

OFFICIAL NOTICE OF SALE, BID FORM
and
PRELIMINARY OFFICIAL STATEMENT

\$100,000,000*

ATHENS INDEPENDENT SCHOOL DISTRICT
(Henderson, Van Zandt & Anderson Counties, Texas)

**Unlimited Tax School Building Bonds
Series 2025**

*Bids Due
July 8, 2025
at 10:00 a.m., Central Time*

*Preliminary, subject to change. See "THE BONDS – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS" herein.

OFFICIAL NOTICE OF SALE

\$100,000,000*

ATHENS INDEPENDENT SCHOOL DISTRICT

(A political subdivision of the State of Texas located in Henderson, Van Zandt & Anderson Counties, Texas)

UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2025

THE SALE

BONDS OFFERED FOR SALE AT COMPETITIVE BID: The Board of Trustees (the "Board") of the Athens Independent School District (the "District" or the "Issuer") is offering for sale at competitive bid its \$100,000,000* Unlimited Tax School Building Bonds, Series 2025 (the "Bonds"). Bidders may submit bids for the Bonds by either of the following methods:

- (1) Submit bids electronically as described below in "BIDS BY INTERNET;" or
- (2) Submit bids by facsimile as described below in "BIDS BY FACSIMILE."

BIDS BY INTERNET: Interested bidders may, at their option and risk, submit their bid by electronic media, as described below, by 10:00 A.M., Central time, on July 8, 2025. Bidders submitting a bid by internet **shall not** be required to submit signed Official Bid Forms prior to the award. Any prospective bidder that intends to submit an electronic bid must submit its electronic bid via the facilities of the i-Deal, LLC Parity System ("PARITY") and should, as a courtesy, register with PARITY by 9:00 A.M., Central time, on July 8, 2025 indicating their intent to submit a bid by internet.

In the event of a malfunction in the electronic bidding process, bidders may submit their bids by facsimile, as described below. Any bid received after the scheduled time for their receipt will not be accepted.

The official time for the receipt of bids shall be the time maintained by PARITY. All electronic bids shall be deemed to incorporate the provisions of this Official Notice of Sale, the Official Bid Form, and the Preliminary Official Statement. To the extent that any instructions or directions set forth in PARITY conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. For further information about the PARITY System, potential bidders may contact i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone 212-849-5021.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Bonds on the terms provided in this Official Notice of Sale and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the Issuer. The Issuer shall not be responsible for any malfunction or mistake made by, or as a result of the use of PARITY, the use of such facilities being the sole risk of the prospective bidder.

BIDS BY FACSIMILE: Interested bidders may, at their option and risk, submit their bid by facsimile to the District's Financial Advisor, SAMCO Capital Markets, Inc., Attention: Mr. Doug Whitt at (214) 279-8683 by 10:00 A.M., Central time, on July 8, 2025. Bidders submitting a bid by facsimile **shall not** be required to submit signed Official Bid Forms prior to the award. Any prospective bidder that intends to submit a bid by facsimile should, as a courtesy, submit an email message to dwhitt@samcocapital.com by 9:00 A.M., Central time, on July 8, 2025 indicating their intent to submit a bid by facsimile.

Neither the District nor SAMCO Capital Markets, Inc. is responsible for any failure of either of the Financial Advisor's or the bidder's fax machine. Bids received by facsimile after the bid deadline will not be accepted. Bidders who fax bids do so at their own risk. All such bids are binding on the bidder.

PLACE AND TIME OF BID OPENING: The bids for the Bonds will be opened at the District's offices at 10:00 A.M. Central time, on July 8, 2025.

AWARD OF THE BONDS: In the order authorizing the Bonds adopted on June 12, 2025 (the "Bond Order"), the Board has delegated authority to certain District officials (each, a "Designated Financial Officer") the authority to execute a pricing certificate (the "Pricing Certificate") to establish the final terms and effectuate the sale of the Bonds, which terms will be evidenced in the Pricing Certificate (the Bond Order and the Pricing Certificate are collectively referred to herein as the "Order"). Upon the opening of the bids as described above, the Designated Financial Officer shall award the Bonds by executing the Official Bid Form and the Pricing Certificate. The District, acting through the Designated Financial Officer, reserves the right to reject any and all bids and to waive any irregularities except time of submission.

THE BONDS

DESCRIPTION: The Bonds will be dated July 15, 2025 (the "Dated Date"). Interest on the Bonds will accrue from the Dated Date and will be due February 15 and August 15 of each year, commencing August 15, 2025, until maturity or prior redemption. The Bonds will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company New York, New York ("DTC"). DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Bonds will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by BOKF, NA, Dallas, Texas as Paying Agent/Registrar, to the Securities Depository, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" in the Preliminary Official Statement.)

**Preliminary, subject to change. See "THE BONDS – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS" herein.*

MATURITY SCHEDULE: The Bonds will be stated to mature on February 15 in each of the following years in the following amounts:

| Maturity (2/15) | Principal Amount* | Interest Rate (%) | Maturity (2/15) | Principal Amount* | Interest Rate (%) |
|--------------------|----------------------|----------------------|--------------------|----------------------|----------------------|
| 2026 | \$4,425,000 | | 2041 | \$3,020,000 | |
| 2027 | 3,205,000 | | 2042 | 3,165,000 | |
| 2028 | 3,375,000 | | 2043 | 3,305,000 | |
| 2029 | 3,545,000 | | 2044 | 3,455,000 | |
| 2030 | 3,730,000 | | 2045 | 3,615,000 | |
| 2031 | 1,360,000 | | 2046 | 3,780,000 | |
| 2032 | 1,425,000 | | 2047 | 3,960,000 | |
| 2033 | 1,505,000 | | 2048 | 4,155,000 | |
| 2034 | 1,580,000 | | 2049 | 4,360,000 | |
| 2035 | 1,655,000 | | 2050 | 4,570,000 | |
| 2036 | 1,740,000 | | 2051 | 4,795,000 | |
| 2037 | 1,835,000 | | 2052 | 5,025,000 | |
| 2038 | 1,925,000 | | 2053 | 5,270,000 | |
| 2039 | 2,025,000 | | 2054 | 5,525,000 | |
| 2040 | 2,875,000 | | 2055 | 5,795,000 | |

ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS: After selecting the winning bid, the aggregate principal amount of the Bonds and the principal amortization schedule may be adjusted as determined by the District and its Financial Advisor in \$5,000 increments to reflect the actual interest rates and to create a substantially level debt service schedule for the District. Such adjustments will not change the aggregate principal amount of the Bonds by more than 15% from the amount set forth herein or change the principal amount due on the Bonds in any year by more than 20%. The dollar amount bid for the Bonds by the winning bidder will be adjusted proportionately to reflect any increase or decrease in the aggregate principal amount of the Bonds finally determined to be issued. The District will use its best efforts to communicate to the winning bidder any such adjustment within eight (8) hours after the opening of the bids. Purchaser's compensation will be based upon the final par amount after any adjustment thereto, subsequent to the receipt and tabulation of the winning bid, within the aforementioned parameters.

In the event of any adjustment of the maturity schedule for the Bonds as described above, no rebidding or recalculation of the proposals submitted will be required or permitted. Any such adjustment of the aggregate principal amount of the Bonds and/or the maturity schedule for the Bonds made by the District or its Financial Advisor shall be subsequent to the award of the Bonds to the winning bidder as determined pursuant to "CONDITIONS OF THE SALE – BASIS OF AWARD" herein and shall not affect such determination. The winning bidder may not withdraw its bid as a result of any changes made within the aforementioned limits.

SERIAL BONDS AND/OR TERM BONDS: Bidders may provide that all of the Bonds be issued as serial maturities or may provide that any two or more consecutive maturities from 2036 through 2055 be combined into one or more term bonds (the "Term Bonds").

MANDATORY SINKING FUND REDEMPTION: If the successful bidder designates principal amounts of the Bonds to be combined into one or more Term Bonds, each such Term Bond will be subject to mandatory sinking fund redemption commencing on February 15 of the first year which has been combined to form such Term Bond and continuing on February 15 in each year thereafter until the stated maturity date of that Term Bond. The amount redeemed in any year will be equal to the principal amount for such year set forth in the table above under the caption "MATURITY SCHEDULE" (subject to adjustment, as provided in "ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS"). Term Bonds to be redeemed in any year by mandatory sinking fund redemption will be redeemed at par and will be selected by lot from among the Term Bonds then subject to redemption. The District, at its option, may credit against any mandatory sinking fund redemption requirement Term Bonds of the maturity then subject to redemption which have been purchased and canceled by the District and not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

OPTIONAL REDEMPTION: The Bonds maturing on or after February 15, 2036 are subject to redemption at the option of the District in whole or in part on August 15, 2035 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption.

AUTHORITY FOR ISSUANCE AND SECURITY FOR PAYMENT: The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, including Sections 45.001 and 45.003(b)(1) of the Texas Education Code, as amended, an election held in the District on May 3, 2025 and an order (the "Order") adopted by the District's Board on June 12, 2025. The Bonds are direct and voted obligations of the District and are payable as to both principal and interest from ad valorem taxes to be levied annually on all taxable property within the District, without legal limitation as to rate or amount. (See "THE BONDS – Security" in the Preliminary Official Statement.)

PAYING AGENT/REGISTRAR: The initial Paying Agent/Registrar for the Bonds is BOKF, NA, Dallas, Texas. In the Order, the District covenants to provide a Paying Agent/Registrar at all times while the Bonds are outstanding, and any Paying Agent/Registrar selected by the District shall be a commercial bank or trust company organized under the laws of the United States and any state and duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds. The Paying Agent/Registrar will maintain the Security Register containing the names and addresses of the registered owners of the Bonds.

In the Order, the District retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, such Paying Agent/Registrar, promptly upon the appointment of a successor, is required to deliver the Security Register to the successor Paying Agent/Registrar.

In the event there is a change in the Paying Agent/Registrar, the District has agreed to notify each registered owner of the Bonds by United States mail, first-class postage prepaid, at the address in the Security Register, stating the effective date of the change and the mailing address of the successor Paying Agent/Registrar.

BOOK-ENTRY-ONLY SYSTEM: The District intends to utilize the Book-Entry-Only System of DTC with respect to the issuance of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" in the Preliminary Official Statement.

*Preliminary, subject to change. See "THE BONDS – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS" herein.

OFFICIAL STATEMENT AND OTHER TERMS AND COVENANTS IN THE ORDER: Further details regarding the Bonds and certain covenants of the District contained in the Order are set forth in the Preliminary Official Statement, to which reference is made for all purposes.

