 2025B Bonds is subject to mandatory tender, without right of retention, at the end of each respective Initial Rate Period for the 2025B Bonds. During the respective Initial Rate Periods, the 2025B Bonds are not subject to the benefit of a liquidity agreement provided by a third party. Accordingly, a failure by the Remarketing Agent to remarket 2025B Bonds subject to mandatory tender on the Conversion Date immediately following the end of each respective Initial Rate Period for the 2025B Bonds will result in the rescission of the notice of mandatory tender with respect thereto and the District will not have any obligation to purchase such 2025B Bonds at that time, and such respective Initial Rate Period for the 2025B Bonds will continue until the District successfully redeems or remarkets the 2025B Bonds. The occurrence of the foregoing will not result in an event of default under the 2025B Order or the 2025B Bonds. Until such time as the District redeems or remarkets 2025B Bonds that have been unsuccessfully remarketed as described above, such 2025B Bonds shall bear interest at the “Stepped Rate”, which is defined herein to mean

____% per annum, calculated on the basis of a 360-day year of twelve 30-day months and the number of days actually elapsed (see “THE BONDS – General Description”).

^(E) During the respective Initial Rate Periods, the Bonds are not subject to optional redemption (see “THE BONDS – Redemption Provisions”).

^(F) Initial yield represents the initial reoffering yield to the public which has been established by the Underwriters and which subsequently may be changed from time to time at the sole discretion of the Underwriters. The initial yield is calculated to the end of each respective Initial Rate Period.

**ARGYLE INDEPENDENT SCHOOL DISTRICT
OFFICIALS, STAFF AND CONSULTANTS**

ELECTED OFFICIALS

<u>Name</u>	<u>Place</u>	<u>Term Expires</u>	<u>Occupation</u>
Mr. Sam Slaton, President	Place 3	2026	Chief Operating Officer
Mr. Craig Hawkesworth, Vice President	Place 1	2026	Sales Manager
Leigh Ann Artho, Member	Place 2	2026	Community Member
Rich McDowell, Member	Place 4	2027	Mortgage Loan Officer
Dr. Leona McDade, Member	Place 5	2027	Retired
Mr. Matthew Slaton, Secretary	Place 6	2028	Wealth Management
Mr. Joshua Westrom, Member	Place 7	2028	Attorney

CERTAIN DISTRICT OFFICIALS

<u>Name</u>	<u>Position</u>
Dr. Courtney Carpenter	Superintendent
Ms. Liz Stewart	Chief Financial Officer

CONSULTANTS AND ADVISORS

Auditors.....	Hankins, Eastup, Deaton, Tonn, Seay & Scarborough LLP Denton, Texas
Bond Counsel.....	McCall, Parkhurst & Horton L.L.P. Dallas, Texas
Municipal Advisor	RBC Capital Markets, LLC Dallas, Texas

For additional information regarding the District, please contact:

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Suite 1500
Dallas, Texas 75201
Phone: (214) 989-1660

USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended and in effect on the date of this Preliminary Official Statement (“Rule 15c2-12” or the “Rule”), this document constitutes an “Official Statement” of the District with respect to the 2025B Bonds that has been “deemed final” by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

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

This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any 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 “APPENDIX C – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM -- PSF Continuing Disclosure Undertaking” and “CONTINUING DISCLOSURE OF INFORMATION” for a description of the Texas Education Agency’s (“TEA”) and the District’s undertaking to provide certain information on a continuing basis.

THE 2025B BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE 2025B BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THE 2025B BONDS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE THE MARKET PRICE OF THE 2025B BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

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

None of the District, the Municipal Advisor, or the Underwriters make any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company (“DTC”) or its Book-Entry-Only System as described under “BOOK-ENTRY-ONLY SYSTEM” or the affairs of the Texas Education Agency (the “TEA”) described in “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” and “APPENDIX C – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” as such information has been provided by DTC and TEA, respectively. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau for the convenience of the owners of the 2025B Bonds.

The agreements of the District and others related to the 2025B 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 2025B Bonds is to be construed as constituting an agreement with any purchaser of the 2025B Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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

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

TABLE OF CONTENTS

CONSULTANTS AND ADVISORS	iii	Litigation Relating to the Texas Public School Finance System.....	17
USE OF INFORMATION IN OFFICIAL STATEMENT	iv	Possible Effects of Changes in Law on District Bonds	17
TABLE OF CONTENTS	v	CURRENT PUBLIC SCHOOL FINANCE SYSTEM.....	18
SELECTED DATA FROM THE OFFICIAL STATEMENT	vi	Overview.....	18
INTRODUCTORY STATEMENT	1	2025 Legislative Session.....	18
Use of Official Statement	1	2023 Legislative Session.....	19
THE BONDS.....	2	Local Funding For School Districts	19
Authorization and Purpose	2	State Funding for School Districts	19
General Description.....	2	Local Revenue Level in Excess of Entitlement.....	22
Tender Provisions.....	4	The School Finance System as Applied to the District	23
Redemption Provisions	5	TAX RATE LIMITATIONS.....	23
Legality	7	M&O Tax Rate Limitations	23
Amendments	7	I&S Tax Rate Limitations	23
Defeasance of the Bonds.....	7	Public Hearing and Voter-Approval Tax Rate	24
Sources and Uses of Funds.....	8	LEGAL MATTERS	25
REGISTERED OWNERS' REMEDIES	8	TAX MATTERS	25
BOOK-ENTRY-ONLY SYSTEM	9	Opinion	25
Use of Certain Terms in Other Sections of this Official Statement.....	10	Federal Income Tax Accounting Treatment of Original Issue Discount	26
Effect of Termination of Book-Entry-Only System	10	Collateral Federal Income Tax Consequences	27
REGISTRATION, TRANSFER AND EXCHANGE.....	11	State, Local and Foreign Taxes	27
Paying Agent/Registrar	11	Information Reporting and Backup Withholding	27
Future Registration.....	11	Future and Proposed Legislation	27
Record Date for Interest Payment	11	LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS.....	28
Limitation on Transfer of Bonds	11	INVESTMENT AUTHORITY AND INVESTMENT OBJECTIVES OF THE DISTRICT	28
Replacement Bonds.....	12	Current Investments	30
THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM..	12	EMPLOYEE BENEFIT PLANS.....	31
AD VALOREM TAX PROCEDURES.....	12	CYBERSECURITY	31
Valuation of Taxable Property	12	WEATHER EVENTS	32
State Mandated Homestead Exemptions	13	CONTINUING DISCLOSURE OF INFORMATION	32
Local Option Homestead Exemptions	13	Annual Reports	32
State Mandated Freeze on School District Taxes	13	Event Notices	33
Personal Property	13	Availability of Information	33
Freeport and Goods-In-Transit Exemptions	14	Limitations and Amendments	33
Other Exempt Property.....	14	Compliance with Prior Undertakings	34
Temporary Exemption for Qualified Property Damaged by a Disaster	14	LITIGATION.....	34
Tax Increment Reinvestment Zones	14	MUNICIPAL ADVISOR	34
Tax Limitation Agreements.....	15	UNDERWRITING.....	34
District and Taxpayer Remedies	15	FORWARD LOOKING STATEMENTS	35
Levy and Collection of Taxes.....	15	CONCLUDING STATEMENT	35
STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS	17	MISCELLANEOUS.....	35
FINANCIAL INFORMATION REGARDING THE DISTRICT	APPENDIX A		
GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY	APPENDIX B		
THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM	APPENDIX C		
FORM OF LEGAL OPINION OF BOND COUNSEL	APPENDIX D		
AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2024	APPENDIX E		

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

SELECTED DATA FROM THE OFFICIAL STATEMENT

The selected data is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the 2025B Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this page from this Official Statement or to otherwise use it without the entire Official Statement.

The Issuer	Argyle Independent School District (the “District”) is a political subdivision located in Denton County, Texas. The District is governed by a seven-member Board of Trustees (the “Board”). Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools, who is the chief administrative officer of the District. Support services are supplied by consultants and advisors. For more information regarding the District, see “APPENDIX A – FINANCIAL INFORMATION REGARDING THE DISTRICT” and “APPENDIX B – GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY.”
Authority for Issuance	The District’s Variable Rate Unlimited Tax School Building Bonds, Series 2025-B, consisting of its \$49,910,000* Variable Rate Unlimited Tax School Building Bonds, Subseries 2025B-1 (the “Subseries 2025B-1 Bonds”), and its \$49,960,000* Variable Rate Unlimited Tax School Building Bonds, Subseries 2025B-2 (the “Subseries 2025B-2 Bonds,” and, together with the Subseries 2025B-1 Bonds, the “2025B Bonds” and each a “Subseries of the 2025B Bonds”) in accordance with the Constitution and general laws of the State of Texas, including particularly Chapter 45, Texas Education Code, as amended, and Chapter 1371 of the Texas Government Code, as amended, an election held in the District on May 3, 2025 (the “Election”), and an order of the District’s governing body adopted on July 22, 2025 (the “2025B Bond Order”). In the 2025B Bond Order, the District delegated pricing of the 2025B Bonds and certain other matters to a “Pricing Officer” who will approve a “Pricing Certificate” for the 2025B Bonds which will contain the final terms of sale and will complete the sale of the 2025B Bonds (the 2025B Bond Order and the Pricing Certificate are jointly referred to as the “2025B Order”).
Use of Proceeds	Proceeds from the sale of the 2025B Bonds will be used for the public purpose of (i) designing, constructing, renovating, improving, upgrading, updating, modernizing, acquiring, and equipping school facilities (and any necessary or related removal of existing facilities), the purchase of the necessary sites for school facilities, and the purchase of new school buses, student transportation vehicles, and security devices for school buses, and (ii) to pay the costs incurred in connection with the issuance of the 2025B Bonds (see “THE BONDS – Authorization and Purpose”).
Interest Rate and Payment of Interest	The “Initial Rate Period” for each Subseries of the 2025B Bonds shall mean the period commencing on the date of their initial delivery, anticipated to occur on or about August 26, 2025* (the “Delivery Date”) to the initial purchasers thereof (the “Underwriters”) to and including the “Last Day of Initial Rate Period” set forth for such Subseries of the 2025B Bonds on page ii hereof. During the respective Initial Rate Periods, the Subseries of the 2025B Bonds will bear interest at the per annum initial interest rate set forth for such Subseries of the 2025B Bonds on page ii hereof, which is the “Initial Rate” for such Subseries of the 2025B Bonds. The 2025B Bonds will have an irregular first interest payment date of August 28, 2025. All future interest payments on the 2025B Bonds will be payable on February 15 and August 15 each year through the respective Last Day of Initial Rate Period. Interest on the 2025B Bonds, except as provided below, will be calculated on the basis of a 360-day year of twelve 30-day months. The tables on page ii hereof identify the principal financial terms of the 2025B Bonds at their initial issuance (see “THE BONDS – General Description - Calculation and Payment of Interest; Interest Payment Dates”).
Paying Agent/Registrar	The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see “REGISTRATION, TRANSFER AND EXCHANGE – Paying Agent/Registrar”). Initially, the District intends to use the Book-Entry-Only System of The Depository Trust Company, New York, New York (see “BOOK-ENTRY-ONLY SYSTEM”).
Ratings	<p>Moody’s Investors Service, Inc. (“Moody’s”) has assigned a municipal bond rating of “___” to the 2025B Bonds based upon the Permanent School Fund Guarantee. Moody’s generally rates all bond issues guaranteed by the Permanent School Fund of the State of Texas “Aaa” (see “RATINGS” and “APPENDIX C – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”).</p> <p>The District’s underlying rating for the 2025B Bonds (without consideration of the Permanent School Fund Guarantee) is “___” by Moody’s (see “RATINGS”).</p>

* Preliminary, subject to change.

Tax Matters	In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under “TAX MATTERS” herein (see “TAX MATTERS” and APPENDIX D – FORM OF LEGAL OPINION OF BOND COUNSEL”). Additionally, see “THE BONDS – Tender Provisions” identifying circumstances when an opinion of nationally recognized Bond Counsel is required as a condition for an interest rate mode conversion.
Security	The 2025B Bonds will constitute direct obligations of the District, payable as to principal and interest from an annual ad valorem tax levied, without legal limit as to rate or amount, against all taxable property located within the District (see “THE BONDS – Security”). Additionally, an application has been filed and the District has received conditional approval for the payment of the Bonds to be guaranteed by the corpus of the Permanent School Fund of Texas (see “APPENDIX C – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”). Also see “STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS” and “CURRENT PUBLIC SCHOOL FINANCE SYSTEM” for a discussion of recent developments in State law affecting the financing of school districts in the State.
Book-Entry-Only System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 principal amount or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. The principal and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “BOOK-ENTRY-ONLY SYSTEM”).
Redemption Provisions*	The 2025B Bonds are not subject to optional or mandatory redemption during the Initial Rate Period but are subject to optional redemption at the end the Initial Rate Period and during the Stepped Rate Period. After the Initial Rate Period, on any Conversion Date, and prior to conversion to a Fixed Rate, the Bonds are subject to optional and mandatory redemption at par, on the dates and in the manner, as described herein (see “THE BONDS – Redemption Provisions”).
Payment Record	The District has never defaulted on the payment of its bonded indebtedness.
Legal Opinion	Delivery of the 2025B Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel.
Concurrent Offering	The 2025B Bonds are being offered by the District concurrently with the District’s Unlimited Tax School Building Bonds, Series 2025A (the “2025A Bonds”) but pursuant to a separate offering document. The 2025B Bonds and the 2025A Bonds are separate and distinct securities offerings being issued and sold independently. Such separate offering documents should be reviewed and analyzed independently, including, without limitation, the terms for payment, redemption provisions, the treatment of interest for federal income tax purposes, the rights of the holders and other features. Initial delivery of the 2025A Bonds through the facilities of DTC is expected to occur on or about August 26, 2025.

PRELIMINARY OFFICIAL STATEMENT RELATING TO
\$99,870,000*
ARGYLE INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Denton County)
VARIABLE UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2025B

\$49,910,000
VARIABLE UNLIMITED TAX
SCHOOL BUILDING BONDS,
SUBSERIES 2025B-1

\$49,960,000
VARIABLE UNLIMITED TAX
SCHOOL BUILDING BONDS,
SUBSERIES 2025B-2

INTRODUCTORY STATEMENT

This Official Statement and Appendices hereto have been prepared by the Argyle Independent School District (the “District”), a political subdivision of the State of Texas located in Denton County, Texas, in connection with the offering by the District of its Variable Rate Unlimited Tax School Building Bonds, Series 2025B, consisting of its \$49,910,000* Variable Rate Unlimited Tax School Building Bonds, Subseries 2025B-1 (the “Subseries 2025B-1 Bonds”), and its \$49,960,000* Variable Rate Unlimited Tax School Building Bonds, Subseries 2025B-2 (the “Subseries 2025B-2 Bonds,” and, together with the Subseries 2025B-1 Bonds, the “2025B Bonds” and each a “Subseries of the 2025B Bonds”) identified on the cover page hereof.

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

This Official Statement contains descriptions of the 2025B Bonds and the 2025B Order (as defined herein), and certain other information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained during the offering period, from the District’s Municipal Advisor, RBC Capital Markets, LLC.

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

Use of Official Statement

AT THE CONCLUSION OF THE INITIAL RATE PERIOD, THE 2025B BONDS ARE SUBJECT TO CONVERSION TO ANOTHER INTEREST RATE MODE OR MODES UPON THE CONDITIONS DESCRIBED IN THE 2025B ORDER FOLLOWING A MANDATORY TENDER FOR PURCHASE OF SUCH 2025B BONDS. THIS OFFICIAL STATEMENT IS NOT INTENDED TO PROVIDE INFORMATION WITH RESPECT TO ANY 2025B BONDS AFTER CONVERSION TO ANY NEW INTEREST RATE MODE OR INTEREST RATE PERIOD (INCLUDING ANY SUBSEQUENT TERM RATE PERIOD). PURCHASERS OF THE 2025B BONDS SHOULD NOT RELY ON THIS OFFICIAL STATEMENT FOR INFORMATION CONCERNING ANY OTHER INTEREST RATE MODE OR INTEREST RATE PERIOD FOR THE 2025B BONDS OTHER THAN IN THEIR INITIAL RATE PERIOD.

Concurrent Offering

The 2025B Bonds are being offered by the District concurrently with the District’s Unlimited Tax School Building Bonds, Series 2025A (the “2025A Bonds”) but pursuant to a separate offering document. The 2025B Bonds and the 2025A Bonds are separate and distinct securities offerings being issued and sold independently. Such separate offering documents should be reviewed and analyzed independently, including, without limitation, the terms for payment, redemption provisions, the treatment of interest for federal income tax purposes, the rights of the holders and other features. Initial delivery of the 2025A Bonds through the facilities of DTC is expected to occur on or about August 26, 2025.

* Preliminary, subject to change.

THE BONDS

Authorization and Purpose

The District is issuing the 2025B Bonds in accordance with the Constitution and general laws of the State of Texas, including particularly Chapter 45, Texas Education Code, as amended, and Chapter 1371 of the Texas Government Code, as amended, an election held in the District on May 3, 2025 (the “Election”), and an order of the District’s governing body adopted on July 22, 2025 (the “2025B Bond Order”). In the 2025B Bond Order, the District delegated pricing of the 2025B Bonds and certain other matters to a “Pricing Officer” who will approve a “Pricing Certificate” for the 2025B Bonds which will contain the final terms of sale and will complete the sale of the 2025B Bonds (the 2025B Bond Order and the Pricing Certificate are jointly referred to as the “2025B Order”). Capitalized terms used herein have the same meanings assigned to such terms in the 2025B Order, except as otherwise indicated.

Proceeds from the sale of the 2025B Bonds will be used purpose of (i) designing, constructing, renovating, improving, upgrading, updating, modernizing, acquiring, and equipping school facilities (and any necessary or related removal of existing facilities), the purchase of the necessary sites for school facilities, and the purchase of new school buses, student transportation vehicles, and security devices for school buses and (ii) to pay the costs incurred in connection with the issuance of the 2025B Bonds.

General Description

General. The 2025B Bonds are being initially issued as two term bonds, the “Subseries 2025B-1 Bonds” and the “Subseries 2025B-2 Bonds”, which will bear interest at a respective initial term rate for each Subseries of 2025B Bonds that is effective from the initial delivery of the 2025B Bonds to the Underwriters (the “Delivery Date”) through conclusion of a respective initial interest rate period for each Subseries of 2025B Bonds. The “Initial Rate Period” for the Subseries 2025B-1 Bonds shall mean the period commencing on the Delivery Date and ending on August 14, 2027. During this Initial Rate Period, the Subseries 2025B-1 Bonds shall bear interest at the per annum rate of ____% which is the “Initial Rate” for the Subseries 2025B-1 Bonds. The “Initial Rate Period” for the Subseries 2025B-2 Bonds shall mean the period commencing on the Delivery Date and ending on August 14, 2028. During this Initial Rate Period, the Subseries 2025B-2 Bonds shall bear interest at the per annum rate of ____% which is the “Initial Rate” for the Subseries 2025B-2 Bonds. At the end of the respective Initial Rate Periods, the 2025B Bonds shall be subject to mandatory tender without right of retention by the Owners, and thereafter, the 2025B Bonds will bear interest at the rate or rates, as determined by the Remarketing Agent, dependent upon the interest rate mode in which the 2025B Bonds are remarketed (see “THE BONDS – Tender Provisions” herein).

Authorized Denominations. The 2025B Bonds are issued in denominations of \$5,000.

Calculation and Payment of Interest; Interest Payment Dates. Interest on the 2025B Bonds, during the respective Initial Rate Period, will accrue from the Date of Delivery to the Underwriters through and including the Last Day of Initial Rate Period for each Subseries of 2025B Bonds. All future interest payments on the 2025B Bonds will be payable on February 15 and August 15 each year through the respective Last Day of Initial Rate Period. If such day is not a business day, actual tender shall occur on the next business day (though interest will have ceased to accrue as of the Last Day of Initial Rate Period). Such interest on the 2025 Bonds, except with respect to the 2025B Bonds when bearing interest at a Stepped Rate (defined below) as further described below under the subcaption “THE BONDS – Tender Provisions – Mandatory Tender”, is calculated on the basis of a 360-day year of twelve 30-day months. Interest on the 2025B Bonds will be paid by check, sent by first class mail, to the owner of record on the Record Date (defined herein) or by such other customary banking arrangement acceptable to the Paying Agent/Registrar (defined herein) requested by and at the risk and expense of the owner. The Bonds will be issued as Book-Entry-Only securities through The Depository Trust Company, New York, New York (“DTC”). Use of the DTC Book-Entry-Only System will affect the timing and receipt of payment of interest on and principal of the Bonds. (See “BOOK-ENTRY-ONLY SYSTEM” herein.)

Paying Agent/Registrar. The Paying Agent/Registrar is BOKF, NA, Dallas, Texas. See “REGISTRATION, TRANSFER, AND EXCHANGE – Paying Agent/Registrar” for a discussion regarding the District’s obligation to maintain a Paying Agent/Registrar while the Bonds are outstanding.

Book-Entry System of Registration and Payment. The 2025B Bonds are issued as Book-Entry-Only securities through The Depository Trust Company, New York, New York (“DTC”). Use of the DTC Book-Entry-Only System will effect the timing and receipt of payment of interest on and principal of the 2025B Bonds. See “BOOK-ENTRY-ONLY SYSTEM.”

Initial Rate. As stated above, the 2025B Bonds will bear interest at the Initial Rate for the duration of the Initial Rate Period. Immediately after conclusion of the Initial Rate Period for each Subseries of 2025B Bonds, on their mandatory tender date (which date is also referred to and hereinafter defined as the “Conversion Date”), the 2025B Bonds will be converted to a new interest rate mode and period and remarketed to new holders, all pursuant to and subject to the terms of the 2025B Order (which provisions are summarized below).

Tender Agent. BOKF, NA, Dallas, Texas, will serve as the tender agent (the “Tender Agent”), for the 2025B Bonds. All notices and 2025B Bonds required to be delivered to the Tender Agent shall be delivered to BOKF, NA, Dallas, Texas, Attn: Tony Hongnoi, 5956 Sherry Lane, Suite 900, Dallas, Texas 75225. In the event that the Book-Entry-Only System herein is discontinued and registered bonds are issued, all notices and 2025B Bonds are required to be delivered to BOKF, NA, Dallas, Texas, Attn: Tony Hongnoi, 5956 Sherry Lane, Suite 900, Dallas, Texas 75225.

Remarketing Agent and Remarketing Agreement. In the 2025B Order, the District has covenanted to identify and enter into a contract with a qualified financial institution to serve as remarketing agent for the 2025B Bonds (the “Remarketing Agent”) prior to the commencement of the remarketing of the 2025B Bonds, and to retain such Remarketing Agent for so long, as required by the provisions of the 2025B Order. The District anticipates identifying the initial Remarketing Agent for the 2025B Bonds at or about the time the Board, prior to the expiration of the Initial Rate Period, adopts the order authorizing the remarketing of the Bonds from the Initial Rate Period into a subsequent interest rate period and mode. The Official Statement prepared by the District in conjunction with such remarketing of the 2025B Bonds will describe the terms of the agreement between the District and the Remarketing Agent, serving the District in such capacity.

Rate Mode Changes after Initial Rate Period. Following the Initial Rate Period, the 2025B Bonds may be converted, in whole or in part, into (i) a new interest period of at least one year in duration and during which such remarketed 2025B Bonds will bear interest at a term rate (such term rate of interest, a “Future Term Rate”; such duration during which remarketed 2025B Bonds bear interest at a Future Term Rate, the “Future Term Rate Period”) or (ii) an interest rate period during which such remarketed 2025B Bonds bear interest at fixed rates through the earlier of stated maturity or (as and if applicable) prior redemption (such fixed rates of interest, the “Future Fixed Rates”; such duration during which remarketed 2025B Bonds bear interest at Future Fixed Rates, the “Future Fixed Rate Period”). Future Term Rates and Future Fixed Rates, as applicable, will be determined by the Remarketing Agent and the District in accordance with the 2025B Order and as described below. A conversion of any 2025B Bonds to a Future Fixed Rate Period is irreversible and such converted Bonds will remain in the Future Fixed Rate Period, bearing interest at the applicable Future Fixed Rates, through the earlier of stated maturity or (as and if applicable) prior redemption.

The Paying Agent/Registrar is required to give notice to the owners of the 2025B Bonds of mandatory tender and conversion to a new interest rate mode at least 30 days prior to the Conversion Date. Each notice of mandatory tender and change between interest rate modes will be sent by first class mail to each owner’s address as it appears in the registration books of the Paying Agent/Registrar and will state: (a) the effective date and the type of interest rate mode to which the change will be made; (b) the date by which the Remarketing Agent will determine the new interest rate or rates; and (c) that the 2025B Bonds will be subject to mandatory tender on the effective date of the change in the interest rate mode, the procedure for such tender, including the date and time that any notices must be received.

Any conversion to a new interest mode and period will be conditioned on delivery of an opinion of nationally recognized bond counsel to the effect that the conversion will not adversely affect the excludability of interest on such Bonds from gross income of the owners thereof for federal income tax purposes if such conversion results in a reissuance of the remarketed Bonds under applicable federal tax law. The opinion of Bond Counsel expresses no opinion as to the effect on excludability from gross income for federal income tax purposes of any action taken which requires the receipt of an opinion of a nationally recognized bond counsel.