CONDITIONS OF THE SALE

TYPES OF BIDS AND INTEREST RATES: The Bonds will be sold in one block, on an "All or None" basis, and at a price of not less than their par value, plus accrued interest on the Bonds from the Dated Date of the Bonds to the date of Initial Delivery (defined herein) of the Bonds. **No bid producing a cash premium on the Bonds that results in a dollar price of less than \$100.40 nor greater than \$104.50 will be considered; provided, however, that any bid is subject to adjustment as described under the caption "THE BONDS – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS."** Bidders are invited to name the rate(s) of interest to be borne by the Bonds, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/20 of 1% and the net effective interest rate for the Bonds (calculated in the manner required by Chapter 1204, as amended, Texas Government Code) must not exceed 20%. **The highest rate bid may not exceed the lowest rate bid by more than 200 basis points (or 2.00% in rate).** **No limitation is imposed upon bidders as to the number of rates or changes which may be used.** All Bonds of one stated maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered.

BASIS OF AWARD: The sale of the Bonds will be awarded to the bidder making a bid that conforms to the specifications herein and which produces the **lowest True Interest Cost (defined herein) rate on the Bonds to the District.** The "True Interest Cost" rate is that rate which, when used to compute the total present value as of the **Dated Date** of all debt service payments on the Bonds on the basis of semi-annual compounding, produces an amount equal to the sum of the par value of the Bonds plus the premium bid. In the event of a bidder's error in interest cost rate calculations, the interest rates, and premium set forth in the Official Bid Form will be considered as the intended bid.

In order to provide the District with information required to be submitted to the Texas Bond Review Board pursuant to Section 1202.008, Texas Government Code, as amended, the Initial Purchaser will be required to provide the District with a breakdown of its "underwriting spread" among the following categories: Takedown, Management Fee (if any), Legal Counsel Fee (if any) and Spread Expenses (if any).

ESTABLISHING THE ISSUE PRICE FOR THE BONDS: The District intends to rely on Treasury Regulation section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of municipal bonds), which require, among other things, that the District receives bids from **at least three underwriters** of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds (**the "Competitive Sale Requirement"**).

In the event that the bidding process does not satisfy the Competitive Sale Requirement, Bids **will not be subject to cancellation** and the winning bidder (i) agrees to promptly report to the District the first prices at which at least 10% of each maturity of the Bonds (**the "First Price Maturity"**) have been sold to the Public on the Sale Date (**the "10% Test"**) (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% Test) and (ii) agrees to hold-the-offering-price of each maturity of the Bonds that does not satisfy the 10% Test (**"Hold-the-Price Maturity"**), as described below.

In order to provide the District with information that enables it to comply with the establishment of the issue price of the Bonds under the Internal Revenue Code of 1986, as amended, the winning bidder agrees to complete, execute, and timely deliver to the District or to the District's municipal advisor, SAMCO Capital Markets, Inc. (the "District's Municipal Advisor") a certification as to the Bonds' "issue price" (the "Issue Price Certificate") substantially in the form and to the effect attached hereto or accompanying this Notice of Sale, within 5 business days prior to the Closing Date if the Competitive Sale Requirement is satisfied or within 5 business days of the date on which the 10% Test is satisfied with respect to all of the First Price Maturities. In the event the winning bidder will not reoffer any maturity of the Bonds for sale to the Public (as defined herein) by the Closing Date, the Issue Price Certificate may be modified in a manner approved by the District. It will be the responsibility of the winning bidder to institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain such facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel (identified in the Preliminary Official Statement).

For purposes of this section of this Notice of Sale:

- (i) "Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to the Underwriter,
- (ii) "Underwriter" means (A) any person that agrees pursuant to a written contract with the District (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public),
- (iii) "Related Party" means any two or more persons (including an individual, trust, estate, partnership, association, company, or corporation) that are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) "Sale Date" means the date that the Bonds are awarded by the District to the winning bidder.

All actions to be taken by the District under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the District by the District's Municipal Advisor, and any notice or report to be provided to the District may be provided to the District's Municipal Advisor.

The District will consider any bid submitted pursuant to this Notice of Sale to be a firm offer for the purchase of the Bonds, as specified in the bid and, if so stated, in the Official Bid Form.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, (A) to report the prices at which it sells to the Public the unsold Bonds of each maturity allocated to it until either all such Bonds have been sold or it is notified by the winning bidder that either the 10% Test has been satisfied as to the Bonds of that maturity, (B) to promptly notify the winning bidder of any sales of Bonds that, to its knowledge, are made to a purchaser who is a Related Party to an Underwriter, and (C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder will assume that based on such agreement each order submitted by the underwriter, dealer or broker-dealer is a sale to the Public; and (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the Public to require each underwriter or dealer that is a party to such third-party distribution agreement to report the prices at which it sells to the Public the unsold Bonds of each maturity allocated to it until either all such Bonds have been sold or it is notified by the winning bidder or such Underwriter that either the 10% Test has been satisfied as to the Bonds of that maturity. Sales of any Bonds to any person that is a Related Party to an Underwriter shall not constitute sales to the public for purposes of this Notice of Sale.

By submitting a bid, the winning bidder agrees, on behalf of each Underwriter participating in the purchase of the Bonds, that each Underwriter will neither offer nor sell any Hold-the-Price Maturity to any person at a price that is higher than the initial offering price to the Public during the period starting on the Sale Date and ending on the earlier of (1) the close of the fifth (5th) business day after the Sale Date; or (2) the date on which the Underwriters have sold at least 10% of that Hold-the-Price Maturity to the Public at a price that is no higher than the initial offering price to the Public. The winning bidder shall promptly advise the District when the Underwriters have sold 10% of a Hold-the-Price Maturity to the Public at a price that is no higher than the initial offering price to the Public, if that occurs prior to the close of the fifth (5th) business day after the Sale Date.

GOOD FAITH DEPOSIT: A bank cashier's check, payable to the order of "Athens Independent School District", in the amount of \$2,000,000 which is 2% of the proposed par value of the Bonds (the "Good Faith Deposit"), is required to accompany any bid. The Good Faith Deposit of the Purchaser will be retained uncashed by the District pending the Purchaser's compliance with the terms of its bid and this Official Notice of Sale. In the event the Purchaser should fail or refuse to take up and pay for the Bonds in accordance with its bid then said check shall be cashed and accepted by the District and shall constitute full and complete liquidated damages; however, if it is determined after the acceptance of the bid by the District that the Purchaser was found not to satisfy the requirements described under "Covered Verifications" (as defined herein) and as a result the Texas Attorney General will not deliver its approving opinion of the Bonds, then said check shall be cashed and accepted by the District but shall not be the sole or exclusive remedy available to the District. The Good Faith Deposit may accompany the Official Bid Form or it may be submitted separately; however, if submitted separately, it shall be made available to the District prior to the opening of the bids, and shall be accompanied by instructions from the bank on which it is drawn which authorizes its use as a Good Faith Deposit by the Purchaser who shall be named in such instructions. **The Good Faith Deposit of the Purchaser will be returned to the Purchaser on the date of Initial Delivery.** No interest will be allowed on the Good Faith Deposit. Checks accompanying bids other than the winning bid will be returned promptly after the bids are opened, and an award of the Bonds has been made by the District.

ADDITIONAL CONDITIONS OF AWARD — DISCLOSURE OF INTERESTED PARTY FORM:

Obligation of the District to receive information from winning bidder. In accordance with Texas Government Code, Section 2252.908, as amended (the "Interested Party Disclosure Act"), the District may not award the Bonds to a bidder unless the winning bidder either:

- (ii) submits a Certificate of Interested Parties Form 1295 (the "Disclosure Form") to the District as prescribed by the Texas Ethics Commission ("TEC"),

or

- (ii) certifies in the Official Bid Form that it is exempt from filing the Disclosure Form by virtue of being a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity.

In the event that the bidder's bid for the Bonds is the best bid received, the District, acting through its financial advisor, will promptly notify the winning bidder. That notification will serve as the District's conditional verbal acceptance of the bid, and, unless the bidder is exempt from filing a Disclosure Form, such notification will obligate the winning bidder to promptly file a completed Disclosure Form, as described below, in order to allow the District to complete the award. The District reserves the right to reject any bid that does not comply with the requirements prescribed herein.

Process for completing the Disclosure Form. For purposes of illustration, the Disclosure Form is attached hereto, and reference should be made to such form for the following information needed to complete it: (a) item 2 – name of the governmental entity (*Athens Independent School District*) and (b) item 3 – the identification number assigned to this contract by the District (0001) and description of the goods or services (*Purchase of the Athens Independent School District Unlimited Tax School Building Bonds, Series 2025*). **The Interested Party Disclosure Act and the rules adopted by the TEC with respect thereto (the "Disclosure Rules") require certain business entities contracting with the District to complete the Disclosure Form electronically at <https://www.ethics.state.tx.us/main/file.htm>, print, complete the unsworn declaration, sign, and deliver the certified Disclosure Form that is generated by the TEC's "electronic portal" to the District. The completed and signed Disclosure Form must be sent by email, to the District's financial advisor at dwhitt@samcocapital.com as soon as possible following the notification of conditional verbal acceptance and prior to the final written award.** Upon receipt of the final written award, the winning bidder must submit the Disclosure Form with original signatures by email to Bond Counsel as follows: jgulbas@mphlegal.com.

Preparations for completion, and the significance of, the reported information. To the extent that the bidder is not exempt from filing a Disclosure Form and therefor makes such filing with the District, the Interested Party Disclosure Act and the Disclosure Form provide that such declaration is made "under penalty of perjury." Consequently, a bidder should take appropriate steps prior to completion of the Disclosure Form to familiarize itself with the Interested Party Disclosure Act, the Disclosure Rules and the Disclosure Form. **Time will be of the essence in submitting the form to the District, and no final award will be made by the District regarding the sale of the Bonds until a completed Disclosure Form is received. The District reserves the right to reject any bid that does not satisfy the requirement of a completed Disclosure Form, as described herein.** Neither the District nor its consultants have the ability to verify the information included in a Disclosure Form, and neither party has an obligation nor undertakes responsibility for advising any bidder with respect to the proper completion of the Disclosure Form. Consequently, an entity intending to bid on the Bonds should consult its own advisors to the extent it deems necessary and be prepared to submit

the completed form promptly upon notification from the District that its bid is the conditional winning bid. Instructional videos on logging in and creating a certificate are provided on the TEC's website at https://www.ethics.state.tx.us/whatsnew/elf_info_form1295.htm.

IMPACT OF BIDDING SYNDICATE ON AWARD: For purposes of contracting for the sale of the Bonds, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Bonds. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the District is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

VERIFICATIONS OF STATUTORY REPRESENTATIONS AND COVENANTS: The District will not award the Bonds to a bidder unless the following representations and covenants pursuant to Chapters 2252, 2271, 2274, and 2276, Texas Government Code, as amended (the "Covered Verifications"), are included in the bid. As used in such verifications, "affiliate" means an entity that controls, is controlled by, or is under common control with the bidder within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit. Liability for breach of any such verification during the term of the agreement to purchase the Bonds shall survive until barred by the applicable statute of limitations and shall not be liquidated or otherwise limited by any provision of the Official Bid Form or this Notice of Sale, notwithstanding anything in the Official Bid Form or this Notice of Sale to the contrary.

- (i) **No Boycott of Israel (Chapter 2271, Texas Government Code, as amended):** A bidder must verify that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and will not boycott Israel during the term of the agreement to purchase the Bonds. As used in the foregoing verification, "boycott Israel" has the meaning provided in Section 2271.001, Texas Government Code, as amended.
- (ii) **Not a Sanctioned Company (Chapter 2252, Texas Government Code, as amended):** A bidder must represent that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, as amended. The foregoing representation excludes a bidder and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.
- (iii) **No Discrimination Against Firearm Entities or Firearm Trade Associations (Chapter 2274, Texas Government Code, as amended):** A bidder must verify that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and will not discriminate against a firearm entity or firearm trade association during the term of the agreement to purchase the Bonds. As used in the foregoing verification, "discriminate against a firearm entity or firearm trade association" has the meaning provided in Section 2274.001(3), Texas Government Code, as amended.
- (iv) **No Boycott of Energy Companies (Chapter 2276, Texas Government Code, as amended):** A bidder must verify that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and will not boycott energy companies during the term of the agreement to purchase the Bonds. As used in the foregoing verification, "boycott energy companies" has the meaning provided in Section 2276.001(1), Texas Government Code, as amended.

FURTHER STATE LAW COMPLIANCE AND STANDING LETTER REQUIREMENT: Each prospective bidder must have a standing letter on file with the Texas Attorney General's Office in the form included as Exhibit A to the All Bond Counsel Letter of the Texas Attorney General dated November 1, 2023 and any supplements thereto (the "All Bond Counsel Letter"). In submitting a bid, a bidder represents to the District that it has filed a standing letter in the form included as Exhibit A to the All Bond Counsel Letter without qualification and including current statutory citations and it has no reason to believe that the District may not be entitled to rely on the standing letter on file with the Texas Attorney General's Office. Bidder agrees that it will not rescind its standing letter at any time before the delivery of the Bonds unless same is immediately replaced with a standing letter meeting the requirements of the All Bond Counsel Letter.

The District will not accept a bid from a bidder that does not have such standing letter on file as of the deadline for bids for the Bonds. If requested by the District, the Purchaser agrees to provide such further representations, certifications or assurances in connection with the Covered Verifications, as of the Sale Date or such other date requested by the District including, but not limited to, a bring down certification as provided by the All Bond Counsel Letter.

THE DISTRICT RESERVES THE RIGHT, IN ITS SOLE DISCRETION, TO REJECT THE BID OF ANY BIDDER.

IN CONNECTION WITH THE SUBMISSION OF ITS BID, THE BIDDER SHALL PROVIDE A COURTESY COPY OF ITS STANDING LETTER, UNLESS OTHERWISE PUBLICLY AVAILABLE ON THE MUNICIPAL ADVISORY COUNCIL OF TEXAS' WEBSITE.

BY SUBMITTING A BID, EACH BIDDER AGREES, SHOULD IT BE THE WINNING BIDDER, TO COOPERATE WITH THE DISTRICT AND TAKE ANY ACTION NECESSARY TO FURTHER VERIFY AND CONFIRM COMPLIANCE WITH STATE LAW.

To the extent the Purchaser and each syndicate member listed on the Official Bid Form is unable to provide a Standing Letter in a form satisfactory to the Texas Office of the Attorney General, the District reserves the right to cash and accept the Good Faith Deposit (see "ESTABLISHING THE ISSUE PRICE FOR THE BONDS - Good Faith Deposit"). **THE LIABILITY OF THE BIDDER FOR BREACH OF ANY OF THE VERIFICATIONS MADE IN CONNECTION WITH COVERED VERIFICATIONS SHALL SURVIVE UNTIL BARRED BY THE STATUTE OF LIMITATIONS, AND SHALL NOT BE LIQUIDATED OR OTHERWISE LIMITED BY ANY PROVISION OF THIS NOTICE OF SALE OR THE OFFICIAL BID FORM. ADDITIONALLY, THE DISTRICT RESERVES AND RETAINS ALL RIGHTS AND REMEDIES AT LAW AND IN EQUITY FOR PURSUIT AND RECOVERY OF DAMAGES, IF ANY, RELATING TO THE COVERED VERIFICATIONS.**

OFFICIAL STATEMENT

To assist the winning bidder (the "Purchaser" or "Initial Purchaser") in complying with Rule 15c2-12, as amended (the "Rule"), of the United States Securities and Exchange Commission ("SEC"), the Issuer and the Initial Purchaser contract and agree, by the submission and acceptance of the winning bid, as follows:

COMPLIANCE WITH RULE 15c2-12 OF THE SECURITIES AND EXCHANGE COMMISSION: The Issuer has approved and authorized distribution of the accompanying Preliminary Official Statement for dissemination to potential purchasers of the Bonds but does not presently intend to prepare any other document or version thereof for such purpose, except as described below. Accordingly, the Issuer deems the accompanying Preliminary Official Statement to be final as of its date, within the meaning of the Rule, except for information relating to the offering prices, yields, interest rates, final debt service schedule, selling compensation, identity of the Purchaser and other similar information, terms and provisions to be specified in the competitive bidding process. The Initial Purchaser shall be responsible for promptly informing the Issuer of the initial offering prices/yields of the Bonds.

Thereafter, the Issuer will complete and authorize distribution of the final Official Statement, being a modification of the Preliminary Official Statement, identifying the Initial Purchaser and containing such omitted information. The Issuer does not intend to amend or supplement the Official Statement otherwise, except to take into account certain subsequent events, if any, as described below. By delivering the final Official Statement or any amendment or supplement thereto in the requested quantity to the Initial Purchaser on or after the Sale Date, the Issuer intends the same to be final as of such date, within the meaning of the Rule. Notwithstanding the foregoing, the Issuer makes no representation concerning the absence of material misstatements or omissions from the Official Statement, except only as and to the extent under "CERTIFICATION OF THE OFFICIAL STATEMENT AND NO-LITIGATION" as described below.

FINAL OFFICIAL STATEMENT: The Issuer will furnish to the Purchaser, within seven (7) business days after the Sale Date, an aggregate maximum of one hundred (100) copies of the Official Statement, together with information regarding interest rates, and other terms relating to the reoffering of the Bonds. In addition, the District agrees to provide, or cause to be provided, to the Purchaser, the Preliminary Official Statement and the Official Statement and any amendments or supplements thereto in a "designated electronic format" (or printed format with respect to the final Official Statement) as may be required for the Purchaser to comply with the Rule or the rules of the Municipal Securities Rulemaking Board ("MSRB"). The District consents to the distribution of such documents in a "designated electronic format." Upon receipt, the Purchaser shall promptly file the Official Statement with the MSRB in accordance with MSRB Rule G-32. The Purchaser may arrange at its own expense to have the Official Statement reproduced and printed if it requires more copies and may also arrange, at its own expense and responsibility, for completion and perfection of the first or cover page of the Official Statement so as to reflect interest rates and other terms and information related to the reoffering of the Bonds. The Purchaser will be responsible for providing information concerning the Issuer and the Bonds to subsequent purchasers of the Bonds, and the Issuer will undertake no responsibility for providing such information other than to make the Official Statement available to the Purchaser as provided herein. The Issuer's obligation to supplement the Official Statement to correct key representations determined to be omitted or materially misleading, after the date of the Official Statement, shall terminate 25 days after the date of Initial Delivery.

CHANGES TO OFFICIAL STATEMENT: If, subsequent to the date of the Official Statement, the Issuer learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchaser of any adverse event which causes the Official Statement to be incomplete or materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, as described below under "DELIVERY AND ACCOMPANYING DOCUMENTS – CONDITIONS TO DELIVERY," the Issuer will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement, in a "designated electronic format" satisfactory to the Initial Purchaser.

CERTIFICATION OF THE OFFICIAL STATEMENT AND NO-LITIGATION: At the time of payment for and delivery of the hereinafter defined Initial Bond ("Initial Delivery"), the Initial Purchaser will be furnished a certificate, executed by proper officials of the Issuer, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the Issuer contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Bonds, on the date of such Official Statement, on the date of sale of said Bonds and the acceptance of the best bid therefor, and on the date of the Initial Delivery, were and are true and correct in all material respects; (b) insofar as the Issuer and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the Issuer, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the Issuer believes to be reliable and the Issuer has no reason to believe that they are untrue in any material respect; (d) except as may be otherwise described in the Official Statement, there has been no material adverse change in the financial condition of the Issuer, since June 30, 2024, the date of the last financial statements of the Issuer appearing in the Official Statement; and (e) no litigation of any nature has been filed or is pending, as of the date hereof, to restrain or enjoin the issuance or delivery of the Bonds or which would affect the provisions made for their payment or security or in any manner question the validity of the Bonds. The Official Statement and this Official Notice of Sale will be approved as to form and content and the use thereof in the offering of the Bonds will be authorized, ratified and approved by the Board in the Order, and the Initial Purchaser will be furnished, upon request, at the time of payment for and the delivery of the Bonds, a certified copy of such approval, duly executed by the proper officials of the Issuer.

CONTINUING DISCLOSURE AGREEMENT: The District has agreed in the Order to provide certain periodic information and notices of certain events in accordance with the Rule, as described in the Official Statement under "CONTINUING DISCLOSURE OF INFORMATION". The Purchaser's obligation to accept and pay for the Bonds is conditioned upon delivery to the Purchaser or its agent of a certified copy of the Order containing the agreement described under such heading.

COMPLIANCE WITH PRIOR UNDERTAKINGS: During the past five years, the District has complied in all material respects with all disclosure agreements made in accordance with the Rule.

DELIVERY AND ACCOMPANYING DOCUMENTS

INITIAL DELIVERY OF INITIAL BOND: Initial Delivery will be accomplished by the issuance of one or more fully registered Bonds in the aggregate principal amount of the Bonds payable to the Purchaser (the "Initial Bond"), signed by the duly appointed officers of the Board, by their manual, electronic, or facsimile signatures, approved by the Texas Attorney General, and registered and manually signed by the Texas Comptroller of Public Accounts. Initial Delivery will be at the corporate trust office of the Paying Agent/Registrar. Upon delivery of the Initial Bond, they shall be immediately canceled and one definitive Bond for each maturity of the Bonds payable to Cede & Co. will be delivered to DTC in connection with DTC's Book-Entry-Only System. Payment for the Bonds must be made in immediately available funds for unconditional credit to the District, or as otherwise directed by the District. The Purchaser will be given six business days' notice of the time fixed for delivery of the Bonds. It is anticipated that the delivery of the Initial Bond can be made on or about August 5, 2025, but if for any reason the District is unable to make delivery by September 2, 2025, then the District shall immediately contact the Purchaser and offer to allow the Purchaser to extend its obligation to take up and pay for the Bonds an additional thirty days. If the Purchaser does not elect to extend its offer within six days thereafter, then its Good Faith Deposit will be returned, and both the District and the Purchaser shall be relieved of any further obligation. In no event

shall the District be liable for any damages by reason of its failure to deliver the Bonds, provided that such failure is due to circumstances beyond the District's reasonable control.