Bonds in the Initial Rate Period or a subsequent Future Term Rate Period cannot be converted to a new interest rate mode and period until conclusion of the then-existing interest rate period (which conversion will take place on the interest payment date immediately succeeding conclusion of the then-existing interest rate period).

Any owner of 2025B Bonds who may be unable to take timely action on any notice should consider whether to make arrangements for another person to act in his or her stead.

Determination of Interest Rates. During each interest rate period (each, a “Rate Period”) after the Initial Rate Period, the rate of interest on those 2025B Bonds that then-remain outstanding (the “Remarketed 2025B Bonds”) will be the rate that the Remarketing Agent determines, in conjunction with the District and under prevailing market conditions on the date of such determination, would result in the market value of the Remarketed 2025B Bonds being not less than 100% of the principal amount thereof. The date of such determination is defined herein as the “Rate Determination Date”.

The determination by the Remarketing Agent of the rate or rates of interest to be borne by the Remarketed 2025B Bonds will be conclusive and binding on the holders of the Remarketed 2025B Bonds, the District, the Paying Agent/Registrar and the Tender Agent. Failure by the Paying Agent/Registrar to give notice to the Bondholders, or any defect therein, will not affect the interest rate borne by the Remarketed 2025B Bonds or the rights of the owners thereof. In no event will the interest rate borne by any Bonds, including the Remarketed 2025B Bonds, exceed the “Highest Rate”, which (as provided in the Order) is the lesser of 7.00% and the maximum net effective interest rate permitted under Chapter 1204, Texas Government Code, as amended.

Remarketing and Purchase. The Remarketing Agent is required, at a minimum, to use its best efforts to sell such 2025B Bonds at a price equal to not less than 100% of the principal amount thereof plus accrued interest, if any, on the forthcoming Conversion Date or as quickly as possible thereafter.

The Purchase Price of 2025B Bonds tendered for purchase is required to be paid by the Tender Agent from money derived from the remarketing of such 2025B Bonds by the Remarketing Agent. If sufficient funds are not available for the purchase of all tendered 2025B Bonds, no purchase will be consummated.

Conversion to Fixed Rate. The 2025B Order provides that, at the option of the District, the 2025B Bonds may be converted in whole or in part to Bonds bearing interest at Future Fixed Rates on the Conversion Date. In the event of a partial conversion, the District shall determine the 2025B Bonds to be converted to Bonds bearing interest at Future Fixed Rates. Solely and exclusively with respect to the Remarketing Agent's setting of Future Fixed Rates on the 2025B Bonds to be converted to Bonds bearing interest at Future Fixed Rates on the Conversion Date, the Remarketing Agent, in consultation with and subject to the approval of the District, shall determine the rates for such converted 2025B Bonds that will cause such 2025B Bonds to have a market value, net of costs of issuance and remarketing fees, at least equal to the principal amount of converted 2025B Bonds. In addition, the District may seek competitive bids to determine the interest rates on 2025B Bonds converted to Bonds bearing interest at Future Fixed Rates.

To exercise its option, the District must deliver to the Paying Agent/Registrar and the Tender Agent written notice at least 45 calendar days prior to the interest payment date on which the Fixed Rate mode is to become effective (the "Fixed Rate Conversion Date"). The 2025B Bonds converted to 2025B Bonds bearing interest at Future Fixed Rates on a Fixed Rate Conversion Date shall mature, be subject to redemption and have the same terms and features (other than being subject to mandatory tender for purchase) as set forth in the 2025B Order with respect to 2025B Bonds bearing interest at the Initial Rate. Notwithstanding the previous sentence, in connection with a conversion of 2025B Bonds to 2025B Bonds bearing interest at Future Fixed Rates, the District may elect, at its sole option, to provide for serial maturities, revised redemption provisions and other terms applicable to the pricing of the 2025B Bonds on and after the Fixed Rate Conversion Date.

The Paying Agent/Registrar is required to give notice by mail to all owners of the conversion of 2025B Bonds to 2025B Bonds bearing interest at Future Fixed Rates not less than 30 calendar days prior to the Fixed Rate Conversion Date. Such notice is required to (a) specify the Fixed Rate Conversion Date and the date by which the District will determine the Future Fixed Rates; and (b) state that the 2025B Bonds will be subject to mandatory tender for purchase on the Fixed Rate Conversion Date without the right of the owners to retain their 2025B Bonds.

Tender Provisions

No Optional Tender. The 2025B Bonds are not subject to optional tender.

Mandatory Tender. The 2025 Bonds are required to be tendered for purchase and the Owner shall not have the right to elect to retain their 2025B Bonds on the respective Conversion Date (or if such date is not a Business Day, the first Business Day thereafter) immediately following the end of each respective Initial Rate Period.

The Subseries 2025B-1 Bonds are required to be tendered for purchase to the Tender Agent, without the right of retention, on August 15, 20__ (which is the day immediately following the scheduled conclusion of the Initial Rate Period); provided, however, that the District may declare that the Initial Rate Period shall conclude on any date occurring on or after August 14, 20__, causing the Subseries 2025B-1 Bonds to be subject to mandatory tender for purchase, without right of retention, on the day immediately following such declared date of Initial Rate Period conclusion. The date of mandatory tender of the Subseries 2025B-1 Bonds resulting from the conclusion of the Initial Rate Period, whether by stated expiration or the District's declaration of earlier conclusion (which is also the date of conversion of the interest rate or rates on such Subseries 2025B-1 Bonds), is herein referred to as the "Conversion Date". As a result of the foregoing, the Conversion Date for the Subseries 2025B-1 Bonds, if the District has determined to remarket Subseries 2025B-1 Bonds at the conclusion of the Initial Rate Period into a new interest rate mode or modes rather than redeem them, shall occur not earlier than August 15, 20__ nor later than August 15, 20__ (the "Latest Conversion Date").

The Subseries 2025B-2 Bonds are required to be tendered for purchase to the Tender Agent, without the right of retention, on August 15, 20__ (which is the day immediately following the scheduled conclusion of the Initial Rate Period); provided, however, that the District may declare that the Initial Rate Period shall conclude on any date occurring on or after August 14, 20__, causing the Subseries 2025B-2 Bonds to be subject to mandatory tender for purchase, without right of retention, on the day immediately following such declared date of Initial Rate Period conclusion. The date of mandatory tender of the Subseries of 2025B-2 Bonds resulting from the conclusion of the Initial Rate Period, whether by stated expiration or the District's declaration of earlier conclusion (which is also the date of conversion of the interest rate or rates on such Subseries 2025B-2 Bonds), is herein referred to as the "Conversion Date". As a result of the foregoing, the Conversion Date for the Subseries 2025B-2 Bonds, if the District has determined to remarket Subseries 2025B-2 Bonds at the conclusion of the Initial Rate Period into a new interest rate mode or modes rather than redeem them, shall occur not earlier than August 15, 20__ nor later than August 15, 20__ (the "Latest Conversion Date").

Payment of the Purchase Price (defined in the 2025B Order to mean, with respect to each 2025B Bond (or any portion thereof) tendered for purchase, the par amount thereof, plus accrued but unpaid interest thereon to the date of purchase) of 2025B Bonds to be purchased upon mandatory tender as described herein will be made by the Tender Agent at its Corporate Trust Office or by wire transfer in immediately available funds.

If either Subseries of 2025B Bonds are not converted and remarketed to new purchasers on their respective Latest Conversion Date, the District shall have no obligation to purchase the 2025B Bonds tendered on such date, the failed conversion and remarketing shall not constitute an event of default under the 2025B Order or the 2025B Bonds, the mandatory tender will be deemed to have been rescinded for that date with respect to the 2025B Bonds subject to such failed remarketing only, and such 2025B Bonds (i) will continue to be Outstanding, (ii) will be purchased upon the availability of funds to be received from the subsequent remarketing of such 2025B Bonds, (iii) will bear interest at the Stepped Rate during the Stepped Rate Period, (iv) will be subject to redemption and mandatory tender for purchase on any date during the Stepped Rate Period upon which a conversion occurs (which shall occur at the District's discretion upon delivery of at least one day's notice to the holders of 2025B Bonds bearing interest at the Stepped Rate), and (v) will be deemed to continue in the Initial Rate Period for all other purposes of the 2025B Order, though bearing interest during such time at the Stepped Rate until remarketed or redeemed in accordance with the terms of the 2025B Order. In the event of a failed conversion and remarketing as described above, the District has covenanted in the 2025B Order to cause the 2025B Bonds to be converted and remarketed on the earliest reasonably practicable date on which they can be sold at not less than par, in such interest rate mode or modes as the District directs, at a rate not exceeding the Highest Rate. The 2025B Order provides that the Stepped Rate means a rate per annum equal to ____%, calculated on the basis of twelve 30 day months and the number of days actually elapsed.

Notwithstanding the foregoing, a failure to remarket 2025B Bonds that are subject to mandatory tender, by election of the District, on a date that occurs prior to the Latest Conversion Date (such failure to be evidenced by a rescission of the notice of mandatory tender to the holders of 2025B Bonds delivered not later than the scheduled date of mandatory tender) shall result in those affected 2025B Bonds continuing to bear interest at the Initial Rate until the earlier to occur of redemption, mandatory tender for purchase by the Latest Conversion Date, or the expiration of the Initial Rate Period (after which the 2025B Bonds, if not remarked, shall bear interest at the Stepped Rate as described above).

Interest on any 2025B Bond that is not tendered on the Conversion Date, but for which there has been irrevocably deposited with the Tender Agent an amount sufficient to pay the Purchase Price thereof, will cease to accrue on the Conversion Date. Thereafter, the owner of such 2025B Bond will not be entitled to any payment other than the Purchase Price for such 2025B Bond from money held by the Tender Agent for such payment, and such Term Rate Bond will not otherwise be outstanding or entitled to the benefits of the 2025B Bond Order. On the Conversion Date, the Tender Agent will authenticate and deliver substitute 2025B Bonds in lieu of such untendered 2025B Bonds.

Redemption Provisions*

Optional Redemption. Each Subseries of the 2025B Bonds is not subject to optional redemption during the respective Initial Rate Period. Upon conversion to a Future Fixed Rate, the Bonds may be subject to redemption at the option of the District, in whole or in part, on the dates and at the redemption prices determined by the District on the Conversion Date. In addition to the foregoing and notwithstanding the notice provisions described below, the District, at its option, may purchase for cancellation or redeem any Bond subject to mandatory tender on any mandatory tender date therefor without notice, other than the notice of mandatory tender, to any Owner, at a price equal to the principal amount thereof plus any accrued and unpaid interest.

Mandatory Redemption. The 2025B Bonds are subject to mandatory redemption prior to stated maturity as follows:

Subseries 2025B-1 Bonds		Subseries 2025B-2 Bonds	
Due August 15, 2057		Due August 15, 2057	
<u>Maturity</u>	<u>Principal</u>	<u>Maturity</u>	<u>Principal</u>
<u>Date (8/15)</u>	<u>Amount*</u>	<u>Date (8/15)</u>	<u>Amount*</u>
2046	\$2,100,000	2046	\$4,175,000
2047	2,250,000	2047	4,340,000
2048	3,800,000	2048	3,115,000
2049	3,950,000	2049	3,315,000
2050	4,100,000	2050	3,525,000
2051	4,260,000	2051	3,745,000
2052	4,435,000	2052	3,975,000
2053	4,615,000	2053	4,215,000
2054	4,800,000	2054	4,470,000
2055	5,000,000	2055	4,735,000
2056	5,200,000	2056	5,020,000
2057	5,400,000	2057	5,330,000

The principal amount of 2025B 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 2025B Bonds which, at least 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 thereto credited against a mandatory redemption requirement.

Special Mandatory Redemption. While the 2025B Bonds are Outstanding and accruing interest at the Term Rate which includes a period longer than the period for which taxes are then being assessed, the District may, at its discretion and in accordance with and as permitted by the 2025B Order, budget for such fiscal year and levy taxes for the payment of interest on the 2025B Bonds based on an interest rate on the 2025B Bonds equal to the actual rate borne thereby or at the Highest Rate. At the end of the fiscal year in which the District levies a tax based on the interest rate on the 2025B Bonds being equal to a rate of interest other than the actual rate borne by the 2025B Bonds at the Highest Rate, the District shall determine whether the interest paid on the 2025B Bonds in such fiscal year is less than the amount of revenue collected. If in such circumstance the amount of interest paid on the 2025B Bonds is less than the amount collected, the District shall cause the difference between the amount budgeted at the assumed interest rate and the amount paid on the 2025B Bonds ("Excess Interest Funds") to be allocated and appropriated for the payment of the mandatory redemption of 2025B Bonds on the first August 15 next following the end of such fiscal year; provided the amount of such Excess Interest Funds is equal to or greater than \$100,000. In each fiscal year when the amount of Excess Interest Funds is equal to or greater than \$100,000, the District shall cause 2025B Bonds in a principal amount equivalent to the Excess Interest Funds to be redeemed on the August 15 next following the end of such fiscal year at the redemption price of par plus accrued interest to the date of redemption. The mandatory redemption of 2025B Bonds in accordance with the provisions of this paragraph shall be in addition to the amount of 2025B Bonds to be mandatorily redeemed as set forth in the schedule above in the years shown.

On or before January 1 of each year preceding each mandatory redemption date the 2025B Bonds are to be mandatorily redeemed, the District will notify the Paying Agent/Registrar in writing of the principal amount of 2025B Bonds to be mandatorily redeemed with Excess Interest Funds on the following August 15, and instruct the Paying Agent/Registrar to select by lot or other customary random selection method the 2025B Bonds or portions thereof to be redeemed.

Notice of Redemption. The Paying Agent/Registrar is required to cause notice of any redemption of 2025B Bonds to be mailed to each owner of 2025B Bonds to be redeemed at the respective addresses appearing in the registration books for the 2025B Bonds at least 30 days prior to the redemption date when 2025B Bonds bear interest at the Initial Rate or a Future Term Rate. All notices of redemption shall (i) specify the date of redemption for the 2025B Bonds, (ii) identify the 2025B Bonds to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed, (iii) state the redemption price, (iv) state the 2025B Bonds, or the portion of the principal amount thereof, to be redeemed, shall become due and payable on the redemption date specified, and the interest thereof, or on the portion of the principal amount thereof to be redeemed, shall cease to accrue from and after the redemption date, and (v) specify the payment of the redemption price for the 2025B Bonds, or the principal amount thereof to be redeemed, shall be made at the designated corporate trust office of the Paying Agent/Registrar only upon presentation and surrender thereof by the registered owner. If a 2025B Bond is subject by its terms to redemption and has been called for redemption and notice of redemption thereof has been duly given or waived, as provided in the 2025B Order, such 2025B Bonds (or the principal amount thereof to be redeemed) so called for redemption shall become due and payable, and on the redemption date designated in such notice, interest on such 2025B Bonds (or the principal amount thereof to be redeemed) called for redemption shall cease to accrue and such 2025B Bonds shall not be deemed to be outstanding. A notice of mandatory tender delivered in connection with the remarketing of any outstanding 2025B Bonds shall also serve as notice of redemption if any such 2025B Bonds will be redeemed on the Conversion Date.

ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN AND THE 2025B BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY 2025B BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

DTC Redemption Provision. The Paying Agent/Registrar, so long as a book-entry system is used for the 2025B Bonds, will send any notice of redemption, or other notices with respect to the 2025B Bonds only to DTC (or any successor securities depository for the Bonds). Any failure by DTC to advise any Direct Participant (defined herein), or of any Direct Participant or Indirect Participant (defined herein) to notify the Beneficial Owner (defined herein), will not affect the validity of the redemption of the 2025B 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 Direct Participants in accordance with its rules or other agreements with Direct Participants and then Direct 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 2025B Order and will not be conducted by the District or Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to Direct

* Preliminary, subject to change.

Participants, Indirect Participants, or the persons for whom Direct Participants act as nominees, with respect to the payments on the 2025B Bonds or the providing of notice to Direct Participants, Indirect Participants, or Beneficial Owners of the selection of portions of the 2025B Bonds for redemption (see “BOOK-ENTRY-ONLY SYSTEM” herein.)

Security

The 2025B Bonds are direct obligations of the District and are payable as to principal and interest from an annual ad valorem tax levied, without limit as to rate or amount, on all taxable property within the District as provided in the 2025B Order (see “TAX RATE LIMITATIONS”). Also see “STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS” and “CURRENT PUBLIC SCHOOL FINANCE SYSTEM” for a discussion of recent developments in State law affecting the financing of school districts in the State.

Additionally, the District has received conditional approval for the payment of the Bonds to be guaranteed by the corpus of the Permanent School Fund of Texas (see “APPENDIX C – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”).

Permanent School Fund Guarantee

In connection with the sale of the 2025B Bonds, the District has submitted an application to the Texas Education Agency and has received conditional approval from the Commissioner of Education, for the guarantee of the 2025B Bonds under the Guarantee Program for School District Bonds (Chapter 45, Subchapter C, of the Texas Education Code). Subject to meeting certain conditions discussed in “APPENDIX C – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” herein, the payment when due of principal of, and interest on, the 2025B Bonds will be guaranteed by the corpus of the Permanent School Fund of the State of Texas in accordance with the terms of the Guarantee Program for School District Bonds. In the event of default, registered owners of the 2025B Bonds will receive all payments due from the corpus of the Permanent School Fund.

In the event the District defeases any of the 2025B Bonds, the payment of such defeased 2025B Bonds will cease to be guaranteed by the Permanent School Fund Guarantee (see “THE BONDS – Defeasance of the Bonds”).

Legality

The 2025B Bonds are offered when, as and if issued, and subject to the approval of legality by the Attorney General of the State of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel (legal opinion printed on or attached to the 2025B Bonds - see “LEGAL MATTERS” and “APPENDIX D – FORM OF LEGAL OPINION OF BOND COUNSEL”).

Amendments

The District may, without the consent of or notice to any registered owners, amend, change, or modify the 2025B Order as may be required (i) by the provisions thereof, (ii) for the purpose of curing any ambiguity, inconsistency, or formal defect or omission herein, or (iii) in connection with any other change which is not to the prejudice of the registered owners. The District may, with the written consent of the registered owners of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, change, modify, or rescind any provisions of the 2025B Order; provided that without the consent of all of the registered owners affected, no such amendment, change, modification, or rescission shall (i) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount, redemption price, or Purchase Price thereof or the rate of interest thereon, (ii) give any preference to any Bond over any other Bond, or (iii) reduce the aggregate principal amount of Bonds required for consent to any such amendment, change, modification, or rescission.

Defeasance of the Bonds

The 2025B Order provides for the defeasance of the 2025B Bonds when payment of the principal amount plus accrued interest on the 2025B Bonds, to their due date (whether such due date be by reason of maturity or otherwise), is provided by irrevocably depositing with a paying agent or other authorized entity, in trust (1) money sufficient to make such payment or (2) Defeasance Securities scheduled to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of an amount sufficient to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent/registrar for the 2025B Bonds, and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The 2025B Bond Order provides that “Defeasance Securities” means any securities and obligations now or hereafter authorized by Texas law that are eligible to discharge obligations such as the 2025B Bonds. The Pricing Officer may restrict such eligible securities and obligations as deemed appropriate. Current Texas law permits defeasance with the following types of securities (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and

that, on the date the Board authorizes the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the Board authorizes the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent. The District has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested money on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance. There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the 2025B Bonds. Because the 2025B Order does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding obligations of the District for purposes of applying any limitation on indebtedness or for purposes of taxation. Provided, however, the District has reserved the option, to be exercised at the time of the defeasance of the 2025B Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their maturity date, if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call such Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of such Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Defeasance of any of the 2025B Bonds as described herein will automatically cancel the Permanent School Fund Guarantee with respect to the 2025B Bonds defeased (see “APPENDIX C – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”).

Sources and Uses of Funds

The proceeds from the sale of the 2025B Bonds will be applied approximately as follows:

Sources:	
Principal Amount of the Bonds	\$
Net Original Issue Premium	
Total Sources of Funds	\$
Uses:	
Deposit to Project Fund	\$
Deposit to Debt Service Fund	
Underwriters’ Discount	
Costs of Issuance	
Total Uses of Funds	\$

REGISTERED OWNERS’ REMEDIES

If the District defaults in the payment of principal or interest on the Bonds when due, or if it fails to make payments into any fund or funds created in the Order, or defaults in the observation or performance of any other covenants, conditions or obligations set forth in the 2025B Order, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the covenants contained in the Bonds or in the 2025B Order and the District’s obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The 2025B Order does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the 2025B Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in “clear and unambiguous” language. Chapter 1371, which pertains to the issuance of public securities by issuers such as the District, permits the District to waive sovereign immunity in the proceedings authorizing its bonds, but in connection with the issuance of the Bonds, and even though it has relied on Chapter 1371 with respect to such issuance (see “THE BONDS – Authorization and Purpose” herein) the District has not waived sovereign immunity. Because it is unclear whether the Texas legislature has effectively waived the District’s sovereign immunity from a suit for money damages outside of Chapter 1371, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or 2025B Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District’s property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District

to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code (“Chapter 9”). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

See “APPENDIX C – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” herein for a description of the procedures to be followed for payment of the Bonds by the Permanent School Fund in the event the District fails to make a payment on the Bonds when due.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the 2025B Bonds is to be transferred and how the principal of, premium, if any, interest and redemption payments on the 2025B Bonds are to be paid to and credited by DTC while the 2025B Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Municipal Advisor and the Underwriters believe the source of such information to be reliable, but none of the District, the Municipal Advisor or the Underwriters takes any responsibility for the accuracy or completeness thereof.

The District, the Municipal Advisor, and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the 2025B 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 2025B Bonds), or redemption or other notices, to the Beneficial Owners (as hereinafter defined), or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the 2025B Bonds. The 2025B Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security will be issued for each stated maturity of Bonds, as set forth on page ii hereof, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of 2025B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2025B Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2025B 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 2025B Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the 2025B 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 2025B 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 2025B Bonds, such as redemptions, defaults, and proposed amendments to the 2025B Bond documents. For example, Beneficial Owners of 2025B Bonds may wish to ascertain that the nominee holding the 2025B Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2025B 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 2025B 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 2025B Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the 2025B Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2025B 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, 2025B Bond certificates are required to be printed and delivered (see "REGISTRATION, TRANSFER AND EXCHANGE – Future Registration").

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository.) In that event, 2025B Bonds will be printed and delivered in accordance with the 2025B Order.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the 2025B 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 2025B 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 2025B 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 2025B Bonds will be issued to the holders and the 2025B Bonds will be subject to transfer, exchange and registration provisions as set forth in the 2025B Order and summarized under "REGISTRATION, TRANSFER AND EXCHANGE" below.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

BOKF, NA, Dallas, Texas, has been named to serve as initial Paying Agent/Registrar for the 2025B Bonds. In the 2025B 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 the applicable law; or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the 2025B Bonds. Upon any change in the Paying Agent/Registrar for the 2025B Bonds, the District agrees to promptly cause a written notice thereof to be sent to each registered owner of the 2025B 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 2025B 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; provided however, the Record Date for the August 28, 2025 irregular interest payment date shall be the Delivery 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 of the 2025B Bonds will be paid to the registered owner at the stated maturity or prior 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 2025B Bonds is a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the principal corporate trust 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 2025B Bonds, principal, interest and redemption payments on the 2025B Bonds will be made as described in "BOOK-ENTRY-ONLY SYSTEM" above.

Future Registration

In the event the Book-Entry-Only System is discontinued, printed 2025B Bond certificates will be delivered to the owners of the 2025B Bonds and thereafter the 2025B Bonds may be transferred, registered and assigned on the registration books only upon presentation and surrender of such printed certificates to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A 205B Bond may be assigned by the execution of an assignment form on the or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new 2025B Bond or 2025B Bonds will be delivered by the Paying Agent/Registrar in lieu of the 2025B Bond being transferred or exchanged at the designated office of the Paying Agent/Registrar or sent by United States registered mail to the new Registered Owner at the Registered Owner's request, risk and expense. To the extent possible, new 2025B Bonds issued in an exchange or transfer of 2025B Bonds will be delivered to the Registered Owner or assignee of the Registered Owner in not more than three (3) business days after the receipt of the 2025B Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the Registered Owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New 2025B Bonds registered and delivered in an exchange or transfer shall be in authorized denominations and for a like kind and aggregate principal amount as the 2025B Bond or 2025B Bonds surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to the ownership and transferability of the 2025B Bonds.

Record Date for Interest Payment

The record date ("Record Date") for the interest payable on any interest payment date for the 2025B Bonds means the close of business on the last business day of the month next preceding such interest payment date; provided however, the Record Date for the August 28, 2025 irregular interest payment date shall be the Delivery Date. In the event of a nonpayment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each Registered Owner of a 2025B Bond appearing on the books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Limitation on Transfer of Bonds

Neither the District nor the Paying Agent/Registrar shall be required make any transfer or exchange (i) with respect to any 2025B Bond, during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any 2025B Bond or any portion thereof called for redemption

prior to maturity, within 45 days prior to its redemption date, provided, however, such limitation on transferability shall not be applicable to an exchange by the Registered Owner of the uncalled balance of a 2025B Bond.

Replacement Bonds

If any 2025B Bond is damaged, mutilated, destroyed, stolen or lost, a new 2025B Bond in the same principal amount as the 2025B Bond so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated 2025B Bond, such new 2025B Bond will be delivered only upon surrender and cancellation of such mutilated 2025B Bond. In the case of any 2025B Bond issued in lieu of and in substitution for a 2025B Bond which has been destroyed, stolen or lost, such new 2025B Bond will be delivered only (a) upon filing with the District and the Paying Agent/Registrar of satisfactory evidence to the effect that such 2025B Bond has been destroyed, stolen or lost and proof of the ownership thereof, and (b) upon furnishing the District and the Paying Agent/Registrar with indemnity satisfactory to them. The person requesting the authentication and delivery of a new 2025B Bond must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

The information below concerning the Texas Permanent School Fund and the Guarantee Program for School District Bonds has been provided by the Texas Education Agency and is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the District or the Underwriters.

Subject to satisfying certain conditions, the payment of the 2025B Bonds will be guaranteed by the corpus of the Permanent School Fund of the State of Texas. In the event of default, registered owners will receive all payments due on the 2025B Bonds from the Permanent School Fund, and the Charter District Bond Guarantee Reserve would be the first source to pay debt service if a charter school was unable to make such payment. See “APPENDIX C – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” for pertinent information regarding the Permanent School Fund Guarantee Program. The disclosure regarding the Permanent School Fund Guarantee Program in APPENDIX C is incorporated herein and made a part hereof for all purposes.

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

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

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”).

Effective January 1, 2024, an appraisal district may only increase the appraised value of real property during the 2024 tax year on non-homestead properties (the “Subjected Property”) whose appraised values are not more than \$5 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 (collectively, the “Appraisal Cap”). After the 2024 tax year, through December 31, 2026, 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 applicable Maximum Property Value. After such time, the value limitation provisions for non-homestead properties described above will expire unless extended by future legislation. For the 2025 tax year, the Maximum Property Value was increased to \$5,160,000.

State Mandated Homestead Exemptions

State law grants, with respect to each school district in the State, (1) a \$100,000 exemption of the appraised value of all homesteads, (2) a \$10,000 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. See Tables 1 and 9 in APPENDIX A – “FINANCIAL INFORMATION REGARDING THE DISTRICT” for the reduction in taxable valuation attributable to state mandated homestead exemptions.

See “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Sessions” herein for a discussion of a potential increase in the general State mandated homestead exemption of the appraised value for all homesteads from \$100,000 to \$140,000 and a potential increase in the State mandated homestead exemption of persons sixty-five (65) years of age or older and the disabled from \$10,000 to \$60,000.

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 reducing or repealing a general optional homestead exemption described in (1) above that was granted in tax year 2022 through December 31, 2027 (see “APPENDIX A – FINANCIAL INFORMATION REGARDING THE DISTRICT - Table 1- Assessed Valuation” for the reduction in taxable valuation, if any, attributable to local option homestead exemptions).

See “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Sessions” herein for a discussion of a potential increase in the general State mandated homestead exemption of the appraised value for all homesteads from \$100,000 to \$140,000 and a potential increase in the State mandated homestead exemption of persons sixty-five (65) years of age or older and the disabled from \$10,000 to \$60,000.

State Mandated Freeze on School District Taxes

Except for increases attributable to certain improvements, a school district is prohibited from increasing the total ad valorem tax on the homestead of persons sixty-five (65) years of age or older or of disabled persons above the amount of tax imposed in the year such homestead qualified for such exemption. This freeze is transferable to a different homestead if a qualifying taxpayer moves and, under certain circumstances, is also transferable to the surviving spouse of persons sixty-five (65) years of age or older, but not the disabled (see “APPENDIX A – FINANCIAL INFORMATION REGARDING THE DISTRICT - Table 1- Assessed Valuation” for the reduction in taxable valuation, if any, attributable to local option homestead exemptions).

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. House Bill 9 approved by the 89th Texas Legislature, increases exemption for tangible personal property used in the “production of income” from the current \$2,500 to \$125,000. This legislation is effective September 1, 2025, but is contingent on the passage of a Constitutional amendment at the November 2025 State-wide Constitutional election.

House Bill 9 approved by the 89th Texas Legislature, increases exemption for tangible personal property used in the “production of income” from the current \$2,500 to \$125,000. This legislation is effective September 1, 2025, but is contingent on the passage of a Constitutional amendment at the November 2025, State-wide Constitutional election.

Freeport and Goods-In-Transit Exemptions

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

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

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property (see “APPENDIX A – FINANCIAL INFORMATION REGARDING THE DISTRICT - Table 1- Assessed Valuation” for the reduction in taxable valuation, if any, attributable to Freeport Property or Goods-in-Transit exemptions).

Other Exempt Property

Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property. Beginning with the 2026 tax year, all intangible personal property is exempt from 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 Texas Legislature amended Section 11.35, Property Tax Code, to clarify that “damage” for purposes of such statute is limited to “physical damage”. For more information on the exemption, reference is made to Section 11.35 of the Property 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 (former Chapter 313, Texas Tax Code) previously 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 was not fully taxable is excluded from the school district's taxable property values. Therefore, a school district would not be subject to a reduction in Tier One or Tier Two State funds as a result of lost M&O tax revenues due to entering into a tax limitation agreement. The 87th Texas Legislature did not vote to extend this program, which expired by its terms on December 31, 2022 (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts").

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 with a taxable value in excess of the current year "minimum eligibility amount," as determined by the State Comptroller of Public Accounts, and situated in a county with a population of 1.2 million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$61,349,201 for the 2025 tax year and is adjusted annually by the State Comptroller of Public Accounts to reflect the inflation rate.

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

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and generally become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus

one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the District may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances. The Property Tax Code permits taxpayers owning homes or certain businesses located in a disaster area and damaged as a direct result of the declared disaster to pay taxes imposed in the year following the disaster in four equal installments without penalty or interest, commencing on February 1 and ending on August 1. See “AD VALOREM TAX PROCEDURES – Temporary Exemption for Qualified Property Damaged by a Disaster” herein for further information related to a discussion of the applicability of this section of the Property Tax Code.

District’s Rights in the Event of Tax Delinquencies

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

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

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

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

THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT

The Appraisal District has the responsibility for appraising property in the District as well as other taxing units in Denton County. The Appraisal District is governed by a board of directors, members of which are both appointed by the governing bodies of various political subdivisions that participate in the Appraisal District and elected by voters within the County. The District’s taxes are collected by the Denton County Tax Assessor-Collector.

The District grants a State mandated \$100,000 general residence homestead exemption. See “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Sessions” herein for a discussion of a potential increase in the State mandated general residence homestead exemption from \$100,000 to \$140,000.

The District grants a state mandated \$10,000 residence homestead exemption for persons 65 years of age or older or disabled persons. See “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Sessions” herein for a discussion of a potential increase in the State mandated residence homestead exemption for persons 65 years of age or older and the disabled from \$10,000 to \$60,000.

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

The District has not granted a local option, additional exemption of up to 20% of the market value of residence homesteads.

The District has not granted a local option, additional exemption for persons 65 years of age or older above the amount of the State mandated exemption.

The District has not granted a local option, additional exemption for disabled veterans above the amount of the State mandated exemption.

The District does not tax non-business personal property.

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

The District does grant a freeport property exemption.

The District has taken action to continue to tax “goods-in transit.”

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

The District does not currently grant any tax abatements.

The Board has approved a resolution initiating an additional 20% penalty to defray attorney costs in the collection of delinquent taxes over and above the penalty automatically assessed under the Property Tax Code. Charges for penalties and interest on the unpaid balance of delinquent taxes are as follows:

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

After July, the penalty remains at 12%, and interest increases at the rate of 1% each month. An additional penalty of 20% is assessed on July 1 in order to defray attorney collection expenses.

Property within the District is assessed as of January 1 of each year (except business inventories which may be assessed as of September 1 and mineral values which are assessed on the basis of a twelve-month average) and taxes become due October 1 of the same year and become delinquent on February 1 of the following year. Split payments of taxes are not permitted. Discounts for the early payment of taxes are not permitted.

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Litigation Relating to the Texas Public School Finance System

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

On May 13, 2016, the Court issued its opinion in the most recent school finance litigation, *Morath, et al. v. The Texas Taxpayer and Student Fairness Coalition, et al.*, 490 S.W.3d 826 (Tex. 2016) (“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 2025B 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 2025B Bonds, specifically, the District’s obligation to levy an unlimited debt service tax and any Permanent School Fund guarantee of the 2025B Bonds would be adversely affected by any such legislation (see “CURRENT PUBLIC SCHOOL FINANCE SYSTEM”).

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

Overview

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

Local funding for school districts is derived from collections of ad valorem taxes levied on property located within each school district’s boundaries. School districts are authorized to levy two types of property taxes: (i) a maintenance and operations (“M&O”) tax to pay current expenses and (ii) an interest and sinking fund (“I&S”) tax to pay debt service on bonds. School districts are prohibited from levying an M&O tax rate for the purpose of creating a surplus in M&O tax revenues to pay the district’s debt service. Prior to 2006, school districts were authorized to levy their M&O tax at a voter-approved rate, generally up to \$1.50 per \$100 of taxable value. Since 2006, the State Legislature has enacted various legislation that has compressed the voter-approved M&O tax rate, as described below. 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 local funding generated by a school district’s M&O tax rate.

2025 Legislative Sessions

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

The Governor called a special session which began on July 21, 2025. The initial agenda, which may be supplemented at any time, for the special session includes 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, and (xviii) the state judicial department. The Governor has also identified several bills that were vetoed or filed without signature that will be placed on the upcoming special session agenda for further consideration. Additional special sessions may be called by the Governor.

During the 89th Regular Session, the Legislature considered a general appropriations act and legislation affecting the Finance System and ad valorem taxation procedures and exemptions, and investments, among other legislation affecting school districts and the administrative agencies that oversee school districts. Subject to voter approval at a Statewide election to be held on November 4, 2025, legislation passed by both houses of the Legislature would increase: (1) the State mandated general homestead exemption from

\$100,000 to \$140,000, (2) the additional exemption on the residence homesteads of those at least sixty-five (65) years of age or disabled from \$10,000 to \$60,000, and (3) the exemption for tangible personal property used in the production of income from the current \$2,500 to \$125,000. Additionally, the Legislature passed legislation that authorizes roughly \$8.5 billion in funding for public schools and provides districts with a \$55 per-student increase to their base funding beginning September 1, 2025, as well as providing districts with additional funding for teacher and staff salaries, educator preparation, special education, safety requirements and early childhood learning. Finally, legislation passed by the Legislature and signed into law by the Governor will create an education savings account program (commonly referred to as vouchers) for students that attend private schools or home school. The legislation becomes effective September 1, 2025, when the state fiscal biennium begins, though families will not receive ESA funds until the 2026-2027 school year. The amount spent for purposes of the program for the 2025-2027 biennium may not exceed \$1 billion. Beginning on September 1, 2027, the legislation requires the Legislature to re-appropriate funds for the program for each subsequent State fiscal biennium. Such program could impact attendance in the District by incentivizing students to homeschool or attend private schools, which could negatively affect the District's attendance-based funding.

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

2023 Legislative Session

The regular session of the 88th Texas Legislature (the “88th Regular Session”) began on January 10, 2023 and adjourned on May 29, 2023. 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 one or more special sessions, at the Governor’s discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Governor has called and the Legislature has concluded four special sessions during the 88th Texas Legislature (such special sessions, together with the 88th Regular Session, the “2023 Legislative Sessions”).

During the 88th 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. Legislation enacted by the Legislature fully-funded the Foundation School Program for the 2024-2025 State fiscal biennium and increased the State guaranteed yield on the first \$0.08 cents of tax effort beyond a school district’s Maximum Compressed Tax Rate (as defined herein) to \$126.21 per penny of tax effort per student in WADA (as defined herein) in 2024 (from \$98.56 in 2023) and \$129.52 per penny of tax effort per student in WADA in 2025 (see “– State Funding for School Districts – Tier Two”). The Legislature also provided for an increase in funding for the school safety allotment to \$10.00 (from \$9.72 in the prior year) per ADA (as defined herein) and \$15,000 per campus. The Legislature set aside approximately \$4,000,000,000 in additional funding for public education contingent on certain legislation passing in future special sessions. However, the Legislature did not take action on such funding in any of the called special sessions of the 88th Texas Legislature.

During the second called special session, legislation was passed, and at an election held in the State on November 7, 2023, voters approved a State constitutional amendment that (i) reduced the Maximum Compressed Tax Rate for school districts by approximately \$0.107 for the 2023-2024 school year; (ii) increased the amount of the mandatory school district general residential homestead exemption from ad valorem taxation from \$40,000 to \$100,000 and to hold districts harmless from certain M&O and I&S tax revenue losses associated with the increase in the mandatory homestead exemption (in connection with the 2025B Bonds, the District will not be held harmless for any I&S tax revenue losses) (iii) adjusted the amount of the limitation on school district ad valorem taxes imposed on the residence homesteads of the elderly or disabled to reflect increases in exemption amounts; (iv) prohibited school districts, cities and counties from repealing or reducing a general optional homestead exemption that was granted in tax year 2022 (the prohibition expires on December 31, 2027); (v) established a three-year pilot program limiting growth in the taxable assessed value of non-residence homestead property valued at \$5,000,000 or less to 20 percent (school districts are not held harmless for any negative revenue impacts associated with such limits); (vi) excepted certain appropriations to pay for ad valorem tax relief from the constitutional limitation on the rate of growth of appropriations; and (vii) expanded the size of the governing body of an appraisal district in a county with a population of more than 75,000 by adding elected directors and authorizing the Legislature to provide for a four-year term of office for a member of the board of directors of certain appraisal districts. This legislation reduces the amount of property taxes paid by homeowners and businesses and increases the State’s share of the cost of funding public education.

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" or "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: (i) 93% or a lower percentage set by appropriation for a school year; (ii) a percentage determined by formula if the estimated total taxable property value of the State (as submitted annually to the Legislature by the State Comptroller of Public Accounts) has increased by at least 2.5% over the prior year; and (iii) the prior year SCP. For any year, the maximum SCP is 93%. For the State fiscal year ending in 2026, the SCP is set at 63.22%.

Maximum Compressed Tax Rate. The "Maximum Compressed Tax Rate" or the "MCR" is the tax rate per \$100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate (described below) to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of two alternative calculations: (1) the "State Compression Percentage" (as discussed above) multiplied by \$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 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. For the 2025-2026 school year, the Legislature reduced the maximum MCR, establishing \$0.6322 as the maximum rate and \$0.5689 as the floor.

In calculating and making available school districts' MCRs for the 2025-2026 school year, the TEA 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. Subject to voter approval at a Statewide election to be held on November 4, 2025, the residential homestead exemption under Section 1-b(c), Article VIII, Texas Constitution would increase (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. If adopted, 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 calculated M&O revenues generated by the school district's respective M&O tax rates.

The first level of funding, Tier One, is the basic level of funding guaranteed to all school districts based on a school district's Tier One Tax Rate. Tier One funding may then be "enriched" with Tier Two funding. Tier Two provides a guaranteed entitlement for each cent of a school district's Enrichment Tax Rate, allowing a school district increase or decrease its Enrichment Tax Rate to supplement Tier One funding at a level of the school district's own choice. While Tier One funding may be used for the payment of debt service (except for school districts subject to the recapture provisions of Chapter 49 of the Texas Education Code, as amended,

as discussed herein), and in some instances is required to be used for that purpose (see “TAX RATE LIMITATIONS – I&S Tax Rate Limitations” herein). Tier Two funding may not be used for the payment of debt service or capital outlay.

The 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 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 Legislature.

Tier One. Tier One funding is the basic level of programmatic funding guaranteed to a school district, consisting of a State-appropriated baseline level of funding (the “Basic Allotment”) for each student in “Average Daily Attendance” (being generally calculated as the sum of student attendance for each State-mandated day of instruction divided by the number of State-mandated days of instruction, defined herein as “ADA”). The Basic Allotment is revised downward if a school district’s Tier One Tax Rate is less than the State-determined threshold. The Basic Allotment is supplemented by additional State funds, allotted based upon the unique school district characteristics, the demographics of students in ADA, and the educational programs the students are being served in, to make up most of a school district’s Tier One entitlement under the Foundation School Program.

The Basic Allotment for a school district with a Tier One Tax Rate equal to the school district’s MCR, is \$6,160 plus the guaranteed yield increment adjustment (the “GYIA”) for each student in ADA and is revised downward for a school district with a Tier One Tax Rate lower than the school district’s MCR. The YIA is established by October 1 of each even-numbers year for the subsequent biennium. For the 2026-27 biennium, the GIA 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, (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 compensation incentive allotment to increase teacher retention in disadvantaged or rural school districts. A school district’s total Tier One funding, divided by the district’s Basic Allotment is a school district’s measure of students in “Weighted Average Daily Attendance” (“WADA”), which serves to calculate Tier Two funding.

The fast growth allotment weights are 0.48 for districts in the top 40% of school districts for growth, 0.33 for districts in the middle 30% of school districts for growth and 0.18 for districts in the bottom 30% of school districts for growth. The fast growth allotment is limited to \$320 million for the 2026-27 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 of \$49.72 per student in WADA for each Copper Penny levied.

Existing Debt Allotment, Instruction Facilities Allotment, and New Instructional Facilities Allotment. The Foundation School Program also includes facilities funding components consisting of the IFA and the EDA, subject to legislative appropriation each State fiscal biennium. To the extent funded for a biennium, these programs assist school districts in funding facilities by, generally, equalizing a school district’s I&S tax effort. The IFA guarantees each awarded school district a specified amount per student (the “IFA Yield”) in State and local funds for each cent of I&S tax levied to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate or improve instructional facilities. The IFA Yield has been \$35 since the program first began in 1997. New awards of IFA are only available if appropriated funds are allocated for such purpose by the Legislature. To receive an IFA award, in years where new IFA awards are available, a school district must apply to the Commissioner in accordance with rules adopted by the TEA before issuing the bonds to be paid with IFA State assistance. The total amount of debt service assistance over a biennium for which a school district may be awarded is limited to the lesser of (1) the actual debt service payments made by the school district in the biennium in which the bonds are issued; or (2) the greater of (a) \$100,000 or (b) \$250 multiplied by the number of students in ADA. The IFA is also available for lease-purchase agreements and refunding bonds meeting certain prescribed conditions. Once a school district receives an IFA award for bonds, it is entitled to continue receiving State assistance for such bonds without reapplying to the Commissioner. The guaranteed level of State and local funds per student per cent of local tax effort applicable to the bonds may not be reduced below the level provided for the year in which the bonds were issued. For the 2024-2025

State fiscal biennium, the Legislature did not appropriate any funds for new IFA awards; however, awards previously granted in years the 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 Legislature). In general, a school district’s bonds are eligible for EDA assistance if (i) the school district made payments on the bonds during the final fiscal year of the preceding State fiscal biennium, or (ii) the school district levied taxes to pay the principal of and interest on the bonds for that fiscal year. Each biennium, access to EDA funding is determined by the debt service taxes collected in the final year of the preceding biennium. A school district may not receive EDA funding for the principal and interest on a series of otherwise eligible bonds for which the school district receives IFA funding.

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

A school district may also qualify for a NIFA allotment, which provides assistance to school districts for operational expenses associated with opening new instructional facilities. During the 2025 Legislative Sessions, the Legislature appropriated funds in the amount of \$150,000,000 for each fiscal year of the 2026-2027 State fiscal biennium for NIFA allotments.

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

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 (6) 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.

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

The School Finance System as Applied to the District

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

A district's local revenue levels must be tested for each future school year and, if local revenues exceed the district's entitlements, the district must reduce its wealth per student by the exercise of one of the permitted wealth equalization options. Accordingly, if the District's local revenues should exceed its entitlements in future school years, it will be required to exercise one or more of the permitted options to reduce local revenues.

A district's status as to any excess local revenue in Tier One and its wealth per student for Copper Penny purposes in Tier Two must be tested for each future school year and, if it exceeds the maximum permitted levels, the excess must be reduced by exercising one of the permitted wealth equalization options. If the District were to consolidate (or consolidate its tax base for all purposes) with a district not designated as an excess local revenue 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 2025B Bonds) could be assumed by the district to which the property is annexed, in which case timely payment of the 2025B Bonds could become dependent in part on the financial performance of the annexing district (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Revenue Level in Excess of Entitlement" herein).

TAX RATE LIMITATIONS

M&O Tax Rate Limitations

A school district is authorized to levy M&O taxes subject to approval of a proposition submitted to district voters under Section 45.003(d) of the Texas Education Code, as amended. 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 maximum voted M&O tax rate for the District is \$1.50 per \$100 of assessed valuation as approved by the voters at an election held on November 2, 2002 under Chapter 20, Texas Education Code (now codified at Section 45.003, Texas Education Code).

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

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").

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 2025B Bonds are issued for school building purposes and to purchase new school buses pursuant to Chapter 45 as new debt and are subject to the 50-cent Test. The District has used projected property values to satisfy this threshold test in the past and will use a projected property value to satisfy the 50-cent Test in connection with the 2025B Bonds. The District has not used other hold-harmless funding or other State assistance to satisfy the 50-cent Test in connection with the 2025B Bonds.

Public Hearing and Voter-Approval Tax Rate

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

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

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

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

The calculation of the Voter-Approval Tax Rate does not limit or impact the District’s ability to set an I&S tax rate in each year sufficient to pay debt service on all of the District’s tax-supported debt obligations, including the 2025B 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.

LEGAL MATTERS

The District will furnish to the Underwriters a complete transcript of proceedings incident to the authorization and issuance of the 2025B Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the 2025B Bonds are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, with respect to the 2025B Bonds being issued in compliance with the provisions of applicable law and the interest on the 2025B Bonds being excludable from gross income for purposes of federal income tax, subject to the matters described under "TAX MATTERS" herein. The form of Bond Counsel's opinion is attached hereto as APPENDIX D.

Though it represents the Municipal Advisor and the Underwriters from time to time in matters unrelated to the issuance of the 2025B Bonds, Bond Counsel has been engaged by and only represents the District in connection with the issuance of the 2025B Bonds. Bond Counsel also advises the TEA in connection with its disclosure obligations under the federal securities laws, but Bond Counsel has not passed upon any TEA disclosures contained in this Official Statement. Except as noted below, 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 Bond Counsel, such firm has reviewed the information appearing under captions or subcaptions, "THE BONDS" (except under the subcaptions "Permanent School Fund Guarantee," "Payment Record," and "Sources and Uses of Funds"), "REGISTRATION, TRANSFER AND EXCHANGE," "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS," "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" (except under the subcaption "The School Finance System as Applied to the District"), "TAX RATE LIMITATIONS" (first paragraph only), "LEGAL MATTERS" (except the last sentence of the paragraph thereof), "TAX MATTERS," "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE," and "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance With Prior Undertakings") and such firm is of the opinion that the information relating to the 2025B Bonds and legal matters contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the 2025B Bonds, such information conforms to the 2025B Order. The legal opinion of Bond Counsel will accompany the 2025B Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by their counsel Norton Rose Fulbright US LLP, Dallas, Texas and the legal fee to be paid to counsel to the Underwriters for services rendered in connection with the issuance of the 2025B Bonds is contingent upon the sale of and the delivery of the 2025B Bonds.

The various legal opinions to be delivered concurrently with the delivery of the 2025B 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.

TAX MATTERS

Opinion

On the date of initial delivery of the 2025B Bonds, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the District, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the 2025B Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the 2025B Bonds will not be treated as "specified private activity bonds" the interest on which would be included

as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the “Code”). Except as stated above, Bond Counsel to the District will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the 2025B Bonds (see “APPENDIX D – FORM OF LEGAL OPINION OF BOND COUNSEL”).

In rendering its opinion, Bond Counsel to the District will rely upon the District’s federal tax certificate, (b) covenants of the District with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the 2025B Bonds and certain other matters and (c) the certificate with respect to arbitrage by the Commissioner of Education regarding the allocation and investment of certain investments in the Permanent School Fund.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the 2025B Bonds in order for interest on the 2025B Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the 2025B Bonds to be included in gross income retroactively to the date of issuance of the 2025B Bonds. The opinion of Bond Counsel is conditioned on compliance by the District with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the 2025B Bonds.

Bond Counsel’s opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel’s opinion is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the 2025B Bonds.

A ruling was not sought from the Internal Revenue Service by the District with respect to the 2025B Bonds or the property financed with proceeds of the 2025B Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the 2025B Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the 2025B Bonds may be less than the maturity amount thereof or one or more periods for the payment of interest on the bonds may not be equal to the accrual period or be in excess of one year (the “Original Issue Discount Bonds”). In such event, the difference between (i) the “stated redemption price at maturity” of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The “stated redemption price at maturity” means the sum of all payments to be made on the bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

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

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

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

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

disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the 2025B Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

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

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE 2025B BONDS.

Interest on the 2025B Bonds may be includable in certain corporation's "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the 2025B Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the 2025B Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the 2025B Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the 2025B Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of foreign investors certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the 2025B Bonds under Federal or state law and could affect the market price or marketability of the 2025B Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the 2025B Bonds should consult their own tax advisors regarding the foregoing matters.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

No registration statement relating to the 2025B Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2). The 2025B Bonds have not been approved or disapproved by the Securities and Exchange Commission, nor has the Securities and Exchange Commission passed upon the accuracy or adequacy of the Official Statement. The 2025B Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the 2025B Bonds been registered or qualified under the securities acts of any other jurisdiction. The District assumes no responsibility for registration or qualification of the 2025B Bonds under the securities laws of any jurisdiction in which the 2025B Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the 2025B Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

It is the obligation of the Underwriters to register or qualify the sale of the 2025B Bonds under the securities laws of any jurisdiction which so requires. The District agrees to cooperate, at the Underwriters' written request and expense, in registering or qualifying the 2025B Bonds or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the District shall not be required to execute a general or special consent to service of process in any jurisdiction.