CUSIP NUMBERS: It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Initial Purchaser to accept delivery of and pay for the Bonds in accordance with the terms of the Official Bid Form and this Official Notice of Sale. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid by the Issuer; however, the CUSIP Service Bureau's charge for the assignment of the numbers shall be paid by the Initial Purchaser.

CONDITIONS TO DELIVERY: The obligation to take up and pay for the Bonds is subject to the following conditions: the issuance of an approving opinion of the Attorney General of the State of Texas, the Initial Purchaser's receipt of the legal opinion of Bond Counsel and the District's certificate regarding the Official Statement as described under "CERTIFICATION OF THE OFFICIAL STATEMENT AND NO-LITIGATION," and the non-occurrence of the events described below under the caption "NO MATERIAL ADVERSE CHANGE". In addition, if the Issuer fails to comply with its obligations described under "OFFICIAL STATEMENT" above, the Initial Purchaser may terminate its contract to purchase the Bonds by delivering written notice to the Issuer within five (5) days thereafter.

NO MATERIAL ADVERSE CHANGE: The obligations of the Initial Purchaser to take up and pay for the Bonds, and of the Issuer to deliver the Initial Bond, are subject to the condition that, up to the time of delivery of and receipt of payment for the Initial Bond, there shall have been no material adverse change in the affairs of the Issuer subsequent to the date of sale from that set forth in the Official Statement, as it may have been finalized, supplemented or amended through the date of Initial Delivery.

LEGAL OPINIONS: The District will furnish the Purchaser a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas as to the Bonds, to the effect that the Bonds are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, regarding the legality and validity of the Bonds issued in compliance with the provisions of the Order. (See "LITIGATION" and "LEGAL MATTERS" in the Official Statement and "Appendix C – Form of Legal Opinion of Bond Counsel" attached to the Official Statement.)

CHANGE IN TAX-EXEMPT STATUS: At any time before the Bonds are tendered for initial delivery to the Initial Purchaser, the Initial Purchaser may withdraw its bid if the interest on obligations such as the Bonds shall be declared to be includable in the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes, either by Treasury regulations, by ruling or administrative guidance of the IRS, by a decision of any federal court, or by the terms of any federal income tax legislation enacted subsequent to the date of this Official Notice of Sale.

GENERAL CONSIDERATIONS

RATING: The Bonds are rated "AAA" by S&P Global Ratings ("S&P") based upon the guaranteed repayment thereof under the Permanent School Fund Guarantee Program of the Texas Education Agency. The District's unenhanced, underlying rating, including the Bonds, is "A+" from S&P. There is no assurance that any such rating will continue for any given period of time or that a rating will not be revised downward or withdrawn entirely by such rating company, if in the judgment of said rating company, circumstances so warrant. Any such downward revision or withdrawal of one or more ratings may have an adverse effect on the market price of the Bonds. A securities rating is not a recommendation to buy, sell, or hold securities.

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

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE: No registration statement relating to the Bonds has been filed with the SEC under the Securities Act of 1933, as amended, in reliance upon exemptions provided in such Act. The Bonds have not been approved or disapproved by the SEC, nor has the SEC passed upon the accuracy or adequacy of the Official Statement. Any representation to the contrary is a criminal offense. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon exemptions contained therein, nor have the Bonds been registered or qualified under the securities acts of any other jurisdiction. The Issuer assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

It is the obligation of the Purchaser to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The Issuer agrees to cooperate, at the Purchaser's written request and expense and within reasonable limits, in registering or qualifying the Bonds, or in obtaining an exemption from registration or qualification in any state where such action is necessary, but the District will in no instance execute a general consent to service of process in any state in which the Bonds are offered for sale.

ADDITIONAL COPIES: Subject to the limitations described herein, additional copies of this Official Notice of Sale, the Official Bid Form, and the Official Statement may be obtained from SAMCO Capital Markets, Inc., 5800 Granite Parkway, Suite 210, Plano, Texas 75024.

In the Bond Order, the Board has delegated to the Designated Financial Officer the authority to approve the form and content of the Official Statement, and any addenda, supplement, or amendment thereto, and the Board has authorized its further use in the reoffering of the Bonds by the Purchaser.

ATHENS INDEPENDENT SCHOOL DISTRICT

ATTEST:

/s/ Alicea Elliott
President, Board of Trustees

/s/ Freddie Paul
Secretary, Board of Trustees

Dated: July 1, 2025

OFFICIAL BID FORM

President and Board of Trustees
Athens Independent School District
104 Hawn Street
Athens, TX 75751

July 8, 2025

Ladies & Gentlemen:

Reference is made to your Official Notice of Sale and Preliminary Official Statement dated July 1, 2025 of \$100,000,000* ATHENS INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2025 (the "Bonds"), both of which constitute a part hereof.

For your legally issued Bonds, as described in said Official Notice of Sale and Preliminary Official Statement, we will pay you a price of par value thereof plus accrued interest from their Dated Date to the date of initial delivery to us, plus a cash premium of \$_____ (no bid producing a cash premium that results in a dollar price of less than \$100.40 nor greater than \$104.50 will be considered) for Bonds maturing and bearing interest as follows:

| Maturity (2/15) | Principal Amount* | Interest Rate | Maturity (2/15) | Principal Amount* | Interest Rate |
|--------------------|----------------------|------------------|--------------------|----------------------|------------------|
| 2026 | \$4,425,000 | | 2041 | \$3,020,000 | |
| 2027 | 3,205,000 | | 2042 | 3,165,000 | |
| 2028 | 3,375,000 | | 2043 | 3,305,000 | |
| 2029 | 3,545,000 | | 2044 | 3,455,000 | |
| 2030 | 3,730,000 | | 2045 | 3,615,000 | |
| 2031 | 1,360,000 | | 2046 | 3,780,000 | |
| 2032 | 1,425,000 | | 2047 | 3,960,000 | |
| 2033 | 1,505,000 | | 2048 | 4,155,000 | |
| 2034 | 1,580,000 | | 2049 | 4,360,000 | |
| 2035 | 1,655,000 | | 2050 | 4,570,000 | |
| 2036 | 1,740,000 | | 2051 | 4,795,000 | |
| 2037 | 1,835,000 | | 2052 | 5,025,000 | |
| 2038 | 1,925,000 | | 2053 | 5,270,000 | |
| 2039 | 2,025,000 | | 2054 | 5,525,000 | |
| 2040 | 2,875,000 | | 2055 | 5,795,000 | |

(Interest to Accrue from the Dated Date)

Of the principal maturities of the Bonds set forth above, we have created term bonds (the "Term Bonds") as indicated in the following table (which may include multiple Term Bonds, one Term Bond or no Term Bond if none is indicated). For those years which have been combined into a Term Bond, the principal amount shown in the table above will be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the Term Bond maturity date will mature in such year. The Term Bonds created are as follows:

| Term Bond Maturity Date February 15 | Year of First Mandatory Redemption | Principal Amount of Term Bond | Interest Rate |
|-------------------------------------------|------------------------------------------|-------------------------------------|------------------|
| | | | |

Our calculation (which is not a part of this bid) of the interest cost in accordance with the above bid is:

TRUE INTEREST COST _____%

By accepting this bid, we understand the District will provide the copies of the Official Statement and of any amendments or supplements thereto in accordance with the Official Notice of Sale.

The Initial Bond shall be registered in the name of the Purchaser. We will advise DTC of registration instructions at least five business days prior to the date set for Initial Delivery. It is the obligation of the Purchaser of the Bonds to complete the DTC Eligibility Questionnaire.

Cashier's Check of the _____ (bank), _____ (location), in the amount of \$2,000,000 which represents our Good Faith Deposit is attached hereto or has been made available to you prior to the opening of the bid, in accordance with the terms set forth in the Official Notice of Sale and the Preliminary Official Statement. The Good Faith Deposit of the Purchaser will be returned to the Purchaser on the date of Initial Delivery upon completion of the closing of the Bonds.

We agree to accept delivery of the Initial Bond through DTC and make payment for the Initial Bond in immediately available funds at BOKF, NA, Dallas, Texas, no later than 10:00 A.M., Central time, on August 5, 2025 or thereafter on the date the Initial Bond are tendered for delivery, pursuant to the terms set forth in the Official Notice of Sale.

The Issuer will consider any bid submitted pursuant to the Official Notice of Sale relating to the Bonds to be a firm offer for the purchase of the Bonds.

The undersigned agrees to complete, execute and deliver to the District by the date of delivery of the Bonds, a certificate relating to the "issue price" of the Bonds in the form and to the effect attached to or accompanying the Official Notice of Sale, with such changes thereto as may be acceptable to the District.

*Preliminary, subject to change. See "THE BONDS – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS" in the Official Notice of Sale and Bidding Instructions.

For purposes of contracting for the sale of the Bonds, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Bonds. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the District is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

As used in the following verifications, "affiliate" means an entity that controls, is controlled by, or is under common control with the bidder within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit. Liability for breach of any such verification during the term of this agreement shall survive until barred by the applicable statute of limitations and shall not be liquidated or otherwise limited by any provision of the bid or Notice of Sale, notwithstanding anything in the bid or Notice of Sale to the contrary.

- (i) No Boycott of Israel Verification (Chapter 2271, Texas Government Code, as amended). The Purchaser hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and will not boycott Israel during the term of this Agreement. As used in the foregoing verification, "boycott Israel" has the meaning provided in Section 2271.001, Texas Government Code, as amended.
- (ii) Not a Sanctioned Company (Chapter 2252, Texas Government Code, as amended). The Purchaser represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, as amended. The foregoing representation excludes a bidder and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.
- (iii) No Boycott of Energy Companies (Chapter 2276, Texas Government Code, as amended). The Purchaser hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and will not boycott energy companies during the term of this Agreement. As used in the foregoing verification, "boycott energy companies" has the meaning provided in Section 2276.001(1), Texas Government Code, as amended.
- (iv) No Discrimination Against Firearm Entities or Firearm Trade Associations (Texas Government Code Chapter 2274, as amended). The Purchaser hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and will not discriminate against a firearm entity or firearm trade association during the term of this Agreement. As used in the foregoing verification, "discriminate against a firearm entity or firearm trade association" has the meaning provided in Section 2274.001(3), Texas Government Code, as amended.

By submitting this bid, the Purchaser understands and agrees that if Purchaser should fail or refuse to take up and pay for the Bonds in accordance with this bid, or it is determined that after the acceptance of this bid by the District that the Purchaser was found not to satisfy the requirements described in the Official Notice of Sale and Bidding Instructions under the heading "CONDITIONS OF THE SALE" and as a result the Texas Attorney General will not deliver its approving opinion of the Bonds, then the check submitted herewith as the Purchaser's Good Faith Deposit shall be cashed and accepted by the District. IF THE DISTRICT CASHES THE PURCHASER'S GOOD FAITH DEPOSIT AS DESCRIBED ABOVE, SUCH ACTION DOES NOT CONSTITUTE COMPLETE OR LIQUIDATED DAMAGES RELATED TO THE PURCHASER'S BREACH OF ANY OF THE COVERED VERIFICATIONS.

By submitting this bid, the Purchaser understands and agrees that the liability of the Purchaser for breach of any of the verifications made in connection with Chapters 2252, 2271, 2274, and 2276, Texas Government Code, as amended and as described above (collectively, the "Covered Verifications") shall survive until barred by the statute of limitations, and shall not be liquidated or otherwise limited by any provision of this Official Bid Form or the Official Notice of Sale. Additionally, the Purchaser acknowledges and agrees that the District reserves and retains all rights and remedies at law and in equity for pursuit and recovery of damages, if any, relating to the Covered Verifications.

FURTHER STATE LAW COMPLIANCE AND STANDING LETTER REQUIREMENT: By submitting this bid, the Purchaser understands and agrees that it must have a standing letter on file with the Texas Attorney General's Office in the form included to the All Bond Counsel Letter of the Texas Attorney General dated November 1, 2023 and any subsequent letters addressing similar matters (collectively, the "All Bond Counsel Letter"). In submitting this bid, the Purchaser represents to the District that it has filed a standing letter in the form included to the All Bond Counsel Letter without qualification and including current statutory citations and it has no reason to believe that the District may not be entitled to rely on the standing letter on file with the Texas Attorney General's Office. The Purchaser hereby further agrees that it will not rescind its standing letter at any time before the delivery of the Bonds unless same is immediately replaced with a standing letter meeting the requirements of the All Bond Counsel Letter. **THE LIABILITY OF THE PURCHASER FOR BREACH OF ANY OF THE VERIFICATIONS MADE IN CONNECTION WITH THE COVERED VERIFICATIONS SHALL SURVIVE UNTIL BARRED BY THE STATUTE OF LIMITATIONS, AND SHALL NOT BE LIQUIDATED OR OTHERWISE LIMITED BY ANY PROVISION OF THIS OFFICIAL BID FORM. ADDITIONALLY, THE DISTRICT RESERVES AND RETAINS ALL RIGHTS AND REMEDIES AT LAW AND IN EQUITY FOR PURSUIT AND RECOVERY OF DAMAGES, IF ANY, RELATING TO THE COVERED VERIFICATIONS.**

The Purchaser agrees to provide such further representations, certifications or assurances in connection with the Covered Verifications, as of the Delivery Date or such other date requested by the District including, but not limited to, a bring down certification as provided by the All Bond Counsel Letter.

The Purchaser acknowledges that the District, in its sole discretion, has reserved the right to reject the bid of any bidder.

The Purchaser understands and agrees that to the extent the Purchaser and each syndicate member listed on the Official Bid Form is unable to provide a Standing Letter in a form satisfactory to the Texas Office of the Attorney General, the District reserves the right to cash and accept the Good Faith Deposit (see "CONDITIONS OF THE SALE - Good Faith Deposit" in the Official Notice of Sale).

A courtesy copy of their firm's standing letter required by the All Bond Counsel letters is submitted herewith, unless otherwise publicly available on the Municipal Advisory Council of Texas' website.

Submission or Exemption of filing Form 1295: In accordance with Texas Government Code Section 2252.908, as amended (the "Interested Party Disclosure Act"), the District may not award the Bonds to a bidder unless the winning bidder either:

(i) submits a Certificate of Interested Parties Form 1295 (the "Disclosure Form") to the District as prescribed by the Texas Ethics Commission ("TEC"),

or

(ii) certifies below that it is exempt from filing the Disclosure Form by virtue of being a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity.

Unless the bidder certifies that it is exempt from filing a Disclosure Form with the District, upon notification of conditional verbal acceptance and if required, the undersigned will complete an electronic form of the Disclosure Form through the TEC's electronic portal and the resulting certified Disclosure Form that is generated by the TEC's electronic portal will be printed, signed and sent by email to the District's financial advisor at dwhitt@samcocapital.com. The undersigned understands that the failure to provide the certified Disclosure Form will prohibit the District from providing final written award of the enclosed bid.

The Purchaser (mark one):

(i) Agrees to timely make a filing of a completed Disclosure Form with the District ☐

or

(ii) Hereby certifies that it is exempt from filing the Disclosure Form by virtue of being a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity ☐.

Respectfully submitted,

(Purchaser)

(Signature - Title)

(Telephone)

[District signature page follows.]

ACCEPTANCE CLAUSE

THE FOREGOING BID IS IN ALL THINGS HEREBY ACCEPTED this July 8, 2025 by the Order of the Board of Trustees of the Athens Independent School District.

President, Board of Trustees

ATTEST:

Secretary, Board of Trustees

CERTIFICATE OF INTERESTED PARTIES

FORM 1295

1 of 1

Complete Nos. 1 - 4 and 6 if there are interested parties.
Complete Nos. 1, 2, 3, 5, and 6 if there are no interested parties.

OFFICE USE ONLY CERTIFICATION OF FILING

1 Name of business entity filing form, and the city, state and country of the business entity's place of business.

2 Name of governmental entity or state agency that is a party to the contract for which the form is being filed.

Athens Independent School District

3 Provide the identification number used by the governmental entity or state agency to track or identify the contract, and provide a description of the services, goods, or other property to be provided under the contract.

0001

Purchase of the Athens Independent School District Unlimited Tax School Building Bonds, Series 2025

| 4 | Name of Interested Party | City, State, Country (place of business) | Nature of interest (check applicable) | |
|---|--------------------------|------------------------------------------|------------------------------------------|--------------|
| | | | Controlling | Intermediary |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
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| | | | | |
| | | | | |
| | | | | |

5 Check only if there is NO Interested Party.

☐

6 UNSWORN DECLARATION

My name is _____, and my date of birth is _____.

My address is _____, _____, _____, _____, _____.
(street) (city) (state) (zip code) (country)

I declare under penalty of perjury that the foregoing is true and correct.

Executed in _____ County, State of _____, on the _____ day of _____, 20____.
(month) (year)

Signature of authorized agent of contracting business entity
(Declarant)

ISSUE PRICE CERTIFICATE

(Form of Certificate if at least 3 bids are received from underwriters)

The undersigned, as the underwriter or the manager of the syndicate of underwriters ("Purchaser"), with respect to the purchase at competitive sale of the Unlimited Tax School Building Bonds, Series 2025 issued by the Athens Independent School District ("Issuer") in the principal amount of \$100,000,000* ("Bonds"), hereby certifies and represents, based on its records and information, as follows:

(a) On the first day on which there was a binding contract in writing for the purchase of the Bonds by the Purchaser, the Purchaser's reasonably expected initial offering prices of each maturity of the Bonds with the same credit and payment terms (the "Expected Offering Prices") to a person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter are as set forth in the pricing wire or equivalent communication for the Bonds, as attached to this Certificate as Schedule A. The Expected Offering Prices are the prices for the Bonds used by the Purchaser in formulating its bid to purchase the Bonds.

(b) The Purchaser had an equal opportunity to bid to purchase the Bonds and it was not given the opportunity to review other bids that was not equally given to all other bidders (i.e., no last look).

(c) The bid submitted by the Purchaser constituted a firm bid to purchase the Bonds.

For purposes of this Issue Price Certificate, the term "Underwriter" means (1) (i) a person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, or (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (1)(i) of this paragraph (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public) to participate in the initial sale of the Bonds to the Public, and (2) any person who has more than 50% common ownership, directly or indirectly, with a person described in clause (1) of this paragraph.

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by McCall, Parkhurst & Horton L.L.P. in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds. Notwithstanding anything set forth herein, the Purchaser is not engaged in the practice of law and makes no representation as to the legal sufficiency of the factual matters set forth herein.

EXECUTED and DELIVERED as of this [ISSUE DATE].

[NAME OF PURCHASER], as Purchaser

By: _____

Name: _____

* Preliminary, subject to change. See "THE BONDS – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS" herein.

ISSUE PRICE CERTIFICATE

(Form of Certificate if less than 3 bids are received from underwriters)

The undersigned, as the underwriter or the manager of the syndicate of underwriters ("Purchaser"), with respect to the purchase at competitive sale of the Unlimited Tax School Building Bonds, Series 2025 issued by the Athens Independent School District ("Issuer") in the principal amount of \$100,000,000* ("Bonds"), hereby certifies and represents, based on its records and information, as follows:

(a) [Other than the Bonds maturing in ____ ("Hold-the-Price Maturities"), the][The first prices at which at least ten percent ("Substantial Amount") of the principal amount of each maturity of the Bonds having the same credit and payment terms ("Maturity") was sold to a person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter ("Public") are their respective initial offering prices, as listed in the pricing wire or equivalent communication for the Bonds that is attached to this Certificate as Schedule A.

(Add (b) and (c) only if winning bidder designates one or more maturities as Hold-the-Price Maturities)

(b) On or before the first day on which there is a binding contract in writing for the sale of the Bonds ("Sale Date"), the Purchaser offered to the Public each Maturity of the Hold-the-Price Maturities at their respective initial offering prices, as set forth in Schedule A hereto ("Initial Offering Price").

(c) As set forth in the Notice of Sale, the Purchaser agreed in writing to neither offer nor sell any of the Hold-the-Price Maturities to any person at any higher price than the Initial Offering Price for each such Maturity until the earlier of the close of the fifth business day after the Sale Date or the date on which the Purchaser sells at least ten percent of a Hold-the-Price-Maturity of the Bonds to the Public at no higher price than the Initial Offering Price for such Maturity.

For purposes of this Issue Price Certificate, the term "Underwriter" means (1) (i) a person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, or (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (1)(i) of this paragraph (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public) to participate in the initial sale of the Bonds to the Public, and (2) any person who has more than 50% common ownership, directly or indirectly, with a person described in clause (1) of this paragraph.

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by McCall, Parkhurst & Horton L.L.P. in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds. Notwithstanding anything set forth herein, the Purchaser is not engaged in the practice of law and makes no representation as to the legal sufficiency of the factual matters set forth herein.

EXECUTED and DELIVERED as of this [ISSUE DATE].