RATINGS

Moody's Investors Service, Inc. ("Moody's") has assigned a municipal bond rating of "Aaa" to the 2025B Bonds based upon the Permanent School Fund Guarantee. Moody's generally rates all bond issues guaranteed by the Permanent School Fund of the State of Texas "Aaa" (see "APPENDIX C – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM"). The District's underlying rating for the 2025B Bonds (without consideration of the Permanent School Fund Guarantee) is "A1" by Moody's.

An explanation of the significance of the ratings may be obtained from Moody's. The ratings reflect only the view of Moody's and the District makes no representation as to the appropriateness of such ratings. The ratings are not a recommendation to buy, sell or hold the 2025B Bonds, and such ratings may be subject to revision or withdrawal at any time by Moody's. Any downward revision or withdrawal of a rating may have an adverse effect on the market price of the 2025B Bonds.

The District has certain outstanding debt that is also rated by S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P"). S&P's underlying rating on such outstanding debt is "A+". The District has not applied for a rating from S&P on the 2025B Bonds. The rating reflects only the view of S&P and the District makes no representation as to the appropriateness of such rating.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code, as amended) provides that the 2025B Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the 2025B Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended (the "PFIA"), requires that the 2025B Bonds be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency (see "RATINGS" herein). In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the 2025B Bonds are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations. The 2025B Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

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 2025B Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the 2025B Bonds for such purposes. The District has made no review of laws in other states to determine whether the 2025B Bonds are legal investments for various institutions in those states.

INVESTMENT AUTHORITY AND INVESTMENT OBJECTIVES OF THE DISTRICT

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

Under State law, the District is authorized to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are

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

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.

Under State law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for District funds, the maximum allowable stated maturity of any

individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the 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 State 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) State law. No person may invest District funds without express written authority from the Board.

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

As a school district that qualifies as an “issuer” under Chapter 1371, Texas Government Code, as amended, the District may also invest up to 15% of its monthly average fund balance (excluding bond proceeds and debt service funds and reserves) in “AA-” or better rated corporate bonds with a remaining term of three years or less. Not more than 25% of its funds invested in corporate bonds may be invested in any single issuer and its affiliates. Corporate bonds must be sold if downgraded below the required rating or placed on negative credit watch.

Current Investments

As of June 30, 2025, the District's investable funds were invested in the following investment instruments:

<u>Investment Instrument</u>	<u>Book Value</u>	<u>Percentage</u>
Independent Bank Accounts	\$49,897,004.38	22.30%
TexSTAR ^(A)	<u>173,871,757.78</u>	<u>77.70%</u>
Total	<u>\$223,768,762.16</u>	<u>100.00%</u>

^(A)TexSTAR operates pursuant to Chapter 2256 of the Texas Government Code, as amended, as a money market equivalent, in a manner consistent with the SEC's Rule 2a-7 under the Investment Company Act of 1940. No funds of the District are invested in derivative securities, i.e. securities whose rate of return is determined by reference to some other instrument, index or commodity.

EMPLOYEE BENEFIT PLANS

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

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

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

Contribution rates are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2019 thru 2025. For the year ending August 31, 2024, contribution rates were as follows: member 8.25%, the State 8.25% and employers 8.25%. District employees contributed \$3,245,744, the District contributed \$1,510,247 and the State contributed \$2,323,843 in fiscal year 2024. For more detailed information concerning the TRS defined benefit pension plan, the net pension liability and the District's proportionate share of such net pension liability, see Note 9 to the District's audited financial statements attached hereto as "APPENDIX E – AUDITED FINANCIAL STATEMENTS".

The District also participates in the Texas Public School Retired Employees Group Insurance Program ("TRS-Care"). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit ("OPEB") plan with a special funding situation. The plan was established in 1986 by the Texas Legislature. The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with the 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. TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee. Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic postemployment benefit changes; including automatic COLAs.

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

For the year ending August 31, 2024, contribution rates were as follows: active members 0.65%, the State 1.25%, employers 0.75%, and federal/private funding remitted by employers 1.25%. District members contributed \$258,724, the District contributed \$303,882 and the State contributed \$482,966. For more detailed information concerning the TRS defined benefit pension plan, the net pension liability and the District's proportionate share of such net pension liability, see Note 10 to the District's audited financial statements attached hereto as "APPENDIX E – AUDITED FINANCIAL STATEMENTS".

In addition to the benefits for retirees, the District provides health care coverage for its employees. The District contributed \$250 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay any additional contributions. For a more detailed discussion of the District's medical benefit plan, see Note 12 to the audited financial statements of the District that are attached hereto as "APPENDIX E – AUDITED FINANCIAL STATEMENTS".

As a result of its participation in TRS and TRS-Care and having no other post-retirement benefit plans, the District has no obligations for other post-employment benefits within the meaning of Governmental Accounting Standards Board Statement 45. Formal collective bargaining agreements relating directly to wages and other conditions of employment are prohibited by Texas law, as are strikes by teachers. There are various local, state and national organized employee groups who engage in efforts to better the terms and conditions of employment of school employees. Some districts have adopted a policy to consult with employer groups with respect to certain terms and conditions of employment. Some examples of these groups are the Texas State Teachers Association, the Texas Classroom Teachers Association, the Association of Texas Professional Educators and the National Education Association.

CYBERSECURITY

Computer networks and data transmission and collection are vital to the operations of the District. As a user of technology, the District potentially faces cybersecurity threats (e.g., hacking, phishing, viruses, malware and ransomware) on its technology systems by outside or internal hackers and its technology may be subject to breach by employee error, negligence or malfeasance. An attack or breach could compromise systems and the information stored thereon, result in the loss of confidential or proprietary data and disrupt the operations of the District. To mitigate these risks, the District deploys layered technologies and continuously endeavors to improve the range of control for digital information operations, enhancements to the authentication process, and additional measures toward improving system protection/security posture, including required training for District staff and administration. 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 north central Texas northwest of Dallas and Fort Worth. Land located in this area is susceptible to high winds, tornados, fires and arid conditions. If a future weather event significantly damages all or part of the properties comprising the tax base within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenue and/or necessitate an increase in the District's tax rate. Under certain conditions, Texas law allows school districts to increase property tax rates without voter approval upon the occurrence of certain disasters such as a tornado, flooding or extreme drought and upon gubernatorial or presidential declaration of disaster. 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 carry flood or the appropriate, applicable 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 repay 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.

CONTINUING DISCLOSURE OF INFORMATION

In the 2025B Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the 2025B Bonds. The District is required to observe the agreement for so long as it remains an "obligated person" with respect to the 2025B Bonds, within the meaning of the SEC's Rule 15c2-12, as amended (the "Rule"). Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access ("EMMA") system. See "APPENDIX C – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" for a description of the TEA's continuing disclosure undertaking to provide certain updated financial information and operating data annually with respect to the Permanent School Fund and the State, as the case may be, and to provide timely notice of certain specified events related to the guarantee, to the MSRB.

Annual Reports

The District will provide certain updated financial information and operating data annually to 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 this Official Statement in "APPENDIX A – FINANCIAL INFORMATION REGARDING THE DISTRICT" (Tables 1 through 16) and in "APPENDIX E – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2024". The District will update and provide the information in Tables 1 through 16 in "APPENDIX A – FINANCIAL INFORMATION REGARDING THE DISTRICT" within six months after the end of each fiscal year ending in and after 2025. The District will additionally provide audited financial statements within 12 months after the end of each fiscal year ending in and after 2025. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the District will file unaudited financial statements within such 12 month period and audited financial statements for the applicable fiscal year, when and if the audit report on such

statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in “APPENDIX E – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2024” or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation.

The District’s current fiscal year end is August 31. Accordingly, the District must provide updated information included in Tables 1 through 16 in “APPENDIX A – FINANCIAL INFORMATION REGARDING THE DISTRICT” by the last day of February in each year, and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) by August 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the District otherwise would be required to provide financial information and operating data as set forth above.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB’s EMMA site or filed with the United States Securities and Exchange Commission (the “SEC”), as permitted by SEC Rule 15c2-12 (the “Rule”).

Event Notices

The District will also provide timely notices of certain events to the MSRB. The District will provide notice of any of the following events with respect to the 2025B Bonds, to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance of the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the 2025B Bonds, or other material events affecting the tax status of the 2025B Bonds; (7) modifications to rights of holders of the 2025B Bonds, if material; (8) 2025B Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the 2025B Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of a name of a trustee, if material; (15) incurrence of a Financial Obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

For these purposes, (i) any event described in the immediately preceding paragraph (12) 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 of the District in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District, and (ii) the District intends the words used in the immediately preceding paragraphs (15) and (16) and the definition of Financial Obligation in this Section to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

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”. Neither the 2025B Bonds nor the 2025B Order make any provision for a bond trustee, debt service reserves, credit enhancement (except for the Permanent School Fund guarantee), or liquidity enhancement.

Availability of Information

The District has agreed to provide the foregoing information only to the MSRB. The information will be available to holders of Bonds free of charge through the MSRB’s EMMA system at www.emma.msrb.org.

Limitations and Amendments

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

of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

This continuing disclosure agreement may be amended by the District from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the 2025B Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the 2025B 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 interest of the registered owners and beneficial owners of the 2025B Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the 2025B Bonds. If the District amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

Compliance with Prior Undertakings

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

LITIGATION

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

At the time of the initial delivery of the 2025B Bonds, the District will provide the Underwriters with a certificate to the effect that except as disclosed in the Official Statement, no litigation of any nature has been filed or is then pending challenging the issuance of the 2025B Bonds or that affects the payment and security of the 2025B Bonds or in any other manner questioning the issuance, sale or delivery of the 2025B Bonds.

MUNICIPAL ADVISOR

RBC Capital Markets, LLC (the “Municipal Advisor”) is employed as the Municipal Advisor to the District in connection with the issuance of the 2025B Bonds. In its role as Municipal Advisor, RBC Capital Markets, LLC has relied on the District for certain information concerning the District and the 2025B Bonds. The Municipal Advisor has reviewed the information in this Official Statement in accordance with 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 Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement. The fee of the Municipal Advisor for services with respect to the 2025B Bonds is contingent upon the issuance and sale of the 2025B Bonds.

UNDERWRITING

The Underwriters have agreed, subject to certain customary conditions, to purchase the 2025B Bonds at a price equal to the initial offering prices to the public, as shown on the inside cover page, less an Underwriters’ discount of \$_____. The Underwriters’ obligations are subject to certain conditions precedent, and they will be obligated to purchase all of the 2025B Bonds if any 2025B Bonds are purchased. The 2025B Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices and such public prices may be changed, from time to time, by the Underwriters.

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

The Underwriters and their respective 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 activities. The Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various 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 Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) 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.

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

FORWARD LOOKING STATEMENTS

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

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

CONCLUDING STATEMENT

The information set forth herein has been obtained from the District’s records, audited financial statements and other sources which are considered by the District to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and the 2025B Order contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and the 2025B Order. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized statutes, documents and the 2025B Order for further information. Reference is made to official documents in all respects.

MISCELLANEOUS

The 2025B Bond Order delegated to the Pricing Officer the authority to approve the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorize its further use in the reoffering of the 2025B Bonds by the Underwriters.

This Official Statement will be approved by the Pricing Officer of the District for distribution by the Underwriters in accordance with the provisions of the Securities and Exchange Commission’s rule codified at 17 C.F.R. §240.15c2-12, as amended.

/s/

Pricing Officer

APPENDIX A

FINANCIAL INFORMATION REGARDING THE DISTRICT

**FINANCIAL INFORMATION REGARDING
THE ARGYLE INDEPENDENT SCHOOL DISTRICT**

**Table 1
ASSESSED VALUATION^{(A)(B)(C)}**

2025/26 Certified Total Assessed Valuation.....	\$ 8,891,546,448
2025/26 Taxable Assessed Valuation.....	\$ 6,558,541,437
Exemptions	Total
Residential Homestead.....	\$ 687,309,884
10% Residential Cap Loss.....	514,056,848
Non-Residential Cap Loss.....	68,331,742
Over 65/Disabled.....	14,654,721
Disabled/Deceased Veterans.....	143,209,460
Freeport Exemption.....	322,542
Productivity Loss.....	905,119,814
Total (26.24% of Total Assessed Valuation).....	<u><u>\$ 2,333,005,011</u></u>

^(A) Source: Denton Central Appraisal District ("DCAD"). Certified values are subject to change throughout the year as contested values are resolved and the DCAD updated records.

^(B) Includes value of property which is "frozen" at lower values for homesteads of taxpayers 65 years or older, their surviving spouses and disabled taxpayers.

^(C) Taxable Assessed Valuation ("TAV") for fiscal year 2025/26 is preliminary and subject to change and reflects the current property tax code. Changes to the property tax code approved by the Texas Legislature in 2025 are contingent on voter approval at a Statewide election to be held on November 4, 2025.

**Table 2
GENERAL OBLIGATION DEBT OUTSTANDING^(A)**

Unlimited Tax Bonds Outstanding (as of August 15, 2025).....	\$ 452,081,909
Plus: The 2025B Bonds.....	99,870,000 ^(B)
Plus: The 2025A Bonds.....	120,275,000 ^(B)
Less: Interest & Sinking Fund Balance (as of August 31, 2024).....	<u>(9,452,753)</u>
Net Unlimited Tax Debt.....	<u><u>\$ 662,774,156</u></u>
Ratio Net Debt to Taxable Assessed Valuation	10.11%

Estimated 2025 District Population ^(C)	18,773	Per Capita Net Taxable Valuation	\$ 349,360
2024/25 Enrollment ^(D)	6,230	Per Capita Total Valuation	\$ 473,635
Area (square miles)	48	Per Capita Net Unlimited Tax Debt	\$ 35,305

^(A) Outstanding debt excludes interest accreted on capital appreciation bonds.

^(B) Preliminary subject to change. The 2025A Bonds are being sold concurrently with the 2025B Bonds through a separate and distinct offering document.

^(C) Source: The Municipal Advisory Council of Texas.

^(D) Based on District records as of January 31, 2025.

Table 3
ESTIMATED OVERLAPPING GENERAL OBLIGATION DEBT STATEMENT

Taxing Body	Amount ^(A)	As of	% Overlap	\$ Overlap
Argyle, Town of	\$ 7,460,000	06/30/2025	92.09%	\$ 6,869,914
Belmont FWSD #1	93,515,000	06/30/2025	73.75%	68,967,313
Belmont FWSD #2	47,195,000	06/30/2025	100.00%	47,195,000
Canyon Falls MUD #1	19,130,000	06/30/2025	100.00%	19,130,000
Canyon Falls WCID #2	41,645,000	06/30/2025	15.95%	6,642,378
Denton County	773,065,000	06/30/2025	3.09%	23,887,709
Denton, City of	1,263,865,000	06/30/2025	1.66%	20,980,159
Flower Mound, Town of	143,280,000	06/30/2025	6.00%	8,596,800
Northlake MMD #2	31,350,000	06/30/2025	98.65%	30,926,775
Northlake, Town of	113,090,000	06/30/2025	11.28%	12,756,552
Total Net Overlapping Debt				\$ 245,952,599
Argyle ISD	\$ 672,226,909	08/15/2025	100.00%	\$ 672,226,909
Total Direct and Overlapping Debt				<u>\$ 918,179,508</u>

Ratio Direct and Overlapping Debt to Total Assessed Valuation	10.33%
Ratio Direct and Overlapping Debt to Taxable Assessed Valuation	14.00%
Per Capita Overlapping Debt	\$ 48,910

^(A) Gross Debt. Source: The Municipal Advisory Council of Texas.

Table 4
2024 TOTAL TAX RATES OF OVERLAPPING POLITICAL ENTITIES

Argyle, Town of	\$ 0.343111
Bartonville, Town of.....	\$ 0.173646
Belmont FWISD #1.....	\$ 0.600000
Belmont FWISD #2.....	\$ 0.980000
Canyon Falls MUD #1.....	\$ 0.800000
Canyon Falls WCID #2.....	\$ 0.660000
Denton County.....	\$ 0.187869
Denton, City of.....	\$ 0.585420
Flower Mound, Town of.....	\$ 0.387278
Northlake, Town of.....	\$ 0.295000

Source: DCAD. See "ESTIMATED OVERLAPPING GENERAL OBLIGATION DEBT STATEMENT" for information concerning overlapping territory percentages for these entities. 2025 Tax rates are not yet available for the Overlapping Political Entities.

Table 5
PROPERTY TAX RATES AND COLLECTIONS

Tax Year	Taxable Assessed Valuation	Tax Rate	Percent Collections		Fiscal Year Ended
			Current	Total^(A)	
2019	\$ 2,485,903,412	\$1.50800	103.70%	105.15%	08-31-20
2020	2,836,059,573	1.41870	104.17%	105.38%	08-31-21
2021	3,297,978,525	1.40000	101.20%	102.11%	08-31-22
2022	4,130,629,518	1.39760	101.17%	102.04%	08-31-23
2023	5,029,248,334	1.21220	99.49%	99.48%	08-31-24
Five Year Average.....			101.95%	102.83%	
2024	\$ 5,712,645,218	\$1.20990	98.93% ^(B)	98.93% ^(B)	08-31-25

^(A) Excludes penalties and interest.

^(B) Partial collections as of June 30, 2025.

Source: District's Audited Financial Statements, DCAD, and District Records.

Table 6
TAX RATE DISTRIBUTION

	2024/25	2023/24	2022/23	2021/22	2020/21
Local Maintenance	\$0.70990	\$0.71220	\$0.89760	\$0.91500	\$0.93370
Interest & Sinking	0.50000	0.50000	0.50000	0.48500	0.48500
Total	\$1.20990	\$1.21220	\$1.39760	\$1.40000	\$1.41870

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

Table 7
VALUATION AND FUNDED DEBT HISTORY

Fiscal Year Ending August 31	Taxable Assessed Valuation	Change in TAV	Principal Amount of Funded Debt Outstanding	Ratio Debt to A.V.
2021	\$ 2,836,059,573	14.09%	\$ 224,297,265	7.91%
2022	3,297,978,525	16.29%	324,967,774	9.85%
2023	4,130,629,518	25.25%	408,721,443	9.89%
2024	5,029,248,334	21.76%	403,087,391	8.01%
2025	5,712,645,218	13.59%	551,951,909 ^(A)	9.66%
2026 ^(B)	6,558,541,437	14.81%	672,226,909 ^(B)	10.25%

Source: District records and DCAD.

^(A) Projected for fiscal year end.

^(B) TAV for fiscal year 2025/26 is preliminary and subject to change and reflects the current property tax code. Changes to the property tax code approved by the Texas Legislature in 2025 are contingent on voter approval at a Statewide election to be held on November 4, 2025.

Table 8
HISTORICAL TOP TEN TAXPAYERS

PRINCIPAL TAXPAYERS AND THEIR 2025 TAXABLE ASSESSED VALUATIONS^(A)

<u>Name of Taxpayer</u>	<u>Type of Property</u>	<u>Taxable Assessed Valuation</u>	<u>% T.A.V.</u>
Harvest Build to Rent LLC	Real Estate	\$ 51,515,001	0.79%
DFW Argyle Business Park, LLC	Commercial	24,676,750	0.38%
AGAP Argyle LLC	Real Estate	20,005,095	0.31%
Realty Capital Argyle 114 Ltd	Real Estate	14,344,216	0.22%
Landmark Phase 1 LLC	Real Estate	12,752,212	0.19%
PS LPT Property Investors	Real Estate	11,682,580	0.18%
Teresa's House Argyle Real Estate LLC	Real Estate	10,995,000	0.17%
CADG Avalon at Argyle	Real Estate	10,641,818	0.16%
CoServe Electric COOP	Utility	10,471,250	0.16%
TRI Pointe Homes DFW LLC	Real Estate	10,288,454	0.16%
Total.....		\$ 177,372,376	2.70%

PRINCIPAL TAXPAYERS AND THEIR 2024 TAXABLE ASSESSED VALUATIONS

<u>Name of Taxpayer</u>	<u>Type of Property</u>	<u>Taxable Assessed Valuation</u>	<u>% T.A.V.</u>
Harvest Build to Rent LLC	Real Estate	\$ 52,718,406	0.92%
AGAP Argyle LLC	Real Estate	19,267,130	0.34%
DFW Argyle Business Park, LLC	Commercial	16,139,778	0.28%
Realty Capital Argyle 114 Ltd	Real Estate	15,808,125	0.28%
Taylor Morrison of Texas Inc.	Real Estate	14,350,112	0.25%
TRI Pointe Homes DFW LLC	Real Estate	13,948,305	0.24%
Oncor Electric Delivery Co.	Utility	11,952,391	0.21%
Teresa's House Argyle Real Estate LLC	Real Estate	10,834,186	0.19%
CoServe Electric COOP	Utility	9,898,190	0.17%
Union Pacific Railroad Company	Rail Road	9,373,680	0.16%
Total.....		\$ 174,290,303	3.05%

PRINCIPAL TAXPAYERS AND THEIR 2023 TAXABLE ASSESSED VALUATIONS

<u>Name of Taxpayer</u>	<u>Type of Property</u>	<u>Taxable Assessed Valuation</u>	<u>% T.A.V.</u>
Harvest Build to Rent LLC	Real Estate	\$ 29,919,792	0.59%
AGAP Argyle LLC	Real Estate	16,396,189	0.33%
DFW Argyle Business Park, LLC	Commercial	14,565,420	0.29%
Oncor Electric Delivery Co.	Utility	14,021,953	0.28%
Harvest Phase 16 LLC	Real Estate	11,844,347	0.24%
PS LPT Properties Investors	Real Estate	11,272,809	0.22%
TMRY Ridge Limited Partnership	Real Estate	11,020,852	0.22%
Taylor Morrison of Texas Inc.	Real Estate	10,193,227	0.20%
Calatlantic Homes of Texas Inc	Real Estate	9,906,932	0.20%
Highland Homes Dallas Inc.	Real Estate	9,794,633	0.19%
Total.....		\$ 138,936,154	2.76%

Source: District records and DCAD.

^(A) Principal Taxpayer TAV for fiscal 2025/26 is preliminary and subject to change and reflects the current property tax code. Changes to the property tax code approved by the Texas Legislature in 2025 are contingent on voter approval at a Statewide election to be held on November 4, 2025.

Table 9
CLASSIFICATION OF ASSESSED VALUATION BY USE CATEGORY^(A)

Property Use Category	Total Tax Roll for Fiscal Years				
	2025/26^(C)	2024/25	2023/24	2022/23	2021/22
Real Property					
Single-Family Residential	\$6,490,601,018	\$5,675,494,905	\$ 5,179,592,513	\$ 3,696,638,596	\$ 2,649,289,064
Multi-Family Residential	10,869,148	882,150	953,803	868,222	773,182
Vacant Lots/Tracts	128,412,198	174,784,871	120,632,311	152,033,875	119,090,235
Acreage (Land Only)	925,080,460	905,469,500	893,148,427	655,007,745	553,001,709
Farm and Ranch Improvements	666,417,435	575,760,262	599,499,916	460,683,793	343,140,186
Commercial and Industrial	363,745,944	291,586,122	244,126,058	183,592,006	148,876,170
Oil, Gas and Other Minerals	9,912,053	7,203,281	19,289,022	19,866,576	5,225,211
Inventory	175,250,042	145,362,816	172,643,043	117,679,001	122,507,738
Tangible Personal Property					
Business	71,202,720	54,289,923	54,187,707	46,598,008	45,072,292
Other	1,283,202	1,008,174	633,673	748,751	636,142
Real & Tangible Personal Property					
Utilities	48,772,228	50,102,518	46,722,233	40,138,004	39,006,999
Total Real & Tang. Per. Prop.	\$ 8,891,546,448	\$ 7,881,944,522	\$ 7,331,428,706	\$ 5,373,854,577	\$ 4,026,618,928
Less Exemptions:					
Residential Homestead	\$ 687,309,884	\$ 632,066,367	\$ 537,348,166	\$ 196,730,116	\$ 108,096,135
10% Homestead Cap	514,056,848	452,795,106	791,938,336	344,577,900	29,155,648
Non-Residential Cap	68,331,742	77,281,473	-	-	-
Over 65/Disabled	14,654,721	13,316,370	11,676,819	11,301,057	10,410,694
Disabled/Deceased Veterans	143,209,460	107,331,401	81,751,375	55,751,947	42,782,953
Freeport Exemption	322,542	633,852	2,140,492	459,377	730,283
Productivity Loss	905,119,814	885,874,735	877,325,184	634,404,662	537,464,690
Total Exemptions	\$ 2,333,005,011	\$ 2,169,299,304	\$ 2,302,180,372	\$ 1,243,225,059	\$ 728,640,403
Taxable Assessed Valuation^(B)	\$ 6,558,541,437	\$ 5,712,645,218	\$ 5,029,248,334	\$ 4,130,629,518	\$ 3,297,978,525

(A) Source: DCAD and State Property Tax Reports. Certified values are subject to change throughout the year as contested values are resolved and the DCAD updated records.

(B) Includes value of property which is "frozen" at lower values for homesteads of taxpayers 65 years or older, their surviving spouses and disabled taxpayers.

(C) TAV for fiscal year 2025/26 is preliminary and subject to change and reflects the current property tax code. Changes to the property tax code approved by the Texas Legislature in 2025 are contingent on voter approval at a Statewide election to be held on November 4, 2025.