[NAME OF PURCHASER], as Purchaser

By: _____

Name: _____

* Preliminary, subject to change. See "THE BONDS – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS" herein.

SCHEDULE A

PRICING WIRE OR EQUIVALENT COMMUNICATION

(Attached)

BOND YEARS**\$100,000,000*****ATHENS INDEPENDENT SCHOOL DISTRICT**

(Henderson, Van Zandt and Anderson Counties, Texas)

UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2025

Dated: July 15, 2025

Due: February 15

| Year | Amount* | Bond Years* | |
|------|-------------|--------------|-----------------------|
| | | Bond Years | Cumulative Bond Years |
| 2026 | \$4,425,000 | 2,335.4163 | 2,335.4163 |
| 2027 | 3,205,000 | 4,896.5275 | 7,231.9439 |
| 2028 | 3,375,000 | 8,531.2497 | 15,763.1936 |
| 2029 | 3,545,000 | 12,505.9719 | 28,269.1655 |
| 2030 | 3,730,000 | 16,888.6108 | 45,157.7764 |
| 2031 | 1,360,000 | 7,517.7777 | 52,675.5540 |
| 2032 | 1,425,000 | 9,302.0832 | 61,977.6373 |
| 2033 | 1,505,000 | 11,329.3054 | 73,306.9427 |
| 2034 | 1,580,000 | 13,473.8888 | 86,780.8315 |
| 2035 | 1,655,000 | 15,768.4721 | 102,549.3035 |
| 2036 | 1,740,000 | 18,318.3332 | 120,867.6367 |
| 2037 | 1,835,000 | 21,153.4721 | 142,021.1088 |
| 2038 | 1,925,000 | 24,115.9721 | 166,137.0809 |
| 2039 | 2,025,000 | 27,393.7498 | 193,530.8307 |
| 2040 | 2,875,000 | 41,767.3609 | 235,298.1916 |
| 2041 | 3,020,000 | 46,893.8887 | 282,192.0803 |
| 2042 | 3,165,000 | 52,310.4164 | 334,502.4967 |
| 2043 | 3,305,000 | 57,929.3053 | 392,431.8020 |
| 2044 | 3,455,000 | 64,013.4720 | 456,445.2740 |
| 2045 | 3,615,000 | 70,592.9164 | 527,038.1903 |
| 2046 | 3,780,000 | 77,594.9997 | 604,633.1900 |
| 2047 | 3,960,000 | 85,249.9997 | 689,883.1897 |
| 2048 | 4,155,000 | 93,602.9163 | 783,486.1061 |
| 2049 | 4,360,000 | 102,581.1108 | 886,067.2169 |
| 2050 | 4,570,000 | 112,091.9441 | 998,159.1609 |
| 2051 | 4,795,000 | 122,405.6941 | 1,120,564.8550 |
| 2052 | 5,025,000 | 133,302.0829 | 1,253,866.9380 |
| 2053 | 5,270,000 | 145,071.3885 | 1,398,938.3264 |
| 2054 | 5,525,000 | 157,615.9718 | 1,556,554.2982 |
| 2055 | 5,795,000 | 171,113.4718 | 1,727,667.7700 |

Average Maturity = 17.277

*Preliminary, subject to change. See "THE BONDS - ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS" in the Official Notice of Sale and Bidding Instructions.

PRELIMINARY OFFICIAL STATEMENT

Dated: July 1, 2025

NEW ISSUE: BOOK-ENTRY-ONLY

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

\$100,000,000*

ATHENS INDEPENDENT SCHOOL DISTRICT

(A political subdivision of the State of Texas located in Henderson, Van Zandt & Anderson Counties, Texas)

UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2025

Dated Date: July 15, 2025

Due: February 15, as shown on the inside cover page

The Athens Independent School District Unlimited Tax School Building Bonds, Series 2025 (the "Bonds") are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, and Chapter 1371, as amended, Texas Government Code ("Chapter 1371"), an election held in the District on May 3, 2025 and the order (the "Order") authorizing the issuance of the Bonds adopted on June 12, 2025 by the Board of Trustees (the "Board") of the Athens Independent School District (the "District"). As permitted by Chapter 1371, the Board, in the Order, delegated to certain District officials (the "Pricing Officer") the authority to establish final terms and effectuate the sale of the Bonds, which final sales terms shall be evidenced in a pricing certificate (the "Pricing Certificate") relating to the Bonds. The Bonds are payable as to principal and interest from the proceeds of an ad valorem tax levied annually, 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 the Bonds to be guaranteed under the State of Texas Permanent School Fund Guarantee Program (hereinafter defined), which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. (See "THE BONDS – Permanent School Fund Guarantee" and "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").

Interest on the Bonds will accrue from the Dated Date specified above and will be payable initially on February 15 and August 15 of each year, commencing August 15, 2025, until stated maturity or prior redemption. The Bonds will be issued in fully registered form in principal denominations of \$5,000 or any integral multiple thereof. Principal of the Bonds will be payable by the Paying Agent/Registrar, which initially is BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"), upon presentation and surrender of the Bonds for payment. Interest on the Bonds is payable by check dated as of the interest payment date and mailed by the Paying Agent/Registrar to the registered owners as shown on the records of the Paying Agent/Registrar on the close of business as of the last business day of the month next preceding each interest payment date.

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

Proceeds from the sale of the Bonds will be used for the purposes of (i) designing, constructing, renovating, improving, upgrading, updating, modernizing, acquiring, and equipping school facilities (and any necessary or related removal of existing facilities) and the purchase of the necessary sites for school facilities, and (ii) paying the costs of issuing the Bonds. (See "THE BONDS - Authorization and Purpose").

The Bonds maturing on or after February 15, 2036 are subject to redemption at the option of the District in whole or in part on August 15, 2035 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. (See "THE BONDS - Optional Redemption"). If two or more serial bonds of consecutive maturities are combined into one or more "Term Bonds" by the winning bidder for the Bonds, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Order (see "THE BONDS – Mandatory Sinking Fund Redemption").

MATURITY SCHEDULE

(On Inside Cover)

The Bonds are offered for delivery when, as and if issued, and received by the initial purchaser (the "Purchaser" or the "Initial Purchaser") subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. The Bonds are expected to be available for initial delivery through the facilities of DTC on or about August 5, 2025.

BIDS DUE JULY 8, 2025 BY 10:00 A.M., CENTRAL TIME

**Preliminary, subject to change.*

\$100,000,000*
ATHENS INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Henderson, Van Zandt & Anderson Counties, Texas)
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2025

MATURITY SCHEDULE
Base CUSIP No.: 047375⁽¹⁾

| Maturity Date 2/15 | Principal Amount* | Interest Rate | Initial Yield | CUSIP No. Suffix⁽¹⁾ |
|-----------------------------------|------------------------------|--------------------------|--------------------------|-------------------------------------------|
| 2026 | \$4,425,000 | | | |
| 2027 | 3,205,000 | | | |
| 2028 | 3,375,000 | | | |
| 2029 | 3,545,000 | | | |
| 2030 | 3,730,000 | | | |
| 2031 | 1,360,000 | | | |
| 2032 | 1,425,000 | | | |
| 2033 | 1,505,000 | | | |
| 2034 | 1,580,000 | | | |
| 2035 | 1,655,000 | | | |
| 2036 | 1,740,000 | | | |
| 2037 | 1,835,000 | | | |
| 2038 | 1,925,000 | | | |
| 2039 | 2,025,000 | | | |
| 2040 | 2,875,000 | | | |
| 2041 | 3,020,000 | | | |
| 2042 | 3,165,000 | | | |
| 2043 | 3,305,000 | | | |
| 2044 | 3,455,000 | | | |
| 2045 | 3,615,000 | | | |
| 2046 | 3,780,000 | | | |
| 2047 | 3,960,000 | | | |
| 2048 | 4,155,000 | | | |
| 2049 | 4,360,000 | | | |
| 2050 | 4,570,000 | | | |
| 2051 | 4,795,000 | | | |
| 2052 | 5,025,000 | | | |
| 2053 | 5,270,000 | | | |
| 2054 | 5,525,000 | | | |
| 2055 | 5,795,000 | | | |

(Interest to accrue from the Dated Date)

*Preliminary, subject to change.

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ATHENS INDEPENDENT SCHOOL DISTRICT

BOARD OF TRUSTEES*

| <u>Name</u> | <u>Date Initially Elected</u> | <u>Current Term Expires</u> | <u>Occupation</u> |
|-------------------------------|----------------------------------------------|--------------------------------------------|--------------------------|
| Alicea Elliott, President | 2011 | 2027 | CPA |
| Eugene Buford, Vice President | 2017 | 2026 | Retired |
| Freddie Paul, Secretary | 2018 | 2028 | Business |
| Tilo Galvan, Member | 2023 | 2027 | Business |
| Gina Hunter, Member | 2018 | 2028 | Retired |
| Kelley Lee, Member | 2023 | 2026 | Retired |
| Margaret Richardson, Member | 2019 | 2028 | CPA |

APPOINTED OFFICIALS

| <u>Name</u> | <u>Position</u> | <u>Length of Education Service</u> | <u>Length of Service with the District</u> |
|--------------------|-------------------------|-----------------------------------------------|-------------------------------------------------------|
| Dr. Janie Sims | Superintendent | 31 Years | 25 Years |
| Ginger Morrison | Deputy Superintendent | 29 Years | 29 Years |
| Randy Jones | Chief Financial Officer | 25 Years | 25 Years |

CONSULTANTS AND ADVISORS

| | |
|--------------------------------------------------|------------------------------|
| McCall, Parkhurst & Horton L.L.P., Dallas, Texas | Bond Counsel |
| SAMCO Capital Markets, Inc., Plano, Texas | Financial Advisor |
| Pattillo, Brown & Hill, L.L.P., Waco, Texas | Certified Public Accountants |

For additional information, contact:

Randy Jones
Superintendent
Athens Independent School District
104 Hawn Street
Athens, TX 75751
(903) 677-6900

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

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein. See "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – PSF Continuing Disclosure Undertaking" and "CONTINUING DISCLOSURE OF INFORMATION" for a description of the undertakings of the Texas Education Agency and the District, respectively, to provide certain information on a continuing basis.

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

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

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

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.