Table 10
PERCENTAGE TOTAL ASSESSED VALUATION BY CATEGORY

Property Use Category	Percent of Total Tax Roll for Fiscal Years				
	2025/26	2024/25	2023/24	2022/23	2021/22
Real Property					
Single-Family Residential	73.00%	72.01%	70.65%	68.79%	65.79%
Multi-Family Residential	0.12%	0.01%	0.01%	0.02%	0.02%
Vacant Lots/Tracts	1.44%	2.22%	1.65%	2.83%	2.96%
Acreage (Land Only)	10.40%	11.49%	12.18%	12.19%	13.73%
Farm and Ranch Improvements	7.49%	7.30%	8.18%	8.57%	8.52%
Commercial and Industrial	4.09%	3.70%	3.33%	3.42%	3.70%
Oil, Gas and Other Minerals	0.11%	0.09%	0.26%	0.37%	0.13%
Inventory	1.97%	1.84%	2.35%	2.19%	3.04%
Tangible Personal Property					
Business	0.80%	0.69%	0.74%	0.87%	1.12%
Other	0.01%	0.01%	0.01%	0.01%	0.02%
Real & Tangible Personal Property					
Utilities	0.55%	0.64%	0.64%	0.75%	0.97%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Table 11
OUTSTANDING UNLIMITED TAX DEBT SERVICE

Fiscal Year Ending 8/31 ^(A)	Outstanding Debt Service		Plus: The 2025B Bonds ^(C)		Plus: The 2025A Bonds ^(C)		Total Combined Debt Service Requirement	Percent of Principal Retired
	Principal	Interest	Principal	Interest	Principal	Interest		
2025	\$ 7,730,482.05	\$ 21,488,767.84	\$ -	\$ 22,193.33	\$ -	\$ 34,331.38	\$ 29,275,774.60	
2026	6,972,087.40	21,387,411.46	-	3,850,543.33	-	5,956,495.97	33,166,538.16	^(D)
2027	7,006,385.00	21,840,963.86	-	3,994,800.00	-	6,179,650.00	39,021,798.86	
2028	8,869,045.00	19,647,153.86	-	4,493,900.00	2,700,000.00	6,179,650.00	41,889,748.86	
2029	9,582,560.00	19,284,763.22	-	4,993,500.00	2,800,000.00	6,044,650.00	42,705,473.22	
2030	10,891,832.00	20,200,833.22	-	4,993,500.00	2,410,000.00	5,904,650.00	44,400,815.22	8.67%
2031	14,890,000.00	17,193,277.52	-	4,993,500.00	1,445,000.00	5,784,150.00	44,305,927.52	
2032	17,240,000.00	16,600,655.42	-	4,993,500.00	2,120,000.00	5,711,900.00	46,666,055.42	
2033	18,645,000.00	15,900,439.82	-	4,993,500.00	3,170,000.00	5,605,900.00	48,314,839.82	
2034	18,305,000.00	16,088,988.72	-	4,993,500.00	4,215,000.00	5,447,400.00	49,049,888.72	
2035	18,865,000.00	15,527,674.92	-	4,993,500.00	3,795,000.00	5,236,650.00	48,417,824.92	20.44%
2036	18,690,000.00	13,587,889.72	-	4,993,500.00	2,775,000.00	5,046,900.00	45,093,289.72	
2037	19,490,000.00	12,793,542.76	-	4,993,500.00	2,915,000.00	4,908,150.00	45,100,192.76	
2038	20,475,000.00	11,962,945.52	-	4,993,500.00	2,865,000.00	4,762,400.00	45,058,845.52	
2039	21,325,000.00	11,116,229.02	-	4,993,500.00	3,005,000.00	4,619,150.00	45,058,879.02	
2040	22,060,000.00	10,235,096.02	-	4,993,500.00	2,660,000.00	4,468,900.00	44,417,496.02	37.24%
2041	23,125,000.00	9,318,450.02	-	4,993,500.00	2,655,000.00	4,335,900.00	44,427,850.02	
2042	24,110,000.00	8,332,891.78	-	4,993,500.00	2,790,000.00	4,203,150.00	44,429,541.78	
2043	21,020,000.00	7,305,023.28	-	4,993,500.00	2,945,000.00	4,063,650.00	40,327,173.28	
2044	21,960,000.00	6,364,662.52	-	4,993,500.00	3,090,000.00	3,916,400.00	40,324,562.52	
2045	20,420,000.00	5,405,168.76	-	4,993,500.00	5,560,000.00	3,761,900.00	40,140,568.76	55.83%
2046	20,910,000.00	4,522,131.26	6,275,000.00	4,993,500.00	2,015,000.00	3,483,900.00	42,199,531.26	
2047	21,830,000.00	3,600,631.26	6,590,000.00	4,679,750.00	2,020,000.00	3,378,112.50	42,098,493.76	
2048	13,020,000.00	2,637,981.26	6,915,000.00	4,350,250.00	6,010,000.00	3,272,062.50	36,205,293.76	
2049	13,540,000.00	2,117,181.26	7,265,000.00	4,004,500.00	6,325,000.00	2,956,537.50	36,208,218.76	
2050	8,075,000.00	1,575,581.26	7,625,000.00	3,641,250.00	6,505,000.00	2,624,475.00	30,046,306.26	76.23%
2051	8,405,000.00	1,248,743.76	8,005,000.00	3,260,000.00	6,845,000.00	2,282,962.50	30,046,706.26	
2052	8,745,000.00	908,543.76	8,410,000.00	2,859,750.00	7,205,000.00	1,923,600.00	30,051,893.76	
2053	9,100,000.00	554,581.26	8,830,000.00	2,439,250.00	7,580,000.00	1,545,337.50	30,049,168.76	
2054	4,515,000.00	186,243.76	9,270,000.00	1,997,750.00	10,355,000.00	1,147,387.50	27,471,381.26	
2055	-	-	9,735,000.00	1,534,250.00	11,500,000.00	603,750.00	23,373,000.00	93.80%
2056	-	-	10,220,000.00	1,047,500.00	-	-	11,267,500.00	
2057	-	-	10,730,000.00	536,500.00	-	-	11,266,500.00	100.00%
TOTAL	\$ 459,812,391.45	\$ 318,934,448.10	\$99,870,000.00	\$132,595,186.66	\$120,275,000.00	\$125,390,052.35	\$ 1,251,877,078.56	

^(A) Represents debt service payments from September 1 - August 31 payments.

^(B) Preliminary subject to change. Interest on the 2025B Bonds has been projected as an assumed interest rate for illustrative purposes only. Preliminary, subject to change.

^(C) Preliminary, subject to change. Interest on the 2025A Bonds has been projected as an assumed interest rate for illustrative purposes only. The 2025A Bonds are being sold concurrently with the 2025B Bonds through a separate and distinct offering document.

^(D) The annual debt service payment in FY2026 is net of capitalized interest of \$5,000,000. Preliminary, subject to change.

Table 12
TAX ADEQUACY WITH RESPECT TO THE DISTRICT'S OUTSTANDING
UNLIMITED TAX DEBT SERVICE REQUIREMENTS

Projected Annual Principal and Interest Requirements, Fiscal Year Ending August 31, 2026	\$ 33,166,538
\$0.5083 Tax Rate @ 99.5% Collection Produces ^(A)	\$ 33,170,381
Projected Maximum Principal and Interest Requirements, Fiscal Year Ending August 31, 2034	\$ 49,049,889
\$0.7517 Tax Rate @ 99.5% Collection Produces ^(A)	\$ 49,054,053

^(A) Based on 2025/26 TAV of \$6,558,541,437. TAV for fiscal year 2025/26 is preliminary and subject to change and reflects the current property tax code. Changes to the property tax code approved by the Texas Legislature in 2025 are contingent on voter approval at a Statewide election to be held on November 4, 2025. Calculation does not include any reimbursement from the State for changes in the property tax code historically or for changes that may occur in 2025 if the November 4, 2025 election is successful. The District has historically sold bonds and is selling the Bonds using on a future projected TAV provided by a certified appraiser. The District does not project levying an I&S tax rate over \$0.5000 to meet its annual debt service requirement given projected future TAV growth.

Table 13
AUTHORIZED BUT UNISSUED BONDS

Purpose	Date Authorized	Amount Authorized	Amount Issued ^(A)	The 2025B Bonds ^{(A)(B)}	The 2025A Bonds ^{(A)(B)}	Unissued Balance
Technology	4-May-24	\$ 6,500,000	\$ 3,000,000	\$ -	\$ 3,500,000	\$ - ^(B)
School Bldg & Buses	3-May-25	393,735,000	-	100,000,000	88,170,000	205,565,000 ^(B)
Athletic Improvements	3-May-25	29,435,000	-	-	29,435,000	- ^(B)
Total		\$ 6,500,000	\$ 3,000,000	\$ 100,000,000	\$ 121,105,000	\$ - ^(B)

^(A) Amount issued includes premium deposited into the District's construction fund and applied against the amount of authorization.

^(B) Preliminary, subject change. The 2025A Bonds are being sold concurrently with the 2025B Bonds through a separate and distinct offering document.

Table 14
GENERAL FUND BALANCE SHEET

	Fiscal Years Ending August 31,				
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Assets:					
Cash and Cash Equivalents	\$ 15,845,460	\$ 19,273,120	\$ 15,160,891	\$ 13,035,757	\$ 11,176,424
Receivables:					
Property Taxes - Delinquent (net)	439,882	434,229	481,920	525,777	556,551
Due from Other Governments	668,494	-	172,042	929,306	605,348
Due from Other Funds	700	9,294	-	-	130
Other Receivables	9,359	25,519	-	233,796	-
Total Assets	<u>\$ 16,963,895</u>	<u>\$ 19,742,162</u>	<u>\$ 15,814,853</u>	<u>\$ 14,724,636</u>	<u>\$ 12,338,453</u>
Liabilities:					
Accounts Payable	\$ 361,997	\$ 316,053	\$ 266,434	\$ 157,885	\$ 248,205
Payroll Deduction & Withholdings	404,300	398,954	331,294	263,253	228,663
Accrued Wages Payable	2,886,047	2,656,843	2,720,572	2,155,037	1,936,540
Due to Other Funds	4,856	357	-	694	411
Due to Student Groups	-	-	-	-	-
Due to Other Governments	-	2,848,570	-	-	-
Accrued Expenditures	61,207	57,001	70,836	72,070	81,578
Unearned Revenue	115,560	42,898	37,938	11,940	-
Total Liabilities	<u>\$ 3,833,967</u>	<u>\$ 6,320,676</u>	<u>\$ 3,427,074</u>	<u>\$ 2,660,879</u>	<u>\$ 2,495,397</u>
Deferred Inflows of Resources:					
Unavailable Revenue:					
Property Taxes	\$ 439,882	\$ 434,229	\$ 481,920	\$ 525,777	\$ 556,551
Total Deferred Inflows of Resources	<u>\$ 439,882</u>	<u>\$ 434,229</u>	<u>\$ 481,920</u>	<u>\$ 525,777</u>	<u>\$ 556,551</u>
Fund Balances:					
Other Assigned Fund Balance	\$ 1,380,000	\$ 865,449	\$ 1,242,881	\$ -	\$ -
Unassigned Fund Balance	11,310,046	12,121,808	10,662,978	11,537,980	9,286,505
Total Fund Balances	<u>\$ 12,690,046</u>	<u>\$ 12,987,257</u>	<u>\$ 11,905,859</u>	<u>\$ 11,537,980</u>	<u>\$ 9,286,505</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 16,963,895</u>	<u>\$ 19,742,162</u>	<u>\$ 15,814,853</u>	<u>\$ 14,724,636</u>	<u>\$ 12,338,453</u>

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

Table 15
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN GENERAL FUND BALANCE

	Fiscal Years Ending August 31,				
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Revenues:					
Local and Intermediate Sources	\$ 35,833,364	\$ 38,183,772	\$ 30,363,224	\$ 26,594,550	\$ 26,183,322
State Program Revenues	18,594,415	11,894,094	12,244,756	12,416,031	8,121,410
Federal Program Revenues	92,224	187,974	124,026	46,355	68,058
Total Revenues	\$ 54,520,003	\$ 50,265,840	\$ 42,732,006	\$ 39,056,936	\$ 34,372,790
Expenditures:					
Instruction	\$ 31,807,511	\$ 28,434,816	\$ 24,105,495	\$ 21,177,663	\$ 19,328,901
Instructional Resources & Media	649,256	555,929	622,991	605,483	523,634
Curriculum & Instructional Staff Dev	90,166	134,689	135,081	110,726	103,024
Instructional Leadership	730,565	569,750	517,172	363,780	282,559
School Leadership	2,738,946	2,486,723	2,140,535	2,029,239	1,839,161
Guidance, Counseling & Eval Services	1,753,747	1,467,742	1,186,244	937,270	851,960
Health Services	639,879	537,560	506,243	437,533	440,402
Student Transportation	2,110,616	2,012,692	2,086,295	1,448,265	1,184,311
Food Services	-	-	68,824	48,414	-
Extracurricular Activities	2,362,166	2,280,336	2,181,131	1,719,297	1,518,153
General Administration	2,613,463	2,262,695	1,642,340	1,455,882	1,306,468
Facilities Maintenance & Operations	6,513,210	5,908,076	5,191,616	4,198,209	3,467,622
Security Monitoring	853,345	721,438	437,667	293,740	306,115
Data Processing Services	1,311,404	1,222,030	1,086,977	880,489	779,571
Facilities Acquisition & Construction	41,827	100,710	65,867	2,198,011	-
Intergovernmental Charges	601,113	489,256	389,649	1,199,164	1,083,467
Total Expenditures	\$ 54,817,214	\$ 49,184,442	\$ 42,364,127	\$ 39,103,165	\$ 33,015,348
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (297,211)	\$ 1,081,398	\$ 367,879	\$ (46,229)	\$ 1,357,442
Other Financing Sources (Uses):					
Other Resources	-	-	-	70,655	-
Other Uses	-	-	-	(10,000)	-
Total Other Sources (Uses)	\$ -	\$ -	\$ -	\$ 60,655	\$ -
Extraordinary Items	\$ -	\$ -	\$ -	\$ 2,237,049	\$ -
Net Change in Fund Balances	\$ (297,211)	\$ 1,081,398	\$ 367,879	\$ 2,251,475	\$ 1,357,442
Beginning General Fund Balance	\$ 12,987,257	\$ 11,905,859	\$ 11,537,980	\$ 9,286,505	\$ 7,929,063
Ending General Fund Balance^(A)	\$ 12,690,046	\$ 12,987,257	\$ 11,905,859	\$ 11,537,980	\$ 9,286,505

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

^(A) The District projects the General Fund balance for fiscal year ending August 31, 2025 will be approximately \$12.5 million.

Table 16
STATEMENT OF ACTIVITIES

	Fiscal Year Ending August 31,				
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Revenues					
Program Revenues:					
Charges for Services	\$ 4,349,522	\$ 3,801,309	\$ 2,552,840	\$ 1,927,984	\$ 1,682,334
Operating Grants & Contributions	<u>5,356,902</u>	<u>5,177,910</u>	<u>5,090,178</u>	<u>2,884,102</u>	<u>2,243,065</u>
Total Program Revenues	\$ 9,706,424	\$ 8,979,219	\$ 7,643,018	\$ 4,812,086	\$ 3,925,399
General Revenues:					
Property Taxes	\$ 56,802,716	\$ 55,801,642	\$ 44,756,115	\$ 39,194,433	\$ 37,474,360
State Aid - Formula	17,048,499	9,120,995	10,010,114	10,280,668	6,241,499
Investment Earnings	12,646,072	8,952,788	617,718	214,259	1,164,096
Other	<u>417,985</u>	<u>424,941</u>	<u>387,791</u>	<u>2,588,970</u>	<u>239,326</u>
Total General Revenues	\$ 86,915,272	\$ 74,300,366	\$ 55,771,738	\$ 52,278,330	\$ 45,119,281
Total Revenues.....	<u>\$ 96,621,696</u>	<u>\$ 83,279,585</u>	<u>\$ 63,414,756</u>	<u>\$ 57,090,416</u>	<u>\$ 49,044,680</u>
Expenses					
Instruction	\$ 39,610,497	\$ 35,116,974	\$ 30,556,484	\$ 24,544,033	\$ 22,946,448
Instr Resources & Media Services	668,629	556,988	614,944	623,258	540,917
Curriculum & Instr Staff Dev	93,138	135,869	137,152	112,509	105,519
Instructional Leadership	751,094	701,158	530,100	373,131	292,090
School Leadership	2,919,398	2,587,652	2,199,970	2,142,614	1,957,345
Guidance, Counseling, Eval Services	2,414,301	2,317,708	1,627,003	1,007,166	893,865
Health Services	671,007	543,821	509,052	452,811	458,669
Student Transportation	2,677,010	2,510,144	2,177,430	1,623,881	1,463,725
Food Services	3,366,312	2,789,711	2,311,866	1,507,027	1,448,041
Extracurricular Activities	3,727,820	3,529,101	3,298,350	2,568,582	2,423,151
General Administration	2,679,927	2,278,049	1,638,950	1,498,880	1,351,856
Facilities Mtn & Operations	6,807,253	6,016,582	5,131,788	4,284,429	3,557,764
Security & Monitoring Services	1,090,825	710,933	355,047	313,613	306,063
Data Processing Services	1,414,965	1,331,990	1,148,313	932,544	832,176
Debt Service	16,818,006	13,228,445	9,083,498	8,337,003	8,013,140
Capital Outlay	2,362,497	1,406,458	2,616,912	2,424,146	398,061
Intergovernmental	<u>601,113</u>	<u>489,256</u>	<u>389,649</u>	<u>1,199,164</u>	<u>1,083,467</u>
Total Expenses.....	<u>\$ 88,673,792</u>	<u>\$ 76,250,839</u>	<u>\$ 64,326,508</u>	<u>\$ 53,944,791</u>	<u>\$ 48,072,297</u>
Increase (Decrease) in Net Position	<u>\$ 7,947,904</u>	<u>\$ 7,028,746</u>	<u>\$ (911,752)</u>	<u>\$ 3,145,625</u>	<u>\$ 972,383</u>
Beginning Net Position.....	\$ (1,432,971)	\$ (8,461,717)	\$ (7,549,965)	\$ (10,695,590)	\$ (11,667,973)
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending Net Position.....	<u>\$ 6,514,933</u>	<u>\$ (1,432,971)</u>	<u>\$ (8,461,717)</u>	<u>\$ (7,549,965)</u>	<u>\$ (10,695,590)</u>

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

APPENDIX B

GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

Argyle Independent School District (the “District”) is a 48 square mile area that is primarily a suburban and agricultural area located in Denton County (the “County”). The District includes the Town of Argyle (the “Town”), a residential and retail center located six miles south of the City of Denton on US Highway 377 two miles east of Interstate 35W, as well as, parts of the Town of Flower Mound, the Town of Northlake, the Town of Bartonville, the Town of Copper Canyon and unincorporated areas within the County. The 2020 census population for the Town of Argyle was 4,403, a 34.2% increase over 2010 population of 3,282. The 2024 estimated population for the Town is 6,325. The District’s 2024 estimated population is 16,793.

The District is governed by a seven-member Board of Trustees. All of the Trustees are elected at large and serve without compensation. Board policy and decisions are decided by a majority vote of the Board. The Superintendent of Schools is selected by the Board. Other District officials are employed as a result of action by the Superintendent and the Board.

DISTRICT ENROLLMENT INFORMATION

Scholastic Enrollment History

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Increase/(Decrease)</u>	
		<u>Number</u>	<u>Percentage</u>
2015/16	2,243	180	8.7%
2016/17	2,445	202	9.0%
2017/18	2,716	271	11.1%
2018/19	3,061	345	12.7%
2019/20	3,483	422	13.8%
2020/21	3,795	312	9.0%
2021/22	4,338	543	14.3%
2022/23	4,966	628	14.5%
2023/24	5,414	448	9.0%
2024/25	6,101	687	12.7%

*As of October 25, 2024.

Source: District Records.

Projected Student Enrollment

<u>Fiscal Year</u>	<u>Projected Enrollment</u>	<u>Increase/(Decrease)</u>	
		<u>Number</u>	<u>Percentage</u>
2025/26	6,584	483	8.0%
2026/27	7,135	551	8.4%
2027/28	7,775	640	9.0%
2028/29	8,463	689	8.9%
2029/30	9,078	615	7.3%

Source: District Records.

Student Enrollment by Grade

<u>Year</u>	<u>EE</u>	<u>PK</u>	<u>K</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>11</u>	<u>12</u>	<u>Total</u>
2014/15	14	27	112	141	110	151	155	144	151	170	177	176	177	178	180	2,063
2015/16	10	35	136	131	157	144	168	176	160	173	202	193	194	186	178	2,243
2016/17	10	38	143	173	149	175	164	189	223	185	196	216	205	192	187	2,445
2017/18	19	43	166	188	195	172	197	203	211	251	217	218	226	211	199	2,716
2018/19	26	36	219	2187	223	239	210	232	247	250	273	256	230	226	307	3,061
2019/20	20	41	268	251	245	257	279	240	275	282	274	299	282	246	224	3,483
2020/21	13	39	268	283	272	256	286	301	280	320	327	313	306	287	244	3,795
2021/22	27	29	310	294	330	308	315	331	348	337	367	369	341	334	298	4,338
2022/23	9	101	325	347	346	398	374	373	396	401	371	416	379	355	331	4,922
2023/24	12	93	409	371	416	402	441	434	434	424	415	395	412	377	343	5,378
2024/25 ^(A)	28	183	425	484	433	484	454	503	486	491	473	460	416	412	369	6,101

*As of October 25, 2024.

^(A) The District historically provided enrollment by school type, but as the District is growing and configuration of its grades at academic facilities has changed and may continue to change, it converted to providing enrollment by grade in fiscal year 2022/23.

Source: District Records.

PRESENT SCHOOL FACILITIES

<u>Name of Facility</u>	<u>Grades Served</u>	<u>2024/25 Enrollment^(A)</u>	<u>Functional Capacity</u>
Argyle West Elementary	EC-5	639	850
Hilltop Elementary	EC-5	751	700
Argyle South Elementary	EC-5	780	850
Jayne Ruestmann Elementary	EC-5	824	850
Argyle Intermediate School	6	486	730
Argyle Middle School	7-8	964	1,300
Argyle High School	9-12	<u>1,657</u>	<u>2,100</u>
Total		<u>6,101</u>	<u>6,530</u>

^(A) As of October 25, 2024.

Source: District Records.

EMPLOYEES OF THE DISTRICT

Teachers	382
Administrators	24
Teacher Aids, Secretaries and Staff	127
Auxiliary Employees	<u>164</u>
Total Number of Employees	<u>697</u>

The District employed a staff of approximately 697 employees during the 2024/25 school year. Beginning with the 2024/25 school year, entry level teachers without advanced degrees earn \$59,300 annually. Teachers with advanced degrees and longevity can earn between \$60,800 and \$74,657 annually. All teachers receive life and health insurance benefits worth approximately \$305 monthly. The District is making adjustments to its pay scales for fiscal year 2025/26 based on the legislation approved by the State during the 89th Legislative Session focused on classroom teacher salaries.

Source: District Records.

GENERAL INFORMATION REGARDING DENTON COUNTY

Denton County (the “County”), established in 1846, is located in north central Texas and encompasses a land area of 911 square miles. The County is considered to be a top growth area in the state and one of the top growth areas in the country. The County contains 44 towns and seventeen school districts within its borders. Several growing urban centers are located in the County, including the cities of Denton, Lewisville, Carrollton, Flower Mound, The Colony and Roanoke. The County is traversed by Interstate Highway 35, U.S. Highways 77, 377 and 380 and State Highways 114 and 121. The County is included in the Dallas-Fort Worth-Arlington, TX Metropolitan Statistical Area.

The County is a center for higher education, which includes two major universities, the University of North Texas and Texas Woman’s University. The County has experienced significant growth as result of large housing developments such as, Rayzor Ranch, the Hills of Denton, Hunter Ranch, Cole Ranch, Pecan Square, Harvest and Canyon Falls which were expected to add over 28,000 new housing units over the course of their build out. The County’s 2010 census population was 662,614. The County’s 2020 census population was 906,422. The population estimate as of July 1, 2024 for the County is 1,045,120.

Economy

The economy of Denton is composed of educational services, government, tourism, health and social services, manufacturing, general retail trade, agriculture and manufacturing. The County is one of the more diversified agricultural areas in Texas. With soil types ranging from rich black to deep sandy loam, and good, soft artesian water, it is ideal for diversified farming and livestock. Wholesale trade and hospitality jobs also play major roles in the County. The County’s tax base has grown from \$10 billion market value in 1990 to over \$226.6 billion in 2024.

Major industrial investments in the past, which include Alliance Airport, distribution centers for Wal-Mart, Target, Aldi and WinCo Foods, and the Texas Motor Speedway, continue to attract additional development in the County. With recent new investments like the Omni PGA Resort and the PGA headquarters expected to add significantly to the tax base as well as adding jobs to the area. There also have been major investments in the County by the healthcare profession with several major hospitals undergoing significant expansions. These expansions have in turn spurred additional investment in office buildings and other medical services. The retail industry continues to expand throughout Denton County as the population of the County continues to grow steadily. This labor supply, combined with air, rail and highway transportation centers, assists to the County’s continued economic growth.

Largest Employers in Denton County

<u>Company</u>	<u>Product/Service</u>	<u>Employees</u>
University of North Texas	Higher Education	8,891
Lewisville ISD	Public Education	6,845
Denton ISD	Public Education	4,593
Northwest ISD	Public Education	3,000
Texas Woman’s University	Higher Education	2,734
City of Denton	Municipal Government	2,070
Peterbilt Motors	Truck Manufacturing	2,000
Denton County	County Government	1,959
Medical City Hospitals	Health Care	1,684
OrthoFix	Medical Equipment	1,267
Denton State Supported Living Center	Health Care/Social Assistance	1,146

Source: Denton County 2024 Annual Comprehensive Financial Report.

Education

The County is served by seventeen independent school districts, all of which have been accredited by the Accreditation Division of the Texas Education Agency, and three institutions of higher learning.

The University of North Texas System (“UNT”) was established in 1890 and today it operates as a four-year public doctoral/research university system and is among the 40 largest public research universities in the country. UNT is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools to award baccalaureate, master’s, and doctoral degrees. In the fall of 2024, UNT had an enrollment of approximately 46,180. With 34,170 undergraduate and 12,010 graduate students. While the majority of UNT’s students attend classes on the 884-acre Denton campus, UNT also offers numerous courses at UNT – Dallas, UNT – Frisco and the UNT Health Sciences Center in Fort Worth. The Denton campus includes Discovery Park, UNT’s nearly 285-acre research park. UNT employs approximately 6,400 faculty and staff, excluding student employees.

Texas Woman’s University System (“TWU”) is the nation’s largest university primarily for women. Established in 1901, as the Girls Industrial College, TWU has a dual mission: to provide a liberal education and to prepare young women “for the practical industries of the age” with a specialized education. TWU today offers a comprehensive catalog of academic studies geared primarily for women, including baccalaureate, masters and doctoral degrees. Men have been permitted at the college since 1972. With three campuses, in Denton, Dallas and Houston, TWU had enrollment of approximately 16,300 students in the fall of 2024.

The County’s community college, North Central Texas College (“NCTC”), has its main campus in Gainesville, Texas located in Cook County. However, NCTC also serves residents in Denton and Montague Counties and Graham ISD. NCTC is accredited by the Commission on Colleges of the Southern Association of Colleges & Schools to award associate’s degrees and certificates of completion. NCTC has three campuses in the County: downtown Denton, Corinth and Flower Mound. NCTC was founded in 1924 and is the oldest continuously operating public two-year college in the State of Texas.

Source: UNT website, TWU website and NCTC website.

Medical

Denton County is served by several major hospitals, specialty hospitals and specialized treatment centers. Medical City – Denton and Texas Health Presbyterian Hospital are the two largest full-service hospitals. Medical City – Denton offers the full-spectrum of healthcare, housing 208 beds and employing more than 900 employees and 500 physicians. Texas Health Presbyterian Hospital Denton is a 255-bed facility offering cancer care, emergency, heart and vascular care, orthopedics, pediatrics, physical therapy, women and infant care, sports medicine, among other services with over 1,100 employees and 450 physicians. Additionally, the area is served by multiple emergency and urgent care facilities and by specialized inpatient and outpatient treatment facilities.

Transportation

The City of Denton’s major highways include Interstates 35E, 35W, and U.S. highways 77, 377 and 380. Denton is situated on the Interstate 35 Corridor where I-35 E and I-35 W intersect and from Denton, you can reach 35 percent of the U.S. population by vehicle within 24 hours and 98 percent within 48 hours.

The County has easy access to air travel. Dallas/Fort Worth International Airport (“DFW”) is the world's largest and North America's first carbon-neutral airport. In 2024, DFW Airport served over 86 million passengers and offered more than 260 global destinations. Dallas Love Field Airport (“DAL”), centrally located within seven miles of Downtown Dallas, served over 17.9 million passengers in 2024 to over 145 destinations.

Alliance Airport (“AFW”), the world’s first airport specifically designed for industrial and corporate use, is located only 17 miles southwest of Denton in Denton County on I-35 W and is the cornerstone of the master-planned AllianceTexas development. AFW features a vast array of flight services, including air cargo, corporate and government aviation, and is the cornerstone for the AllianceTexas industrial complex. The Denton Enterprise Airport (“DTO”) is located within the city of Denton’s city limits. The city owned airport serves a number of major companies for transportation of cargo, personnel, vendors, and prospective clients. DTO is also the base of operations for law enforcement and search and rescue operations, including CareFlite.

Union Pacific and Kansas City Southern Railroads converge in Denton and are accessible from across the country, giving businesses an alternate mode of transporting goods to and from their facilities.

Public transportation in Denton County is provided by Denton County Transportation Authority (“DCTA”). DCTA provides a full range of services in Denton and Lewisville, operating shuttles for the college campuses in town, commuter service to Downtown Dallas, transportation assistance for the disabled and elderly, and a rail system that connects to the Dallas Area Rapid Transit.

LABOR FORCE STATISTICS

Comparative Unemployment Rates

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2021</u>	<u>2025^(A)</u>
Denton County	4.5%	3.3%	3.6%	3.7%	3.5%
State of Texas	5.6%	3.9%	4.0%	4.1%	4.0%
United States of America	5.3%	3.6%	3.6%	4.0%	4.0%

^(A) As of May 2025.

Source: Texas Labor Market Information.

APPENDIX C

**THE PERMANENT SCHOOL FUND
GUARANTEE PROGRAM**

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

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

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

History and Purpose

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

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

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

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

While the School District Bond Guarantee Program and the Charter District Bond Guarantee Program relate to different types of bonds issued for different types of Texas public schools, and have different program regulations and requirements, a bond guaranteed under either part of the Guarantee Program has the same effect with respect to the guarantee obligation of the Fund thereto, and all guaranteed bonds are aggregated for purposes of determining the capacity of the Guarantee Program (see “Capacity Limits for the

Guarantee Program”). The Charter District Bond Guarantee Program as enacted by State law has not been reviewed by any court, nor has the Texas Attorney General (the “Attorney General”) been requested to issue an opinion, with respect to its constitutional validity.

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

Management and Administration of the Fund

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

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

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

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

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

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

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

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

The Total Return Constitutional Amendment

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

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

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

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

Annual Distributions to the Available School Fund⁽¹⁾

<u>Fiscal Year Ending</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023⁽²⁾</u>	<u>2024</u>
PSF(CORP) Distribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$2,076	\$2,156
PSF(SBOE) Distribution	839	1,056	1,056	1,236	1,236	1,102	1,102	1,731	-	-
PSF(SLB) Distribution	-	-	-	-	300	600	600 ⁽³⁾	415	115	-
Per Student Distribution	173	215	212	247	306	347	341	432	440	430

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

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

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

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

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

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

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

PSF Corporation Strategic Asset Allocation

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

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

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

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

[Remainder of page left blank intentionally.]

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

Comparative Investment Schedule – PSF(CORP)

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

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

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

Investment Schedule - PSF(SLB)⁽¹⁾

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

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

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

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

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

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

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

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

The School District Bond Guarantee Program

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

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

to the Education Commissioner, including the appointment of a board of managers or annexation of a defaulting school district to another school district.

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

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

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

The Charter District Bond Guarantee Program

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

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

Pursuant to the CDBGP Rules, the Education Commissioner annually determines the ratio of charter district students to total public school students, for the 2025 fiscal year, the ratio is 7.86%. At February 27, 2025, there were 188 active open-enrollment charter schools in the State and there were 1,222 charter school campuses authorized under such charters, though as of such date, 264 of such campuses are not currently serving students for various reasons; therefore, there are 958 charter school campuses actively serving students in Texas. Section 12.101, Texas Education Code, limits the number of charters that the Education Commissioner may grant to a total number of 305 charters. While legislation limits the number of charters that may be granted, it does not limit the number of campuses that may operate under a particular charter. For information regarding the capacity of the Guarantee Program, see "Capacity Limits for the Guarantee Program." The Act provides that the Education Commissioner may not approve the guarantee of refunding or refinanced bonds under the Charter District Bond Guarantee Program in a total amount that exceeds one-half of the total amount available for the guarantee of charter district bonds under the Charter District Bond Guarantee Program.

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

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

enhancement agreement” or a “credit agreement,” unless the right to payment of such third party is directly as a result of such third party being a bondholder.

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

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

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

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

Capacity Limits for the Guarantee Program

The capacity of the Fund to guarantee bonds under the Guarantee Program is limited to the lesser of that imposed by State law (the “State Capacity Limit”) and that imposed by regulations and a notice issued by the IRS (the “IRS Limit”, with the limit in effect at any given time being the “Capacity Limit”). From 2005 through 2009, the Guarantee Program twice reached capacity under the IRS

Limit, and in each instance the Guarantee Program was closed to new bond guarantee applications until relief was obtained from the IRS. The most recent closure of the Guarantee Program commenced in March 2009 and the Guarantee Program reopened in February 2010 after the IRS updated regulations relating to the PSF and similar funds.

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

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

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

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

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

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

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

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

ASF. The issuance of the IRS Notice and the Final IRS Regulations resulted in a substantial increase in the amount of bonds guaranteed under the Guarantee Program.

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

2017 Legislative Changes to the Charter District Bond Guarantee Program

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

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

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

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

Charter District Risk Factors

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

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

benefit of a security interest in real property, although other existing debts of such charter districts that are not guaranteed under the Charter District Bond Guarantee Program may be secured by real property that could be foreclosed on in the event of a bond default.

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

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

Ratings of Bonds Guaranteed Under the Guarantee Program

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

Valuation of the PSF and Guaranteed Bonds

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

⁽¹⁾ SLB managed assets are included in the market value and book value of the Fund. In determining the market value of the PSF from time to time during a fiscal year, the current, unaudited values for PSF investment portfolios and cash held by the SLB are used. With respect to SLB managed assets shown in the table above, market values of land and mineral interests, internally managed real estate, investments in externally managed real estate funds and cash are based upon information reported to the PSF Corporation by the SLB. The SLB reports that information to the PSF Corporation on a quarterly basis. The valuation of such assets at any point in time is dependent upon a variety of

factors, including economic conditions in the State and nation in general, and the values of these assets, and, in particular, the valuation of mineral holdings administered by the SLB, can be volatile and subject to material changes from period to period.

(2) At August 31, 2024, mineral assets, sovereign lands, other lands, and discretionary internal investments, had book values of approximately \$13.4 million, \$0.8 million, \$37.2 million, and \$318.9 million, respectively, and market values of approximately \$4,540.6 million, \$277.4 million, \$153.1 million, and \$457.0 million, respectively.

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

(1) Represents original principal amount; does not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities). The amount shown excludes bonds that have been refunded and released from the Guarantee Program. The TEA does not maintain records of the accreted value of capital appreciation bonds that are guaranteed under the Guarantee Program.

(2) At August 31, 2024 (the most recent date for which such data is available), the TEA expected that the principal and interest to be paid by school districts and charter districts over the remaining life of the bonds guaranteed by the Guarantee Program was \$196,294,405,488, of which \$70,478,423,885 represents interest to be paid. As shown in the table above, at August 31, 2024, there were \$125,815,981,603 in principal amount of bonds guaranteed under the Guarantee Program. Using the State Capacity Limit of \$169,961,518,160 (the State Capacity Limit is currently the Capacity Limit), net of the Capacity Reserve, as of January 31, 2025, 7.69% of the Guarantee Program's capacity was available to the Charter District Bond Guarantee Program. As of January 31, 2025, the amount of outstanding bond guarantees represented 76.33% of the Capacity Limit (which is currently the State Capacity Limit). January 31, 2025 values are based on unaudited data, which is subject to adjustment.

Permanent School Fund Guaranteed Bonds by Category⁽¹⁾

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

(1) Represents original principal amount; does not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities). The amount shown excludes bonds that have been refunded and released from the Guarantee Program.

(2) At January 31, 2025 (based on unaudited data, which is subject to adjustment), there were \$129,723,799,121 in principal amount of bonds guaranteed under the Guarantee Program, representing 3,437 school district issues, aggregating \$124,794,149,121 in principal amount and 109 charter district issues, aggregating \$4,929,650,000 in principal amount. At January 31, 2025 the projected guarantee capacity available was \$39,780,221,830 (based on unaudited data, which is subject to adjustment).

Discussion and Analysis Pertaining to Fiscal Year Ended August 31, 2024

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

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

Effective February 1, 2024, Texas PSF transitioned into a new strategic asset allocation. The new allocation of the PSF Corporation updated the strategic asset allocation among public equities, fixed income, and alternative assets, as discussed herein. Alternative assets now include private credit, absolute return, private equity, real estate, natural resources, and infrastructure. For a description of the accrual basis of accounting and more information about performance, including comparisons to established benchmarks for certain periods, please see the 2024 Annual Report which is included by reference herein.**PSF Returns Fiscal Year Ended 8-31-2024⁽¹⁾**

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

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

⁽²⁾ Benchmarks are as set forth in the Annual Report for year ended August 31, 2024.

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

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

Other Events and Disclosures

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

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

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

PSF Continuing Disclosure Undertaking

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

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

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

Annual Reports

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

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

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

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

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

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

Event Notices

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

Availability of Information

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

Limitations and Amendments

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

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

This continuing disclosure agreement may be amended by the TEA or the PSF Corporation from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the TEA or the PSF Corporation, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell guaranteed bonds in the primary offering of such bonds in compliance with Rule 15c2-12, taking into account any

amendments or interpretations of Rule 15c2-12 since such offering as well as such changed circumstances and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding bonds guaranteed by the Guarantee Program consent to such amendment or (b) a person that is unaffiliated with the TEA or the PSF Corporation (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the holders and beneficial owners of the bonds guaranteed by the Guarantee Program. The TEA or the PSF Corporation may also amend or repeal the provisions of its continuing disclosure agreement if the SEC amends or repeals the applicable provision of Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling bonds guaranteed by the Guarantee Program in the primary offering of such bonds.

Compliance with Prior Undertakings

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

SEC Exemptive Relief

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

APPENDIX D

**FORM OF LEGAL OPINION OF
BOND COUNSEL**

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

ARGYLE INDEPENDENT SCHOOL DISTRICT
VARIABLE RATE UNLIMITED TAX SCHOOL BUILDING BONDS,
SERIES 2025B, DATED AUGUST 15, 2025,
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$ _____

AS BOND COUNSEL FOR THE ISSUER (the “Issuer”) of the Bonds described above (the “Bonds”), we have examined into the legality and validity of the Bonds, which mature and bear interest from the dates specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates as stated in the text of the Bonds, with the Bonds being subject to redemption prior to maturity, all in accordance with the terms and conditions stated in the text of the Bonds.

WE HAVE EXAMINED the Constitution and laws of the State of Texas, certified copies of the proceedings of the Issuer and other documents authorizing and relating to the issuance of said Bonds, including one of the executed Bonds (Bond No. T-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that said Bonds have been authorized, issued and duly delivered in accordance with law; and that except as may be limited by laws applicable to the Issuer relating to governmental immunity, federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, which rights may be limited by general principles of equity which permit the exercise of judicial discretion, the Bonds constitute valid and legally binding obligations of the Issuer; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Bonds have been levied and pledged for such purpose, without legal limit as to rate or amount.

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



the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

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

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

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

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

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of any result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility



with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of, and assessed valuation of taxable property within the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Very truly yours,

APPENDIX E

**AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024**

Members:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC
ACCOUNTANTS
TEXAS SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS

**HANKINS, EASTUP, DEATON,
TONN, SEAY & SCARBOROUGH**
A Limited Liability Company
CERTIFIED PUBLIC ACCOUNTANTS

902 NORTH LOCUST
P.O. BOX 977
DENTON, TX 76202-0977
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FAX (940) 383-4746

Independent Auditor's Report

Argyle Independent School District
Argyle, Texas

Opinion

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Argyle Independent School District as of and for the year ended August 31, 2024 and the related notes to the financial statements, which collectively comprise Argyle Independent School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Argyle Independent School District as of August 31, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financials section of our report. We are required to be independent of Argyle Independent School District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

Auditor's Responsibility 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 general accepted 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 Argyle Independent School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Argyle Independent School 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 on pages 5 through 12 and the Teacher Retirement System schedules on page 56 through 64 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 Argyle Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements, the required TEA schedules listed in the table of contents, and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the required TEA schedules, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2024 on our consideration of Argyle Independent School District's internal control over financial reporting and on our tests of the 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 Argyle Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Argyle Independent School District's internal control over financial reporting and compliance.

Hankins Eastup Deaton Tonn Seay & Scarborough

Hankins, Eastup, Deaton, Tonn, Seay & Scarborough, LLC
Denton, Texas
December 5, 2024

**ARGYLE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2024
(UNAUDITED)**

As management of Argyle Independent School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended August 31, 2024. Please read this narrative in conjunction with the independent auditors' report on page 3, and the District's Basic Financial Statements that begin on page 15.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of Argyle Independent School District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$6,514,933 (net position). Of this amount, (\$9,077,539) represents negative unrestricted net position.
- The District's total net position increased by \$7,947,904 during the current fiscal year.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$188,156,890. Over 6% of this total amount, or \$11,310,046, is unassigned and available for use within the District's fund balance policies. The District's Capital Projects Fund has a fund balance of \$165,371,186.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$11,310,046 or 21.5% of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 15 and 17). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 18) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

The notes to the financial statements (starting on page 28) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. The sections labeled TEA Required Schedules and Compliance and Internal Control Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 15. Its primary purpose 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 of the District's assets and deferred outflows of resources; and liabilities and deferred inflows of resources at the end of the year while the Statement of Activities includes all revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting (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 TEA in equalization funding processes (general revenues). All the District's assets and deferred outflows of resources are reported whether they serve the current year or future years. Liabilities and deferred inflows of resources are considered regardless of whether they must be paid in the current or future years.

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

In the Statement of Net Position and the Statement of Activities, we divide the District into two kinds of activities:

- Governmental activities—Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.
- Business-type activities—The District does not have any programs in which it charges a fee to "customers" to help it cover all or most of the cost of services it provides. Thus, the District had no business-type activities during the current fiscal year.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 18 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received from the U.S. Department of Education. The District's administration establishes other funds to help it control and manage money for particular purposes.

Governmental funds—All of the District’s basic services are reported in governmental funds. 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.

The District as Trustee

Reporting the District’s Fiduciary Responsibilities

The District is the trustee, or custodian, for money raised by student activities. The District’s custodial activity is reported in a separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position on pages 26 and 27. 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 only responsible for ensuring that the assets reported in this fund are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The analysis below presents both current and prior year data and discusses significant changes in the accounts. Our 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 (\$1,432,971) to \$6,514,933. Unrestricted negative 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 (\$9,077,539) at August 31, 2024.

Table I
NET POSITION

	Governmental Activities	
	2024	2023
Current and other assets	\$ 200,451,823	\$ 241,711,987
Capital assets	287,015,657	239,969,584
Total assets	487,467,480	481,681,571
Deferred outflows of resources	20,566,897	18,455,499
Long-term liabilities	477,500,247	480,343,152
Other liabilities	12,315,952	9,096,003
Total liabilities	489,816,199	489,439,155
Deferred inflows of resources	11,703,245	12,130,886
Net Position:		
Net investment in capital assets	6,306,859	(2,135,226)
Restricted	9,285,613	7,358,341
Unrestricted	(9,077,539)	(6,656,086)
Total net position	\$ 6,514,933	\$ (1,432,971)

Table II
CHANGES IN NET POSITION

	Governmental Activities	
	2024	2023
Revenues:		
Program Revenues:		
Charges for services	\$ 4,349,522	\$ 3,801,309
Operating grants and contributions	5,356,902	5,177,910
General Revenues:		
Maintenance and operations taxes	33,395,242	35,850,338
Debt service taxes	23,407,474	19,951,304
State aid	17,048,499	9,120,995
Investment earnings	12,646,072	8,952,788
Grants and contributions not restricted	70,250	171,546
Miscellaneous	347,735	253,395
Total Revenues	<u>96,621,696</u>	<u>83,279,585</u>
Expenses:		
Instruction, curriculum and media services	40,372,264	35,809,831
Instructional and school leadership	3,670,492	3,288,810
Student support services	5,762,318	5,371,673
Food services	3,366,312	2,789,711
Extracurricular activities	3,727,820	3,529,101
General administration	2,679,927	2,278,049
Plant maintenance, security and data processing	9,313,043	8,059,505
Debt service	16,818,006	13,228,445
Capital outlay	2,362,497	1,406,458
Contracted instructional services between schools	210,702	167,104
Payments to shared service arrangement	12,000	10,500
Other intergovernmental charges	378,411	311,652
Total Expenses	<u>88,673,792</u>	<u>76,250,839</u>
Increase (Decrease) in Net Position	7,947,904	7,028,746
Net Position - beginning of year	<u>(1,432,971)</u>	<u>(8,461,717)</u>
Net Position - end of year	<u>\$ 6,514,933</u>	<u>\$ (1,432,971)</u>

At the end of the current fiscal year, the District reports a deficit balance in unrestricted net position, while reporting a positive balance in net investment in capital assets and restricted net position. The District's net position increased by \$7,947,904 during the current fiscal year.

- Average daily attendance increased by 432 students (9.2%) from the prior year. Taxable property values increased 22.8%. State funding revenue increased 86.9%.
- The District's maintenance and operations (M&O) tax rate decreased from \$0.8976 per \$100 valuation to \$0.7122 per \$100 valuation. The debt service tax rate remained \$0.500 per \$100 valuation. Tax collections were lower because of the lower overall tax rate. Expenditures of the general fund increased 11.5% because of enrollment growth and salary increases.
- The District made recapture payments to the State of Texas in the amount of \$210,702.

The cost of all governmental activities for the current fiscal year was \$88,673,792. However, as shown in the Statement of Activities on page 17, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$56,802,716 because some of the costs were paid by those who directly benefited from the programs (\$4,349,522) or by other governments and organizations that subsidized certain programs with grants and contributions (\$5,356,902) or by State equalization funding (\$17,048,499).

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 18) reported a combined fund balance of \$188,156,890, which is \$44,536,143 less than last year's total of \$232,693,033. Included in this year's total change in fund balance is a decrease of \$297,211 in the District's General Fund, an increase of \$2,018,409 in the District's Debt Service Fund, and a decrease of \$46,029,119 in the District's Capital Projects Fund.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August 2023). The second category includes changes that the Board made during the year to reflect new information regarding revenue sources and expenditure needs. The third category involves amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

The District's General Fund balance of \$12,690,046 reported on page 18 is more than the General Fund's budgetary fund balance of \$11,651,008 reported in the budgetary comparison statement on page 25 due to cost savings achieved amongst most functional categories.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2024, the District had \$287,015,657 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of \$47,046,073 or 19.6%, from last year.

More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

Debt Administration

At August 31, 2024, the District had \$452,403,895 in bonds and other long-term debt outstanding (including accreted interest on capital appreciation bonds) versus \$459,773,342 last year—a decrease of 1.6%. The District's general obligation bond rating is AAA (as a result of guarantees of the Texas Permanent School Fund), according to national rating agencies.

More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The District's 2024 Maintenance and Operations tax rate decreased to \$0.7099 per \$100 property valuation from \$0.7122 per \$100 property valuation as a result of tax rate compression required by State funding legislation. The Debt Service tax rate remained \$0.50 per \$100 property valuation.
- The Maintenance and Operations expenditure budget has increased approximately \$3.6 million from fiscal year 2024 actual expenditures due primarily to higher personnel costs resulting from staff salary adjustments and new positions required by enrollment growth.
- The District's 2024-2025 budget for the General Fund has budgeted expenditures \$1.4 million more than budgeted revenues (\$57.1 million).

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and 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 Argyle Independent School District, 6701 Canyon Falls Dr., Flower Mound, Texas 76226, (940) 464-7241.