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

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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 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 this entire Official Statement.

| | |
|----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The District | The Athens Independent School District (the "District") is a political subdivision of the State of Texas located in Henderson, Van Zandt & Anderson Counties, Texas. The District is governed by a seven-member Board of Trustees (the "Board"). Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the chief administrative officer of the District. Support services are supplied by consultants and advisors. |
| The Bonds | The Bonds are being issued in the principal amount of \$100,000,000 (preliminary, subject to change) pursuant to the Constitution and general laws of the State of Texas, particularly Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, and Chapter 1371, as amended, Texas Education Code ("Chapter 1371"), an election held in the District on May 3, 2025, and an order (the "Bond Order") authorizing the issuance of the Bonds adopted by the Board on June 12, 2025. As permitted by Chapter 1371, the Board, in the Order, delegated to certain District officials (the "Pricing Officer") the authority to establish final terms and effectuate the sale of the Bonds, which final sales terms shall be evidenced in an pricing certificate (the "Pricing Certificate") relating to the Bonds. Proceeds from the sale of the Bonds will be used for purposes of (i) designing, constructing, renovating, improving, upgrading, updating, modernizing, acquiring, and equipping school facilities (and any necessary or related removal of existing facilities) and the purchase of the necessary sites for school facilities, and (ii) paying the costs of issuing the Bonds. (See "THE BONDS - Authorization and Purpose"). |
| Paying Agent/Registrar | The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. The District intends to use the Book-Entry-Only System of The Depository Trust Company. (See "BOOK-ENTRY-ONLY SYSTEM" herein). |
| Security | The Bonds will constitute direct and voted obligations of the District, payable as to principal and interest from ad valorem taxes levied annually against all taxable property located within the District, without legal limitation as to rate or amount. Payments of principal and interest on the Bonds will be further secured by the corpus of the Permanent School Fund of Texas. (See "THE BONDS – Security", "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS", "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" and "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM"). |
| Redemption | The Bonds maturing on or after February 15, 2036 are subject to redemption at the option of the District in whole or in part on August 15, 2035 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. (See "THE BONDS - Optional Redemption"). If two or more serial bonds of consecutive maturities are combined into one or more "Term Bonds" by the winning bidder for the Bonds, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Order (see "THE BONDS – Mandatory Sinking Fund Redemption"). |
| Permanent School Fund Guarantee | The District has received conditional approval from the Texas Education Agency for the payment of the Bonds to be guaranteed under the Permanent School Fund Guarantee Program (defined herein), which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. (See "THE BONDS – Permanent School Fund Guarantee" and "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM.") |
| Rating | The Bonds are rated "AAA" by S&P Global Ratings ("S&P") based upon the guaranteed repayment thereof under the Permanent School Fund Guarantee Program (as defined herein) of the Texas Education Agency. The District's unenhanced, underlying rating, including the Bonds, is "A+" from S&P. (See "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – Ratings of Bonds Guaranteed Under the Guarantee Program" and "RATING" herein.) |
| Tax Matters | In the opinion of Bond Counsel for the District, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on certain corporations. (See "TAX MATTERS" and "Appendix C – Form of Legal Opinion of Bond Counsel.") |
| Payment Record | The District has never defaulted on the payment of its bonded indebtedness. |
| Legal Opinion | Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. |
| Delivery | When issued, anticipated to be on or about August 5, 2025. |

INTRODUCTORY STATEMENT

This Official Statement (the "Official Statement"), which includes the cover page and the Appendices attached hereto, has been prepared by the Athens Independent School District (the "District"), a political subdivision of the State of Texas (the "State") located in Henderson, Van Zandt & Anderson Counties, Texas, in connection with the offering by the District of its Unlimited Tax School Building Bonds, Series 2025 (the "Bonds") identified on the inside 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.

There follows in this Official Statement descriptions of the Bonds and the Order (as defined below) adopted by the Board of Trustees of the District (the "Board") on June 12, 2025 authorizing the issuance of the Bonds (the "Bond Order") and certain other information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained by writing the Athens Independent School District, 104 Hawn Street, Athens, TX 75751 and, during the offering period, from the Financial Advisor, SAMCO Capital Markets, Inc., 5800 Granite Parkway, Suite 210, Plano, Texas 75024, by electronic mail or upon payment of reasonable copying, mailing, and handling charges.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. A copy of this Official Statement relating to the Bonds will be submitted by the initial purchaser of the Bonds (the "Purchaser" or "Initial Purchaser") 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 District's undertaking to provide certain information on a continuing basis.

THE BONDS

Authorization and Purpose

The Bonds are being issued in the principal amount of \$100,000,000 (preliminary, subject to change) pursuant to the Constitution and general laws of the State, particularly Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, an election held in the District on May 3, 2025, and an order (the "Bond Order") authorizing the issuance of the Bonds adopted by the Board on June 12, 2025. As permitted by Chapter 1371, the Board, in the Order, delegated to certain District officials (the "Pricing Officer") the authority to establish final terms and effectuate the sale of the Bonds, which final sales terms shall be evidenced in a pricing certificate (the "Pricing Certificate") relating to the Bonds. Proceeds from the sale of the Bonds will be used for purposes of (i) designing, constructing, renovating, improving, upgrading, updating, modernizing, acquiring, and equipping school facilities (and any necessary or related removal of existing facilities) and the purchase of the necessary sites for school facilities, and (ii) paying the costs of issuing the Bonds.

General Description

The Bonds will be dated July 15, 2025 (the "Dated Date") and will bear interest from the Dated Date. The Bonds will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day months and is payable semiannually on February 15 and August 15 of each year, commencing August 15, 2025, until stated maturity or prior redemption.

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

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

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

Optional Redemption

The Bonds maturing on or after, February 15, 2036 are subject to redemption, at the option of the District, in whole or in part, in principal amounts of \$5,000 or integral multiples thereof, on August 15, 2035 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the District shall determine the amounts and maturities thereof to be redeemed and shall direct the Paying Agent/Registrar to select by lot the Bonds, or portions thereof, to be redeemed. Not less than 30 days prior to a redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of a Bond to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice.

Mandatory Sinking Fund Redemption

If the successful bidder designates principal amounts of the Bonds to be combined into one or more Term Bonds, each such Term Bond will be subject to mandatory sinking fund redemption as provided in the Order and as further set forth in the Official Statement.

Notice of Redemption and DTC Notices

Not less than 30 days prior to a redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of a Bond to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER RECEIVED BY THE BONDHOLDER, AND, SUBJECT TO PROVISION FOR PAYMENT OF THE REDEMPTION PRICE HAVING BEEN MADE AND THE SATISFACTION OF ANY OTHER

CONDITION SPECIFIED IN THE NOTICE, INTEREST ON THE REDEEMED BONDS SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A BOND HAS NOT BEEN PRESENTED FOR PAYMENT.

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

Security

The Bonds are direct and voted obligations of the District and are payable as to both principal and interest from an ad valorem tax annually levied, without legal limit as to rate or amount, on all taxable property within the District. The District has received conditional approval from the Texas Education Agency for the payment of the Bonds to be guaranteed under the State of Texas Permanent School Fund Guarantee Program (hereinafter defined), which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. (See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS", "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" and "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").

Permanent School Fund Guarantee

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

In the event the District defeases any of the Bonds, the payment of such defeased Bonds will cease to be guaranteed by the Permanent School Fund Guarantee. See "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "REGISTERED OWNERS' REMEDIES" herein.

Legality

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

Payment Record

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

Amendments

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

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

Defeasance

The Order provides for the defeasance of the Bonds when payment of the principal amount of the Bonds plus interest accrued on the Bonds to their due date (whether such due date be by reason of stated maturity, redemption or otherwise), is provided by irrevocably depositing with a paying agent, or other authorized escrow agent, in trust (1) money in an amount sufficient to make such payment and/or (2) Defeasance Securities, that will mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the 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 District has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance. The Order provides that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Bonds. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District authorizes the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the District adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. District officials may restrict

such eligible securities as deemed appropriate in connection with the sale of the Bonds. 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 Bonds. Because the 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 for defeasance purposes or that for any other Defeasance Security will be maintained at any particular rating category.

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

Defeasance will automatically cancel the Permanent School Fund Guarantee with respect to those defeased Bonds.

Sources and Uses of Funds

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

| | |
|--------------------------------------|--------------------------------|
| Sources | |
| Par Amount of Bonds | \$ |
| Accrued Interest | |
| [Net] Reoffering Premium | |
| Total Sources of Funds | \$ <u> </u> |
| Uses | |
| Deposit to Construction Fund | \$ |
| Costs of Issuance | |
| Purchaser's Discount | |
| Deposit to Interest and Sinking Fund | |
| Total Uses of Funds | \$ <u> </u> |

REGISTERED OWNERS' REMEDIES

The Order establishes specific events of default with respect to the Bonds and provides that if the District defaults in the payment of principal or interest on the Bonds when due, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Order, and the continuation thereof for a period of 60 days after notice of default is given by the District by any registered owner, 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 Bonds or the Order covenants and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Chapter 1371, which pertains to the issuance of public securities by issuers such as the District, including the Bonds, permits the District to waive sovereign immunity in the proceedings authorizing its bonds, but in connection with the issuance of the Bonds, the District has not waived sovereign immunity, as permitted by Chapter 1371. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, bondholders may not be able to bring such a suit against the District for breach of the Bonds or 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. See "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein for a description of the procedures to be followed for payment of the Bonds by the Permanent School Fund in the event the District fails to make a payment on the Bonds when due. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Order and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, by general principles of equity which permit the exercise of judicial discretion.

BOOK-ENTRY-ONLY SYSTEM

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

The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds) or redemption or other notices, to the Beneficial Owners, or that they

will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

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

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

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

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

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the 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 Direct or Indirect Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-

Only System, and (ii) except as described above, notices that are to be given to registered owners under the Order will be given only to DTC.

Effect of Termination of Book-Entry-Only System

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the District, printed bond certificates will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Order and summarized under "REGISTRATION, TRANSFER AND EXCHANGE – Future Registration" below.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

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

Successor Paying Agent/Registrar

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

Initial Registration

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.

Future Registration

In the event the Book-Entry-Only System is discontinued, the Bonds may be transferred, registered and assigned on the registration books only upon presentation and surrender of the Bonds 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 Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bond or Bonds being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the 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 Bonds registered and delivered in an exchange or transfer shall be in authorized denominations and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer.

Record Date For Interest Payment

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

The Paying Agent/Registrar shall not be required to make any such transfer, conversion or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date; provided, however, that such limitation shall not apply to uncalled portions of a Bond redeemed in part.

Replacement Bonds

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

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

Subject to satisfying certain conditions, the payment of the Bonds will be guaranteed by the corpus of the Permanent School Fund of the State of Texas. In the event of default, registered owners will receive all payments due on the Bonds from the Permanent School Fund, and the Charter District Bond Guarantee Reserve would be the first source to pay debt service if a charter school was unable to make such payment. See "Appendix E – 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 E is incorporated herein and made a part hereof for all purposes.

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Litigation Relating to the Texas Public School Finance System

On seven occasions in the last thirty years, the Texas Supreme Court (the "Court") has issued decisions assessing the constitutionality of the Texas public school finance system (the "Finance System"). The litigation has primarily focused on

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

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

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

Possible Effects of Changes in Law on District Bonds

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

Overview

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

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

2025 Regular and Special Legislative Sessions

The regular session of the 89th Texas Legislature (the "Legislature") commenced on January 14, 2025 and concluded on June 2, 2025. The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor of Texas (the "Governor") may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. On June 23, 2025, the Governor called a special session to begin on July 21, 2025.