BASIC FINANCIAL STATEMENTS

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ARGYLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2024

EXHIBIT A-1

Data Control Codes	Primary Government <hr/> Governmental Activities <hr/>
ASSETS	
1110 Cash and Cash Equivalents	\$ 198,489,678
1220 Property Taxes - Delinquent	759,342
1230 Allowance for Uncollectible Taxes	(75,935)
1240 Due from Other Governments	1,185,166
1290 Other Receivables, Net	93,572
Capital Assets:	
1510 Land	19,123,242
1520 Buildings, Net	211,169,646
1530 Furniture and Equipment, Net	3,089,181
1580 Construction in Progress	53,633,588
1000 Total Assets	<hr/> 487,467,480 <hr/>
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge on Bond Refundings	2,208,891
1705 Deferred Resource Outflows Related to TRS Pension	9,360,145
1706 Deferred Resource Outflows Related to TRS OPEB	8,997,861
1700 Total Deferred Outflows of Resources	<hr/> 20,566,897 <hr/>
LIABILITIES	
2110 Accounts Payable	8,020,165
2140 Accrued Interest Payable	704,426
2150 Payroll Deductions and Withholdings	404,300
2160 Accrued Wages Payable	3,003,038
2177 Due to Fiduciary Funds	4,394
2200 Accrued Expenses	64,069
2300 Unearned Revenue	115,560
Noncurrent Liabilities:	
2501 Due Within One Year: Loans, Note, Leases, etc.	4,730,482
Due in More than One Year:	
2502 Bonds, Notes, Loans, Leases, etc.	447,673,413
2540 Net Pension Liability (District's Share)	17,469,018
2545 Net OPEB Liability (District's Share)	7,627,334
2000 Total Liabilities	<hr/> 489,816,199 <hr/>
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Resource Inflows Related to TRS Pension	615,869
2606 Deferred Resource Inflows Related to TRS OPEB	11,087,376
2600 Total Deferred Inflows of Resources	<hr/> 11,703,245 <hr/>
NET POSITION	
3200 Net Investment in Capital Assets and Right-to-Use Lease Assets	6,306,859
Restricted:	
3820 Restricted for Federal and State Programs	293,761
3850 Restricted for Debt Service	8,991,852
3900 Unrestricted	(9,077,539)
3000 Total Net Position	<hr/> \$ 6,514,933 <hr/>

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

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ARGYLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2024

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 39,610,497	\$ 382,042	\$ 2,835,191	\$ (36,393,264)
12 Instructional Resources and Media Services	668,629	-	35,430	(633,199)
13 Curriculum and Instructional Staff Development	93,138	-	3,282	(89,856)
21 Instructional Leadership	751,094	-	37,049	(714,045)
23 School Leadership	2,919,398	-	147,473	(2,771,925)
31 Guidance, Counseling, and Evaluation Services	2,414,301	-	664,000	(1,750,301)
33 Health Services	671,007	-	35,280	(635,727)
34 Student (Pupil) Transportation	2,677,010	-	454,403	(2,222,607)
35 Food Services	3,366,312	2,759,584	374,638	(232,090)
36 Extracurricular Activities	3,727,820	784,956	80,288	(2,862,576)
41 General Administration	2,679,927	-	98,842	(2,581,085)
51 Facilities Maintenance and Operations	6,807,253	422,940	249,108	(6,135,205)
52 Security and Monitoring Services	1,090,825	-	261,524	(829,301)
53 Data Processing Services	1,414,965	-	58,868	(1,356,097)
72 Debt Service - Interest on Long-Term Debt	16,802,556	-	-	(16,802,556)
73 Debt Service - Bond Issuance Cost and Fees	15,450	-	-	(15,450)
81 Capital Outlay	2,362,497	-	21,526	(2,340,971)
91 Contracted Instructional Services Between Schools	210,702	-	-	(210,702)
93 Payments Related to Shared Services Arrangements	12,000	-	-	(12,000)
99 Other Intergovernmental Charges	378,411	-	-	(378,411)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 88,673,792	\$ 4,349,522	\$ 5,356,902	(78,967,368)
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			33,395,242
DT	Property Taxes, Levied for Debt Service			23,407,474
SF	State Aid - Formula Grants			17,048,499
GC	Grants and Contributions not Restricted			70,250
IE	Investment Earnings			12,646,072
MI	Miscellaneous Local and Intermediate Revenue			347,735
TR	Total General Revenues			86,915,272
CN	Change in Net Position			7,947,904
NB	Net Position - Beginning			(1,432,971)
NE	Net Position - Ending			\$ 6,514,933

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

ARGYLE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2024

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 15,845,460	\$ 9,452,753	\$ 172,857,189
1220 Property Taxes - Delinquent	488,758	270,584	-
1230 Allowance for Uncollectible Taxes	(48,876)	(27,059)	-
1240 Due from Other Governments	668,494	-	-
1260 Due from Other Funds	700	-	-
1290 Other Receivables	9,359	-	-
1000 Total Assets	<u>\$ 16,963,895</u>	<u>\$ 9,696,278</u>	<u>\$ 172,857,189</u>
LIABILITIES			
2110 Accounts Payable	\$ 361,997	\$ -	\$ 7,486,003
2150 Payroll Deductions and Withholdings Payable	404,300	-	-
2160 Accrued Wages Payable	2,886,047	-	-
2170 Due to Other Funds	4,856	-	-
2200 Accrued Expenditures	61,207	-	-
2300 Unearned Revenue	115,560	-	-
2000 Total Liabilities	<u>3,833,967</u>	<u>-</u>	<u>7,486,003</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	439,882	243,525	-
2600 Total Deferred Inflows of Resources	<u>439,882</u>	<u>243,525</u>	<u>-</u>
FUND BALANCES			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	165,371,186
3480 Retirement of Long-Term Debt	-	9,452,753	-
Committed Fund Balance:			
3545 Other Committed Fund Balance	-	-	-
Assigned Fund Balance:			
3590 Other Assigned Fund Balance	1,380,000	-	-
3600 Unassigned Fund Balance	11,310,046	-	-
3000 Total Fund Balances	<u>12,690,046</u>	<u>9,452,753</u>	<u>165,371,186</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 16,963,895</u>	<u>\$ 9,696,278</u>	<u>\$ 172,857,189</u>

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

Other Funds	Total Governmental Funds
\$ 334,276	\$ 198,489,678
-	759,342
-	(75,935)
516,672	1,185,166
462	1,162
84,213	93,572
<u>\$ 935,623</u>	<u>\$ 200,452,985</u>
\$ 172,165	\$ 8,020,165
-	404,300
116,991	3,003,038
700	5,556
2,862	64,069
-	115,560
<u>292,718</u>	<u>11,612,688</u>
-	683,407
-	683,407
293,761	293,761
-	165,371,186
-	9,452,753
349,144	349,144
-	1,380,000
-	11,310,046
<u>642,905</u>	<u>188,156,890</u>
<u>\$ 935,623</u>	<u>\$ 200,452,985</u>

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ARGYLE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2024

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 188,156,890
1 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.	343,996,043
2 Accumulated depreciation is not reported in the fund financial statements.	(56,980,386)
3 Bonds payable are not reported in the fund financial statements.	(403,087,391)
4 Accreted interest payable on capital appreciation bonds is not reported in the fund financial statements.	(4,115,020)
5 Bond premiums on outstanding bonds payable are not recognized in the fund financial statements.	(45,201,484)
6 The deferred charge on bond refundings is not recognized in the fund financial statements.	2,208,891
7 Property tax revenue reported as unavailable revenue in the fund financial statements is recognized as revenue in the government-wide financial statements.	683,407
8 Interest on outstanding debt is accrued in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	(704,426)
9 Included in the items related to government-wide long-term debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 and 71 in the amount of \$17,469,018, Deferred Inflows of Resources related to TRS in the amount of \$615,869, and Deferred Outflows of Resources related to TRS in the amount of \$9,360,145. This results in a decrease in Net Position in the amount of \$8,724,742.	(8,724,742)
10 Included in the items related to government-wide long-term debt is the recognition of the District's proportionate share of the net Other Post-Employment Benefit (OPEB) liability required by GASB 75 in the amount of \$7,627,334, a Deferred Resource Inflow related to TRS OPEB in the amount of \$11,087,376, and a Deferred Resource Outflow related to TRS OPEB in the amount of \$8,997,861 This results in a net decrease in Net Position in the amount of \$9,716,849.	(9,716,849)
29 Net Position of Governmental Activities	\$ 6,514,933

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

ARGYLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2024

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 35,833,364	\$ 24,336,214	\$ 10,650,165
5800 State Program Revenues	18,594,415	1,738,166	-
5900 Federal Program Revenues	92,224	-	-
5020 Total Revenues	54,520,003	26,074,380	10,650,165
EXPENDITURES:			
Current:			
0011 Instruction	31,807,511	-	157,481
0012 Instructional Resources and Media Services	649,256	-	-
0013 Curriculum and Instructional Staff Development	90,166	-	-
0021 Instructional Leadership	730,565	-	-
0023 School Leadership	2,738,946	-	-
0031 Guidance, Counseling, and Evaluation Services	1,753,747	-	-
0033 Health Services	639,879	-	-
0034 Student (Pupil) Transportation	2,110,616	-	742,153
0035 Food Services	-	-	-
0036 Extracurricular Activities	2,362,166	-	-
0041 General Administration	2,613,463	-	-
0051 Facilities Maintenance and Operations	6,513,210	-	-
0052 Security and Monitoring Services	853,345	-	-
0053 Data Processing Services	1,311,404	-	-
Debt Service:			
0071 Principal on Long-Term Liabilities	-	5,634,052	-
0072 Interest on Long-Term Liabilities	-	18,406,469	-
0073 Bond Issuance Cost and Fees	-	15,450	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	41,827	-	55,779,650
Intergovernmental:			
0091 Contracted Instructional Services Between Schools	210,702	-	-
0093 Payments to Fiscal Agent/Member Districts of SSA	12,000	-	-
0099 Other Intergovernmental Charges	378,411	-	-
6030 Total Expenditures	54,817,214	24,055,971	56,679,284
1200 Net Change in Fund Balances	(297,211)	2,018,409	(46,029,119)
0100 Fund Balance - September 1 (Beginning)	12,987,257	7,434,344	211,400,305
3000 Fund Balance - August 31 (Ending)	\$ 12,690,046	\$ 9,452,753	\$ 165,371,186

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

	Other Funds	Total Governmental Funds
\$	3,270,561	\$ 74,090,304
	1,264,588	21,597,169
	1,177,186	1,269,410
	5,712,335	96,956,883
	1,178,866	33,143,858
	-	649,256
	2,604	92,770
	-	730,565
	-	2,738,946
	583,319	2,337,066
	-	639,879
	-	2,852,769
	3,287,880	3,287,880
	486,765	2,848,931
	-	2,613,463
	159,686	6,672,896
	219,628	1,072,973
	-	1,311,404
	-	5,634,052
	-	18,406,469
	-	15,450
	21,809	55,843,286
	-	210,702
	-	12,000
	-	378,411
	5,940,557	141,493,026
	(228,222)	(44,536,143)
	871,127	232,693,033
\$	642,905	\$ 188,156,890

ARGYLE 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, 2024

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ (44,536,143)
Current year capital asset additions are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The effect of reclassifying the current year capital asset additions is to increase net position.	54,605,277
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of the current year's depreciation is to decrease net position in the government-wide financial statements.	(7,559,204)
Current year long-term debt principal payments on bonds payable and payments of accreted interest on capital appreciation bonds are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements.	5,825,000
Current year interest accretion on capital appreciation bonds payable is not recognized in the fund financial statements, but is shown as an increase in long-term debt in the government-wide financial statements.	(401,883)
Interest expense on outstanding debt is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due.	23,769
Revenues from property taxes are reported as unavailable revenue in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed, net of an allowance for uncollectible amounts, in the government-wide financial statements.	32,261
Current year amortization of the premium on bonds payable is not recognized in the fund financial statements, but is shown as a reduction in long-term debt in the government-wide financial statements.	1,946,330
Current year amortization of the deferred charge on bond refundings is not recognized in the fund financial statements, but is shown as a reduction of the deferred charge in the government-wide financial statements.	(155,251)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. TRS contributions made after the measurement date of 8/31/2023 caused the change in the ending net position to increase by \$202,861. These contributions were replaced with the District's pension expense for the year of \$2,614,995, which caused a decrease in the change in net position. The net effect of these is to decrease the change in net position by \$2,412,134.	(2,412,134)
The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. TRS OPEB contributions made after the measurement date of 8/31/23 but during the current fiscal year caused the ending net position to increase in the amount of \$23,736. These contributions were replaced with the District's negative OPEB expense for the year of \$556,146, which caused an increase in the change in net position. The net effect of these is to increase the change in net position by \$579,882.	579,882
Change in Net Position of Governmental Activities	\$ 7,947,904

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

ARGYLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2024

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 37,890,500	\$ 35,835,500	\$ 35,833,364	\$ (2,136)
5800	State Program Revenues	17,264,500	18,694,500	18,594,415	(100,085)
5900	Federal Program Revenues	157,500	92,500	92,224	(276)
5020	Total Revenues	55,312,500	54,622,500	54,520,003	(102,497)
EXPENDITURES:					
Current:					
0011	Instruction	32,064,595	32,058,395	31,807,511	250,884
0012	Instructional Resources and Media Services	678,093	685,093	649,256	35,837
0013	Curriculum and Instructional Staff Development	170,954	170,954	90,166	80,788
0021	Instructional Leadership	1,042,090	802,090	730,565	71,525
0023	School Leadership	2,777,533	2,778,033	2,738,946	39,087
0031	Guidance, Counseling, and Evaluation Services	1,917,953	1,844,453	1,753,747	90,706
0033	Health Services	653,552	661,552	639,879	21,673
0034	Student (Pupil) Transportation	2,275,543	2,275,543	2,110,616	164,927
0036	Extracurricular Activities	2,488,342	2,419,842	2,362,166	57,676
0041	General Administration	2,580,616	2,644,116	2,613,463	30,653
0051	Facilities Maintenance and Operations	6,740,446	6,637,946	6,513,210	124,736
0052	Security and Monitoring Services	879,746	943,746	853,345	90,401
0053	Data Processing Services	1,326,486	1,351,486	1,311,404	40,082
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	43,500	41,827	1,673
Intergovernmental:					
0091	Contracted Instructional Services Between Schools	250,000	250,000	210,702	39,298
0093	Payments to Fiscal Agent/Member Districts of SSA	12,000	12,000	12,000	-
0099	Other Intergovernmental Charges	410,000	380,000	378,411	1,589
6030	Total Expenditures	56,267,949	55,958,749	54,817,214	1,141,535
1200	Net Change in Fund Balances	(955,449)	(1,336,249)	(297,211)	1,039,038
0100	Fund Balance - September 1 (Beginning)	12,987,257	12,987,257	12,987,257	-
3000	Fund Balance - August 31 (Ending)	\$ 12,031,808	\$ 11,651,008	\$ 12,690,046	\$ 1,039,038

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

ARGYLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2024

	Custodial Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 531,410
Due from Other Funds	4,394
Total Assets	<u>535,804</u>
LIABILITIES	
Accounts Payable	<u>15,846</u>
Total Liabilities	<u>15,846</u>
NET POSITION	
Unrestricted Net Position	<u>534,218</u>
Total Net Position	<u><u>\$ 534,218</u></u>

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

ARGYLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2024

	Custodial Fund
ADDITIONS:	
Contributions to Student Groups	\$ 740,963
Total Additions	<u>740,963</u>
DEDUCTIONS:	
Supplies and Materials	<u>674,090</u>
Total Deductions	<u>674,090</u>
Change in Fiduciary Net Position	66,873
Total Net Position - September 1 (Beginning)	<u>467,345</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 534,218</u></u>

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

ARGYLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Argyle Independent School District (the "District") is a public educational agency operating under the applicable rules and regulations of the State of Texas. The District's combined financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide (FAR). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

A. REPORTING ENTITY

The Board of Trustees, a seven member group elected by registered voters of the District, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the District. The board of trustees is elected by the public. The trustees as a body corporate have the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved for the trustees, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the trustees. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards.

The District's basic financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

Based on the aforementioned criteria, Argyle Independent School District has no component units.

B. BASIS OF PRESENTATION

The government-wide financial statements (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 normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. The District had no business-type activities.

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

ARGYLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

Fund Financial Statements:

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental funds:

1. **General Fund** - This fund is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board of Trustees to implement its responsibilities.
2. **Debt Service Fund** - This fund is established to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which a tax has been dedicated. This is a budgeted fund. Any unused debt service fund balances are transferred to the General Fund after all of the related debt obligations have been met.
3. **Capital Projects Fund** - This fund is established to account for proceeds from the sale of bonds and other resources to be used for Board authorized acquisition, construction, or renovation, as well as, furnishings and equipping of major capital facilities. Upon completion of a project, any unused bond proceeds are transferred to the Debt Service Fund and are used to retire related bond principal.

Additionally, the District reports the following fund types:

1. **Special Revenue Funds** - These funds are established to account for federally financed or expenditures legally restricted for specified purposes. In many special revenue funds, any unused balances are returned to the grantor at the close of specified project periods. For funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.
2. **Fiduciary Funds** - These funds are used to account for activities of student groups and other organizational activities on a fiduciary basis.

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and deferred outflows of resources; and liabilities and deferred inflows of resources (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

ARGYLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

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

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

The revenue susceptible to accrual are property taxes, charges for services, interest income and intergovernmental revenues. All other Governmental Fund Type revenues are recognized when received.

Revenues from state and federal grants are recognized as earned when the related program expenditures are incurred. Funds received but unearned are reflected as deferred revenues, and funds expended but not yet received are shown as receivables.

Revenue from investments, including governmental external investment pools, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase. External investment pools are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

In accordance with the FAR, the District has adopted and installed an accounting system which exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Accounting Code Section of the FAR.

ARGYLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

D. BUDGETARY CONTROL

Formal budgetary accounting is employed for all required Governmental Fund Types, as outlined in TEA's FAR module, and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

The official school budget is prepared for adoption for required Governmental Fund Types prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given. The budget is prepared by fund, function, object, and organization. The budget is controlled at the organizational level by the appropriate department head or campus principal within Board allocations. Therefore, organizations may transfer appropriations as necessary without the approval of the board unless the intent is to cross fund, function or increase the overall budget allocations. Control of appropriations by the Board of Trustees is maintained within Fund Groups at the function code level and revenue object code level.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Food Service Fund, and the Debt Service Fund. The special revenue funds adopt project-length budgets which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting. The budget is amended throughout the year by the Board of Trustees. Such amendments are reflected in the official minutes of the Board.

A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

August 31, 2024	
<u>Fund Balance</u>	
Appropriated Budget Funds - Food Service Special Revenue Fund	\$293,761
Nonappropriated Budget Funds	<u>349,144</u>
All Special Revenue Funds	<u>\$642,905</u>

E. ENCUMBRANCE ACCOUNTING

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at August 31 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget. The District had no material encumbrances outstanding at August 31, 2024.

F. INVENTORIES

The District records purchases of supplies as expenditures.

G. INTERFUND RECEIVABLES AND PAYABLES

Short-term amounts owed between funds are classified as "Due to/from other funds". Interfund loans are classified as "Advances to/from other funds" and are offset by a fund balance reserve account.

ARGYLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

H. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the governmental activities columns in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$5,000 or more and over one-year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings & Improvements	15-50 Years
Furniture and Equipment	3-15 Years

I. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows and inflows of resources are reported in the statement of financial position as described below:

A *deferred outflow of resources* is a consumption of a government's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District has three items that qualify for reporting in this category:

Deferred outflows of resources for refunding - Reported in the government-wide statement of net position, the deferred charge on bond refundings results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The amount of deferred outflows reported in the governmental activities for the deferred charge on bond refundings at August 31, 2024 was \$2,208,891.

Deferred outflows of resources for pensions - Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan which is currently approximately 5.6705 years.

The amount of deferred outflows reported in the governmental activities for deferred pension expenses at August 31, 2024 was \$9,360,145.

ARGYLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

Deferred outflows of resources for OPEB- Reported in the government-wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of differences between expected and actual investment earnings and changes in proportionate share. The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. The other OPEB related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the OPEB plan which is currently approximately 9.2215 years. The amount of deferred outflows reported for deferred OPEB expense at August 31, 2024 was \$8,997,861.

A *deferred inflow of resources* is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District has three items that qualify for reporting in this category:

Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District reported property taxes that are unavailable as deferred inflows of resources in the fund financial statements. The amount of deferred inflows of resources reported in the governmental funds at August 31, 2024 was \$683,407.

Deferred inflows of resources for pensions - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments and other actuarial and other assumption differences. These amounts will be amortized over a closed 5-year period. In fiscal year 2024 the District reported deferred inflows of resources for pensions in the governmental activities in the amount of \$615,869.

Deferred inflows of resources for OPEB - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between expected and actual experience and from changes in assumptions. These amounts will be amortized over the average expected remaining service life (AERSL) of all members (9.2215 years for the 2023 measurement year). In fiscal year 2024, the District reported deferred inflows of resources for OPEB in the governmental activities in the amount of \$11,087,376.

J. COMPENSATED ABSENCES

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

ARGYLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

K. NET POSITION

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

When both restricted and unrestricted net position is available, restricted net position is expended before unrestricted net position if such use is consistent with the restricted purpose.

L. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expenses as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2024, the district purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

N. ESTIMATES

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

NOTE 2. FUND BALANCES

The District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

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

ARGYLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has no nonspendable fund balance.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the District's bonded debt and are restricted through debt covenants. Capital projects resources are restricted for future capital outlay. Federal and State grant resources are restricted because their use is restricted pursuant to the grant requirements.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Board of Trustees has committed resources as of August 31, 2024 for campus activities and local grants.
- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Trustees or through the Board of Trustees delegating this responsibility to other individuals in the District. Under the District's adopted policy, the Board of Trustees, Superintendent, or Chief Financial Officer may assign amounts for specific purposes. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District has assigned fund balance at August 31, 2024 representing the District's adopted deficit budget for 2024-2025.
- Unassigned: This classification includes all amounts not included in other spendable classifications, including the residual fund balance of the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 18) and are described below:

General Fund

General Fund has assigned fund balance of \$1,380,000 and unassigned fund balance of \$11,310,046 at August 31, 2024.

Debt Service Fund

The Debt Service Fund has restricted funds of \$9,452,753 at August 31, 2024 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt.

ARGYLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

Capital Projects Fund

The Capital Projects Fund has restricted funds of \$165,371,186 at August 31, 2024 consisting primarily of remaining bond issuance proceeds that are restricted for construction and other capital outlay expenditures.

Other Funds

The fund balances of \$303,304 and \$45,553 of the Campus Activity and other Local Grants Funds (special revenue funds) are shown as committed due to Board policy committing those funds to campus activities and local projects. The following special revenue funds fund balances are restricted by Federal or State grant restrictions:

National Breakfast & Lunch Program	\$293,761
Other State Grants	<u>287</u>
Total	<u>\$294,048</u>

NOTE 3. DEPOSITS AND INVESTMENTS

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

1. Cash Deposits:

At August 31, 2024, the carrying amount of the District's deposits (checking accounts and interest-bearing demand accounts) was \$23,781,828 and the bank balance was \$26,220,215. The District's cash deposits at August 31, 2024 were entirely covered by FDIC insurance or by letters of credit or pledged collateral held by the District's agent bank in the District's name.

2. Investments:

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

ARGYLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

- a. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the District’s deposits may not be returned to it. As of August 31, 2024, the District’s cash deposits totaled \$26,220,215. This entire amount was either collateralized with a letter of credit or securities held by the District’s agent or covered by FDIC insurance. Thus, the District’s deposits were not exposed to custodial credit risk as of August 31, 2024. The District’s deposits were fully collateralized with a letter of credit or securities held by the District’s agent or covered by FDIC Insurance for the entire year.
- b. Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At August 31, 2024, the District held investments in a public funds investment pool. Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.
- c. Credit Risk: This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for TexSTAR Investment Pool at year-end was AAAM (Standard & Poor’s).
- d. Interest Rate Risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the District’s investment in the external investment pool is less than 60 days.
- e. Foreign Currency Risk: This is the risk that exchange rates will adversely affect the fair value of an investment. At August 31, 2024, the District was not exposed to foreign currency risk.
- f. Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of the District’s investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. Investment pools are excluded from the 5 percent disclosure requirement.

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

The District’s investments in Pools are reported at an amount determined by the fair value per share of the pool’s underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission (“SEC”) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940.

ARGYLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

The District's investments at August 31, 2024, are shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>
TexSTAR Investment Pool	<u>\$175,239,260</u>	<u>\$175,239,260</u>
	<u>\$175,239,260</u>	<u>\$175,239,260</u>

Fair Value Measurements

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factors specific to each asset or liability.

The District's investment in the Public Investment Pool is not required to be measured at fair value but is measured at amortized cost.

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2024, was as follows:

	<u>Balance September 1</u>	<u>Additions/ Completions</u>	<u>Retirement/ Adjustments</u>	<u>Balance August 31</u>
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 19,118,242	\$ 5,000	\$ -	\$ 19,123,242
Construction in Progress	<u>11,232,318</u>	<u>52,725,216</u>	<u>10,323,946</u>	<u>53,633,588</u>
Total Capital assets not being depreciated	<u>30,350,560</u>	<u>52,730,216</u>	<u>10,323,946</u>	<u>72,756,830</u>
Capital assets, being depreciated				
Buildings and Improvements	250,180,887	11,080,972	-	261,261,859
Furniture and Equipment	2,603,972	777,628	-	3,381,600
Vehicles	<u>6,255,347</u>	<u>340,407</u>	<u>-</u>	<u>6,595,754</u>
Total Capital assets being depreciated	<u>259,040,206</u>	<u>12,199,007</u>	<u>-</u>	<u>271,239,213</u>
Less accumulated depreciation for:				
Buildings and Improvements	(43,294,455)	(6,797,758)	-	(50,092,213)
Furniture and Equipment	(2,036,895)	(566,997)	-	(2,603,892)
Vehicles	<u>(4,089,832)</u>	<u>(194,449)</u>	<u>-</u>	<u>(4,284,281)</u>
Total accumulated depreciation	<u>(49,421,182)</u>	<u>(7,559,204)</u>	<u>-</u>	<u>(56,980,386)</u>
Total Capital assets, being depreciated, net	<u>209,619,024</u>	<u>4,639,803</u>	<u>-</u>	<u>214,258,827</u>
Governmental activities capital assets, net	<u>\$239,969,584</u>	<u>\$ 57,370,019</u>	<u>\$ 10,323,946</u>	<u>\$287,015,657</u>

ARGYLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

Depreciation expense was charged as direct expense to programs of the District as follows:

Governmental activities:	
Instruction	\$5,603,549
School Leadership	99,165
Guidance, Counseling & Evaluation Services	30,408
Health Services	11,747
Student Transportation	516,458
Food Services	150,709
Cocurricular/Extracurricular Activities	947,242
General Administration	11,788
Plant Maintenance and Operations	85,669
Security and Monitoring Services	30,636
Data Processing Services	<u>71,833</u>
Total depreciation expense-Governmental activities	<u>\$7,559,204</u>

NOTE 5. LONG-TERM DEBT

Long-term debt includes par bonds and capital appreciation (deep discount) serial bonds. All long-term debt represents transactions in the District's governmental activities.

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

ARGYLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

The following is a summary of the changes in the District's Long-term Debt for the year ended August 31, 2024:

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 9/1/23	Issued Current Year	Interest Accretion	Retired/ Refunded	Amounts Outstanding 8/31/24	Due Within One Year
Unlimited tax school bldg. & bonds-Series 1998	4.60%	5,315,861	\$ 1,311,443	\$ -	\$ -	\$ 74,052	\$ 1,237,391	\$ 70,482
Unlimited tax refunding bonds-Series 2013B	2.00-4.00%	4,515,000	3,405,000	-	-	75,000	3,330,000	80,000
Unlimited tax refunding bonds-Series 2014	2.00-4.00%	3,925,000	2,795,000	-	-	895,000	1,900,000	935,000
Unlimited tax school building bonds-Series 2014	3.00-4.00%	35,110,000	3,950,000	-	-	1,440,000	2,510,000	-
Unlimited tax refunding bonds-Series 2015	1.14-4.00%	6,480,000	6,375,000	-	-	290,000	6,085,000	300,000
Unlimited tax school building bonds-Series 2016	4.00%	4,475,000	3,675,000	-	-	145,000	3,530,000	150,000
Unlimited tax refunding bonds-Series 2016	2.00-3.31%	4,490,000	3,675,000	-	-	120,000	3,555,000	125,000
Unlimited tax refunding bonds-Series 2017A	1.00-4.00%	23,220,000	21,885,000	-	-	155,000	21,730,000	160,000
Unlimited tax school building bonds-Series 2017B	2.00-5.00%	41,195,000	40,720,000	-	-	-	40,720,000	1,505,000
Unlimited tax school building bonds-Series 2019	3.00-5.00%	69,920,000	68,500,000	-	-	720,000	67,780,000	-
Unlimited tax school building bonds-Series 2020A	2.125-5.00%	36,460,000	34,460,000	-	-	830,000	33,630,000	970,000
Unlimited tax school building bonds-Series 2020B	0.227-2.36%	24,515,000	22,405,000	-	-	640,000	21,765,000	170,000
Unlimited tax school building bonds-Series 2022	4.00-5.00%	106,170,000	106,170,000	-	-	250,000	105,920,000	265,000
Unlimited tax school building bonds-Series 2023	4.00-5.00%	89,395,000	<u>89,395,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,395,000</u>	<u>-</u>
Total Bonded Indebtedness:			<u>408,721,443</u>	<u>-</u>	<u>-</u>	<u>5,634,052</u>	<u>403,087,391</u>	<u>4,730,482</u>
Other Direct Obligations:								
Accreted Interest - Capital Appreciation Bonds			3,904,085	-	401,883	190,948	4,115,020	-
Bond Premiums			<u>47,147,814</u>	<u>-</u>	<u>-</u>	<u>1,946,330</u>	<u>45,201,484</u>	<u>-</u>
Total Other Obligations:			<u>51,051,899</u>	<u>-</u>	<u>401,883</u>	<u>2,137,278</u>	<u>49,316,504</u>	<u>-</u>
Total Obligations of District			<u>\$459,773,342</u>	<u>\$ -</u>	<u>\$ 401,883</u>	<u>\$ 7,771,330</u>	<u>\$452,403,895</u>	<u>\$4,730,482</u>

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

Year Ended August 31,	Principal	Interest	Total Requirements
2025	\$ 4,730,482	\$ 19,080,736	\$ 23,811,218
2026	5,772,087	18,987,730	24,759,817
2027	6,136,385	19,501,283	25,637,668
2028	7,954,045	17,350,973	25,305,018
2029	8,807,560	17,034,332	25,841,892
2030-2034	75,431,832	75,299,538	150,731,370
2035-2039	92,550,000	55,666,876	148,216,876
2040-2044	104,000,000	33,983,217	137,983,217
2045-2049	76,450,000	13,034,787	89,484,787
2050-2053	<u>21,255,000</u>	<u>2,167,200</u>	<u>23,422,200</u>
	<u>\$403,087,391</u>	<u>\$272,106,672</u>	<u>\$675,194,063</u>

The 1998, 2016 and 2020B bond series include Capital Appreciation Bonds. No interest is paid on these bonds prior to maturity. The bonds mature variously in 2025 through 2035. Interest accrues on these bonds each February 15 and August 15 even though the interest is not paid until maturity.

ARGYLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the District. General Obligation Bonds require the District to compute, at the time taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity. The District is in compliance with this requirement.

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at August 31, 2024.

NOTE 6. DEFERRED CHARGES ON BOND REFUNDINGS

The District's deferred charge on bond refundings are as follows:

Balance – August 31, 2023	\$2,364,142
Current year amortization	<u>(155,251)</u>
Balance – August 31, 2024	<u>\$2,208,891</u>

NOTE 7. LEASES

In June 2017, GASB issued Statement No. 87 - Leases. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The initial adoption date was postponed to fiscal years beginning after June 15, 2021 (FY2022) by GASB Statement No. 95 - Postponement of the Effective Dates of Certain Authoritative Guidance, which was issued in May of 2020.

Per review of the agreements identified by the District as potential leases, the leases were determined to either not meet the definition of a lease or were immaterial to the financial statements.

NOTE 8. PROPERTY TAXES

Property taxes are considered available when collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. The District levies its taxes on October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll upon which the levy for the 2023-24 fiscal year was based was \$4,919,275,872. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended August 31, 2024, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$0.7122 and \$0.50 per \$100 valuation, respectively, for a total of \$1.2122 per \$100 valuation.

Current tax collections for the year ended August 31, 2024 were 99.49% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting 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. As of August 31, 2024, property taxes receivable, net of estimated uncollectible taxes, totaled \$439,882 and \$243,525 for the General and Debt Service Funds, respectively.

Property taxes are recorded as receivables and unavailable revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected.

ARGYLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

NOTE 9. DEFINED BENEFIT PENSION PLAN

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

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

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://trs.texas.gov/pages/aboutpublications.aspx>, by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512)542-6592.

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

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

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

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

**ARGYLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024**

	<u>Contribution Rates</u>	
	<u>2023</u>	<u>2024</u>
Member	8.00%	8.25%
Non-Employer Contributing Entity (State)	8.00%	8.25%
Employers	8.00%	8.25%
Argyle ISD FY2024 Employer Contributions		\$ 1,510,247
Argyle ISD FY2024 Member Contributions		\$ 3,245,744
Argyle ISD FY2024 NECE On-Behalf Contributions		\$ 2,323,843

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding source or a privately sponsored source, from non-educational and general, or local funds.
- All public schools must contribute 1.8 percent of the member's salary beginning in fiscal year 2023, gradually increasing to 2 percent in fiscal year 2025.

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

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

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

Valuation Date	August 31, 2022 rolled forward to August 31, 2023
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term expected Investment Rate of Return	7.00%
Municipal Bond Rate as of August 2023	4.13%
Inflation	2.30%
Salary Increases Including Inflation	2.95% to 8.95%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

ARGYLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2022. For a full description of these assumptions please see the actuarial valuation report dated November 22, 2022.

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 session. It is assumed that future employer and state contributions will be 9.50 percent of payroll in fiscal year 2024 gradually increasing to 9.56 percent in fiscal year 2025 and thereafter. This includes all employer and state contributions for active and rehired retirees.

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

The long-term rate of return on pension plan investments is 7.00%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2023 are summarized below:

Asset Class	Target Allocation ¹	Long-Term Expected Arithmetic Real Rate of Return ²	Expected Contribution To Long-Term Portfolio Returns
Global Equity			
U.S.	18%	4.0%	1.00%
Non-U.S. Developed	13%	4.5%	0.90%
Emerging Markets	9%	4.8%	0.70%
Private Equity	14%	7.0%	1.50%
Stable Value			
Government Bonds	16%	2.5%	0.50%
Absolute Return ⁴	0%	3.6%	0.00%
Stable Value Hedge Funds	5%	4.1%	0.20%
Real Return			
Real Estate	15%	4.9%	1.10%
Energy, Natural Resources	6%	4.8%	0.40%
Commodities	0%	4.4%	0.00%
Risk Parity			
Risk Parity	8%	4.5%	0.40%
Leverage			
Cash	2%	3.7%	0.00%
Asset Allocation Leverage	-6%	4.4%	-0.10%
Inflation Expectation	-		2.30%
Volatility Drag ³	-		-0.90%
Total	<u>100%</u>		<u>8.00%</u>

¹ Target allocations are based on the FY23 policy model.

² Capital Market Assumptions come from Aon Hewitt (as of 06/30/2023).

³ The volatility drag results from the conversion between arithmetic and geometric mean returns.

⁴ Absolute Return includes credit sensitive investments.

ARGYLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

Discount Rate Sensitivity Analysis. 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.

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
Argyle ISD's proportionate share of the net pension liability:	\$26,117,148	\$17,469,018	\$10,278,091

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2024, Argyle Independent School District reported a liability of \$17,469,018 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Argyle Independent School District. The amount recognized by Argyle Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Argyle Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$17,469,018
State's proportionate share that is associated with the District	<u>27,778,554</u>
Total	<u>\$45,247,572</u>

The net pension liability was measured as of August 31, 2022 and rolled forward to August 31, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2022 thru August 31, 2023.

At August 31, 2023 the employer's proportion of the collective net pension liability was 0.254315462%, an increase of 14.2% from its proportionate share of 0.02226871% at August 31, 2022.

Changes in Assumptions and Benefits Since the Prior Actuarial Valuation.

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

The Texas 2023 Legislature passed legislation that provides a one-time stipend to certain retired teachers. The stipend was paid to retirees beginning in September of 2023. The Legislature appropriated funds to pay for this one-time stipend so there will be no impact on the net pension liability of TRS. In addition, the Legislature also provided for a cost of living adjustment (COLA) to retirees which was approved during the November 2023 elections which will be paid in January, 2024. Therefore, this contingent liability was not reflected as of August 31, 2023.

The amount of pension expense recognized by Argyle Independent School District in the reporting period was \$3,922,237.

For the year ended August 31, 2024 Argyle Independent School District recognized pension expense of \$2,323,843 and revenue of \$2,323,843 for support by the State.

ARGYLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

At August 31, 2024, Argyle 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 (The amounts shown below will be the cumulative layers from the current and prior years combined.):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 622,427	\$211,531
Changes in actuarial assumptions	1,652,227	404,338
Difference between projected and actual investment earnings	2,542,166	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	3,033,078	-
Contributions paid to TRS subsequent to the measurement date	1,510,247	-
Total	\$9,360,145	\$615,869

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

Year ended August 31:	Pension Expense Amount	Balance of Deferred Outflows (Deferred Inflows)
2025	\$ 1,743,385	\$ 5,490,644
2026	1,317,286	4,173,358
2027	2,807,031	1,366,327
2028	1,131,044	235,283
2029	235,283	-
Thereafter	-	-

NOTE 10. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

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

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

OPEB Plan Fiduciary Net Position. Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.texas.gov/pages/aboutpublications.aspx>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

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

ARGYLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

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

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

TRS-Care Monthly for Retirees		
	<u>Medicare</u>	<u>Non-Medicare</u>
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999

* or surviving spouse

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of salary. Section 1575.204 establishes an employer 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 public school. The actual employer 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 2023. The following table shows contributions to the TRS-Care plan by type of contributor.

<u>Contribution Rates</u>		
	<u>2023</u>	<u>2024</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
Argyle ISD FY24 Employer Contributions	\$303,882	
Argyle ISD FY24 Member Contributions	\$258,724	
Argyle ISD FY24 NECE On-behalf Contributions	\$482,966	

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$21.3 million in fiscal year 2023 provided by Rider 14 of the Senate Bill GAA of the 87th Legislature. These amounts were re-appropriated from amounts received by the pension and TRS-Care funds in excess of the state's actual obligation and then transferred to TRS-Care.

Actuarial Assumptions. The actuarial valuation was performed as of August 31, 2022. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2023

ARGYLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2021.

The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2022 TRS pension actuarial valuation that was rolled forward to August 31, 2023:

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

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 the mortality projection scale MP-2021.

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2022 rolled forward to August 31, 2023
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	4.13%
Aging Factors	Based on specific plan experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs
Projected Salary Increases	2.95% to 8.95%, including inflation
Election Rates	Normal Retirement: 62% participation prior to age 65 and 25% participation after age 65
Ad hoc post-employment benefit changes	None

Discount Rate. A single discount rate of 4.13% was used to measure the total OPEB liability. There was an increase of 0.22 percent in the discount rate since the previous year. Because the investments are held in cash and there is no intentional objective to advance fund the benefits, the single discount rate is equal to the prevailing municipal bond rate.

The source of the municipal bond rate is the Fidelity “20-year Municipal GO AA Index” as of August 31, 2023 using the fixed-income market data/yield curve/data municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (4.13%) in measuring the Net OPEB Liability.

ARGYLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

	1% Decrease in Discount Rate (3.13%)	Current Single Discount Rate (4.13%)	1% Increase in Discount Rate (5.13%)
District's proportionate share of the Net OPEB Liability:	\$8,983,411	\$7,627,334	\$6,520,743

Healthcare Cost Trend Rates Sensitivity Analysis - The following schedule shows the impact of the net OPEB liability if a healthcare trend rate that is one-percentage less than or one-percentage point greater than the health trend rates is assumed.

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
District's proportionate share of the Net OPEB Liability:	\$6,280,728	\$7,627,334	\$9,359,747

OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2024, the District reported a liability of \$7,627,334 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District.

The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's Proportionate share of the collective Net OPEB Liability	\$ 7,627,334
State's proportionate share that is associated with the District	<u>\$ 9,203,551</u>
Total	<u>\$16,830,885</u>

The Net OPEB Liability was measured as of August 31, 2022 and rolled forward to August 31, 2023 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2022 thru August 31, 2023.

At August 31, 2023 the employer's proportion of the collective Net OPEB Liability was 0.034453107%, an increase of 12.25% compared to the August 31, 2022 proportionate share of 0.030694322%.

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

- The discount rate changed from 3.91 percent as of August 31, 2022 to 4.13 percent as of August 31, 2023, accompanied by revised demographic and economic assumptions based on the TRS experience study.

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

The amount of OPEB expense recognized by the District in the reporting period was \$(702,213).

**ARGYLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024**

For the year ended August 31, 2023, the District recognized OPEB expense of \$482,966 and revenue of \$482,966 for support provided by the State.

At August 31, 2024, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits related to OPEB from the following sources (the amounts shown below will be the cumulative layers for the current and prior years combined.):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 345,079	\$ 6,416,957
Changes in actuarial assumptions	1,041,075	4,670,419
Difference between projected and actual investment earnings	3,296	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	7,304,528	-
Contributions paid to TRS subsequent to the measurement date	303,883	-
Total	\$8,997,861	\$11,087,376

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

Year ended August 31:	OPEB Expense Amount	Balance of Deferred Outflows (Deferred Inflows)
2025	\$ (892,131)	\$ (1,501,267)
2026	(542,297)	(958,970)
2027	(68,682)	(890,288)
2028	(389,932)	(500,356)
2029	(297,688)	(202,668)
Thereafter	(202,668)	-

NOTE 11. SCHOOL DISTRICT RETIREE HEALTH PLAN

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments are recognized as equal revenues and expenditures/expenses by the District. For the year ended August 31, 2024, the contribution made on behalf of the District was \$223,316.

NOTE 12. RISK MANAGEMENT

Health Care:

During the year ended August 31, 2024, employees of Argyle Independent School District were covered by a health insurance plan (the Plan). The District contributed \$250 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay any additional contributions. All contributions were paid to a fully insured plan (TRS ActiveCare).

ARGYLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

Workers Compensation:

During the year ended August 31, 2024, Argyle ISD met its statutory workers' compensation obligations 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 Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2023, the Fund carries a discounted reserve of \$48,919,036 for future development on reported claims and claims that have been incurred but not yet reported. For the year-ended August 31, 2024, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each 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, 2023, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Property and Casualty Insurance:

During the year ended August 31, 2024, Argyle ISD participated in the following TASB Risk Management Fund (the Fund) programs:

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

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

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the its Auto, Liability and Property Programs. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves.

For the year ended August 31, 2024, Argyle ISD will have no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2023, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

**ARGYLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024**

Unemployment Compensation Pool:

During the year ended August 31, 2024, Argyle ISD 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 obligations 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, 2024, the Fund anticipates that the District has no additional liability beyond the contractual obligation for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2023, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

NOTE 13. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2024, are summarized below. All federal grants shown below are passed through the TEA and are reported on the financial statements as Due from Other Governments.

<u>Fund</u>	<u>State Grants</u>	<u>Federal Grants</u>	<u>Local Governments</u>	<u>Total</u>
General Fund	\$ 668,494	\$ -	\$ -	\$ 668,494
Special Revenue Funds	<u>416,702</u>	<u>99,970</u>	<u>-</u>	<u>516,672</u>
Total	<u>\$1,085,196</u>	<u>\$99,970</u>	<u>\$ -</u>	<u>\$1,185,166</u>

NOTE 14. INTERFUND BALANCES AND ACTIVITIES

Interfund receivables and payables at August 31, 2024 represented short-term advances between funds. These amounts are expected to be repaid in less than one year from August 31, 2024.

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Major Governmental Funds:		
General Fund:		
Custodial Fund	\$ -	\$4,394
Non-Major Special Revenue Fund	<u>700</u>	<u>462</u>
Total Major Governmental Funds	<u>700</u>	<u>4,856</u>
Nonmajor Governmental Funds:		
Special Revenue Funds:		
General Fund	<u>462</u>	<u>700</u>
Total Nonmajor Governmental Funds	<u>462</u>	<u>700</u>
Custodial Fund	<u>4,394</u>	<u>-</u>
Total	<u>\$5,556</u>	<u>\$5,556</u>

ARGYLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

NOTE 15. LITIGATION AND CONTINGENCIES

Minimum foundation funding received from the Agency is based primarily upon information concerning average daily attendance at the District's schools which is compiled by the District and supplied to the Agency. Federal funding for Food Services under child nutrition programs is based primarily upon the number and type of meals served and on user charges as reported to the USDA. Federal and state funding received related to various grant programs are based upon periodic reports detailing reimbursable expenditures made in compliance with program guidelines to the grantor agencies.

The programs are governed by various statutory rules and regulations of the grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, that the District has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of funding monies may be required. In the opinion of the District's administration, there are no significant contingent liabilities relating to matters of compliance and, accordingly, no provision has been made in the accompanying financial statements for such contingencies.

The Denton Central Appraisal District is a defendant in various lawsuits involving the property values assigned to property located within the District's boundaries on which the District assesses property taxes. The District could be required to refund property taxes paid on values which were greater than the ultimate final assessed valuation assigned by the court. Such lawsuits could continue several years into the future.

NOTE 16. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	\$33,159,648	\$ -	\$ 23,280,264	\$ -	\$ 56,439,912
Food Sales	-	2,759,098	-	-	2,759,098
Investment Income	1,309,456	-	955,348	10,381,268	12,646,072
Penalties, interest and other tax related income	229,942	-	100,602	-	330,544
Co-curricular student activities	372,292	301,859	-	-	674,151
Other	762,026	209,604	-	268,897	1,240,527
Total	<u>\$35,833,364</u>	<u>\$ 3,270,561</u>	<u>\$ 24,336,214</u>	<u>\$ 10,650,165</u>	<u>\$ 74,090,304</u>

NOTE 17. UNEARNED REVENUE

Unearned revenue at year-end consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Athletic Receipts	\$ 115,560	\$ -	\$ -	\$ 115,560
Total	<u>\$ 115,560</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 115,560</u>

ARGYLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

NOTE 18. CONSTRUCTION COMMITMENTS

As of August 31, 2024, the District had entered into various construction contracts for construction and renovation of several campuses totaling \$182.2 million. At August 31, 2024, there was \$132.2 million remaining costs under these contracts. These costs will be paid from the District's Capital Projects Fund.

NOTE 19. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

In May 2020, GASB issued Statement No. 96 – Subscription-Based Information Technology Arrangements ("SBITA"). This statement increases the usefulness of governments' financial statements by requiring recognition of certain right-to-use subscription assets and corresponding subscription liabilities for SBITAs that were previously recognized as outflows of resources based on the payment provisions of the contract. The statement is effective for fiscal years beginning after June 15, 2022.

Per review of the information technology arrangements identified by the District as potential SBITAs, the arrangements were determined to either not meet the definition of a SBITA, or were immaterial to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

ARGYLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2024

	FY 2024 Plan Year 2023	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021
District's Proportion of the Net Pension Liability (Asset)	0.025431546%	0.02226871%	0.01806001%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 17,469,018	\$ 13,220,360	\$ 4,559,246
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	27,778,554	21,207,385	8,620,018
Total	<u>\$ 45,247,572</u>	<u>\$ 34,427,745</u>	<u>\$ 13,179,264</u>
District's Covered Payroll	\$ 36,436,071	\$ 29,855,171	\$ 25,072,638
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	47.94%	44.28%	18.18%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.15%	75.62%	88.79%

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2023 for year 2024, August 31, 2022 for year 2023, August 31, 2021 for year 2022, August 31, 2020 for year 2021, August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
0.01693857%	0.0151579%	0.0146501%	0.0130544%	0.0116102%	0.0111012%	0.0066596%
\$ 9,071,952	\$ 7,879,539	\$ 8,063,774	\$ 4,174,084	\$ 4,387,305	\$ 3,924,126	\$ 1,778,872
16,868,596	13,997,799	13,452,118	7,240,470	7,994,231	7,393,173	6,078,977
\$ 25,940,548	\$ 21,877,338	\$ 21,515,892	\$ 11,414,554	\$ 12,381,536	\$ 11,317,299	\$ 7,857,849
\$ 22,906,744	\$ 18,784,061	\$ 16,734,151	\$ 14,644,772	\$ 12,899,112	\$ 11,794,252	\$ 10,825,100
39.60%	41.95%	48.19%	28.50%	34.01%	33.27%	16.43%
75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

ARGYLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2024

	2024	2023	2022
Contractually Required Contribution	\$ 1,510,247	\$ 1,307,386	\$ 1,039,191
Contribution in Relation to the Contractually Required Contribution	(1,510,247)	(1,307,386)	(1,039,191)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 39,342,321	\$ 36,436,071	\$ 29,855,171
Contributions as a Percentage of Covered Payroll	3.84%	3.59%	3.48%

Note: GASB Codification, Vol. 2, P20.183 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

2021	2020	2019	2018	2017	2016	2015
\$ 770,706	\$ 696,635	\$ 523,771	\$ 493,315	\$ 427,846	\$ 369,953	\$ 328,710
(770,706)	(696,635)	(523,771)	(493,315)	(427,846)	(369,953)	(328,710)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 25,072,638	\$ 22,906,744	\$ 18,784,061	\$ 16,734,151	\$ 14,644,772	\$ 12,899,112	\$ 11,794,252
3.07%	3.04%	2.79%	2.95%	2.92%	2.87%	2.79%

ARGYLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2024

	FY 2024 Plan Year 2023	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.034453107%	0.030694322%	0.025988601%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 7,627,334	\$ 7,349,450	\$ 10,024,965
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	9,203,551	8,965,175	13,431,219
Total	<u>\$ 16,830,885</u>	<u>\$ 16,314,625</u>	<u>\$ 23,456,184</u>
District's Covered Payroll	\$ 36,436,071	\$ 29,855,171	\$ 25,072,638
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	20.93%	24.62%	39.98%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	14.94%	11.52%	6.18%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. The amounts for FY 2024 are for the measurement date of August 31, 2023. The amounts for FY 2023 are for the measurement date of August 31, 2022. The amounts reported for FY 2022 are for measurement date August 31, 2021. The amounts reported for FY 2021 are for the measurement date of August 31, 2020. The amounts for FY 2020 are for the measurement date August 31, 2019. The amounts for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

FY 2021 Plan Year 2020		FY 2020 Plan Year 2019		FY 2019 Plan Year 2018		FY 2018 Plan Year 2017	
0.0236073%		0.0200598%		0.0183653%		0.0157086%	
\$	8,974,202	\$	9,486,522	\$	9,169,939	\$	6,831,065
13,954,025		12,605,465		15,044,751		12,089,311	
\$	22,928,227	\$	22,091,987	\$	24,214,690	\$	18,920,376
\$	22,906,744	\$	18,784,061	\$	16,734,151	\$	14,644,772
39.18%		50.50%		54.80%		46.65%	
4.99%		2.66%		1.57%		0.91%	

ARGYLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2024

	2024	2023	2022
Contractually Required Contribution	\$ 303,883	\$ 298,872	\$ 234,188
Contribution in Relation to the Contractually Required Contribution	(303,883)	(298,872)	(234,188)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 39,342,321	\$ 36,436,071	\$ 29,855,171
Contributions as a Percentage of Covered Payroll	0.77%	0.82%	0.78%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

2021		2020		2019		2018	
\$	203,030	\$	164,160	\$	142,368	\$	126,658
	(203,030)		(164,160)		(142,368)		(126,658)
\$	-	\$	-	\$	-	\$	-
\$	25,072,638	\$	22,906,744	\$	18,784,061	\$	16,734,151
	0.81%		0.72%		0.76%		0.76%

ARGYLE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2024

PENSION LIABILITY:

Changes of benefit terms:

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes of assumptions:

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

OPEB LIABILITY:

Changes of benefit terms:

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

Changes of assumptions:

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

- The discount rate changed from 3.91 percent as of August 31, 2022 to 4.13 percent as of August 31, 2023. This change decreased the Total OPEB Liability.