During the 89th Regular Session, the Legislature considered a general appropriations act and legislation affecting the Finance System and ad valorem taxation procedures and exemptions, and investments, among other legislation affecting school districts and the administrative agencies that oversee school districts. Subject to the Governor's signing of the relevant legislation and contingent on 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, 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. Additionally, subject to the Governor's signing of the relevant legislation, both houses of the Legislature passed legislation that would authorize roughly \$8.5 billion in funding for public schools and would provide districts with a \$55 per-student increase to their base funding, as well as provide districts with additional funding for teacher and staff salaries, educator preparation, special education, safety requirements and early childhood learning. Finally, legislation 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. 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 or any legislation addressed in the special session. Further, the

District can make no representations or predictions regarding the scope of legislation that may be considered in the special session or the potential impact of such legislation at this time, but it intends to monitor applicable legislation related thereto

2023 Regular and Special Legislative Sessions

The regular session of the 88th Texas Legislature 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. 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 2023-2024 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 during any 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; (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 an 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 15 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.

During the fourth called special session the Legislature considered (i) "legislation relating to primary and secondary education, including the establishment of an education savings account program, the certification, compensation, and health coverage of certain public school employees, the public school finance system, special education in public schools, measures to support the education of public school students that include certain educational grant programs, reading instruction, and early childhood education, the provision of virtual education, and public school accountability;" and (ii) "legislation related to school safety measures and related state funding mechanisms." The session adjourned on December 5, 2023 without any action on these items.

Local Funding for School Districts

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

State Compression Percentage

The State Compression Percentage is a statutorily-defined percentage of the rate of \$1.00 per \$100 that is used to determine a school district's Maximum Compressed Tax Rate (described below). The State Compression Percentage is the lesser of three alternative calculations: (1) 93% or a lower percentage set by appropriation for a school year; (2) a percentage determined by formula if the estimated total taxable property value of the State (as submitted annually to the State Legislature by the State Comptroller) has increased by at least 2.5% over the prior year; and (3) the prior year State Compression Percentage. For any year, the maximum State Compression Percentage is 93%. For the State fiscal year ending in 2025, the State Compression Percentage is set at 68.55%.

Maximum Compressed Tax Rate

The Maximum Compressed Tax Rate (the "MCR") is the tax rate per \$100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of two alternative calculations: (1) the school district's prior year MCR; 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. During the 2023 Legislative Session, took action to reduce the maximum MCR for the 2023-2024 school year. It established \$0.6680 as the maximum rate and \$0.6192 as the floor. The MCR for the 2024-2025 school year is \$0.6855 and the floor is \$0.6169.

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. Additionally, a school district's levy of Copper Pennies is subject to compression if the guaranteed yield (i.e., the guaranteed level of local tax revenue and State aid generated for each cent of tax effort) of Copper Pennies is increased from one year to the next (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts – Tier Two").

State Funding for School Districts

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

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

The current public school finance system also provides an Existing Debt Allotment ("EDA") to subsidize debt service on eligible outstanding school district bonds, an Instructional Facilities Allotment ("IFA") to subsidize debt service on newly issued bonds, and a New Instructional Facilities Allotment ("NIFA") to subsidize operational expenses associated with the opening of a new instructional facility. IFA primarily addresses the debt service needs of property-poor school districts. For the 2024-2025 State fiscal biennium, the State Legislature appropriated funds in the amount of \$1,072,511,740 for the EDA, IFA, and NIFA.

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

Tier One

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

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

The fast growth allotment weights change to 0.48 for districts in the top 40% of school districts for growth, 0.33 for districts in the middle 30% of school districts for growth and 0.18 for districts in the bottom 30% of school districts for growth. The fast growth allotment is limited to \$320 million for the 2024-2025 school year.

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 greater of (i) the local revenue per student in WADA per cent of tax effort available to a school district at the ninety-sixth (96th) percentile of wealth per student in WADA, or (ii) the Basic Allotment (or a greater amount as may be provided by appropriation) multiplied by 0.016. For the 2024-2025 State fiscal biennium, school districts are guaranteed a yield of \$126.21 per student in WADA in 2024 and \$129.52 per student WADA in 2025 for each Golden Penny levied. Copper Pennies generate a guaranteed yield per student in WADA equal to the school district's Basic Allotment (or a greater amount as may be provided by appropriation) multiplied by 0.008. For the 2024-2025 State fiscal biennium, school districts are guaranteed a yield of \$49.28 per student in WADA for each Copper Penny levied. For any school year in which the guaranteed yield of Copper Pennies per student in WADA exceeds the guaranteed yield of Copper Pennies per student in WADA for the preceding school year, a school district is required to reduce its Copper Pennies levied so as to generate no more revenue per student in WADA than was available to the school district for the preceding year.

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

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

Commissioner in accordance with rules adopted by the TEA before issuing the bonds to be paid with IFA State assistance. The total amount of debt service assistance over a biennium for which a school district may be awarded is limited to the lesser of (1) the actual debt service payments made by the school district in the biennium in which the bonds are issued; or (2) the greater of (a) \$100,000 or (b) \$250 multiplied by the number of students in ADA. The IFA is also available for lease-purchase agreements and refunding bonds meeting certain prescribed conditions. Once a school district receives an IFA award for bonds, it is entitled to continue receiving State assistance for such bonds without reapplying to the Commissioner. The guaranteed level of State and local funds per student percent of local tax effort applicable to the bonds may not be reduced below the level provided for the year in which the bonds were issued. For the 2024-2025 State fiscal biennium, the State Legislature did not appropriate any funds for new IFA awards; however, awards previously granted in years the State Legislature did appropriate funds for new IFA awards will continue to be funded.

State financial assistance is provided for certain existing eligible debt issued by school districts through the EDA program. The EDA guaranteed yield (the "EDA Yield") is the lesser of (i) \$40 per student in ADA or a greater amount for any year provided by appropriation; or (ii) the amount that would result in a total additional EDA of \$60 million more than the EDA to which school districts would have been entitled to if the EDA Yield were \$35. The portion of a school district's local debt service rate that qualifies for EDA assistance is limited to the first \$0.29 of its I&S tax rate (or a greater amount for any year provided by appropriation by the State Legislature). In general, a school district's bonds are eligible for EDA assistance if (i) the school district made payments on the bonds during the final fiscal year of the preceding State fiscal biennium, or (ii) the school district levied taxes to pay the principal of and interest on the bonds for that fiscal year. Each biennium, access to EDA funding is determined by the debt service taxes collected in the final year of the preceding biennium. A school district may not receive EDA funding for the principal and interest on a series of otherwise eligible bonds for which the school district receives IFA funding.

Since future-year IFA awards were not funded by the State Legislature for the 2024-2025 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 2024-2025 State fiscal biennium on new bonds issued by school districts in the 2024-2025 State fiscal biennium to construct, acquire and improve facilities must be funded solely from local I&S taxes, except to the extent the bonds of a school district are eligible for hold harmless funding from the State for local tax revenue lost as a result of an increase in the mandatory homestead exemption from \$40,000 to \$100,000. Hold harmless applies only to bonds authorized by voters prior to September 1, 2023.

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. In the 2023 Legislative Sessions, the State Legislature appropriated funds in the amount of \$100,000,000 for each fiscal year of the 2024-2025 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.

Furthermore, "property-wealthy" school districts that received additional State funds under the public school finance system prior to the enactment of the 2019 Legislation are entitled to an equalized wealth transition grant on an annual basis, which will be phased out in the 2023-2024 school year in an amount equal to the amount of additional revenue such school district would have received under former Texas Education Code Sections 41.002(e) through (g), as those sections existed on January 1, 2019. Additionally, school districts and open-enrollment charter schools may be entitled to receive an allotment in the form of a formula transition grant, but they will not be entitled to an allotment beginning with the 2024-2025 school year. This grant is meant to ensure a smooth transition into the funding formulas enacted by the 86th State Legislature. Furthermore, if the total amount of allotments to which school districts and open enrollment charter schools are entitled for a school year exceeds \$400 million, the Commissioner shall proportionately reduce each district's or school's allotment. The reduction in the amount to which a district or school is entitled may not result in an amount that is less than zero.

For the 2023-2024 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 as such state law existed on September 1, 2022, if any increase in a residence homestead exemption under the Texas Constitution, and any additional limitation on tax increases under the elderly or disabled tax ceiling had not occurred.

Local Revenue Level in Excess of Entitlement

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

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

Options for Local Revenue Levels in Excess of Entitlement

Under Chapter 49, a school district has six options to reduce local revenues to a level that does not exceed the school district's respective entitlements: (1) a school district may consolidate by agreement with one or more school districts to form a consolidated school district; all property and debt of the consolidating school districts vest in the consolidated school district; (2) a school district may detach property from its territory for annexation by a property-poor school district; (3) a school district may purchase attendance credits from the State; (4) a school district may contract to educate nonresident students from a property-poor school district by sending money directly to one or more property-poor school districts; (5) a school district may execute an agreement to provide students of one or more other school districts with career and technology education through a program designated as an area program for career and technology education; or (6) a school district may consolidate by agreement with one or more school

districts to form a consolidated taxing school district solely to levy and distribute either M&O taxes or both M&O taxes and I&S taxes. A Chapter 49 school district may also exercise any combination of these remedies. Options (3), (4) and (6) require prior approval by the Chapter 49 school district's voters.

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

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

For the 2024-2025 school year, the District was not designated as an "excess local revenue" Chapter 49 school district by TEA. Accordingly, the District has not been required to exercise one of the wealth equalization options permitted under applicable State Law. As a district with local revenues less than the maximum permitted level, the District may benefit in the future by agreeing to accept taxable property or funding assistance from or agreeing to consolidate with, a property-rich district to enable such district to reduce its wealth per student to the permitted level.

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

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

AD VALOREM TAX PROCEDURES

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

Valuation of Taxable Property

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the District is the responsibility of the Henderson, Van Zandt and Anderson County Appraisal Districts (collectively the "Appraisal Districts"). 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.

Effective January 1, 2024, an appraisal district is prohibited from increasing the appraised value of real property during the 2024 tax year on certain 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 unless extended by the State Legislature, the maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value.

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

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

State Mandated Homestead Exemptions

State law grants, with respect to school district taxes imposed for general elementary and secondary public school purposes, (1) a \$100,000 exemption of the appraised value of all homesteads, (2) a \$10,000 exemption of the appraised value of the residence homesteads of persons sixty-five (65) years of age or older and the disabled, and (3) various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Sessions" herein for a discussion of a potential increase in the general State mandated homestead exemption 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 repealing or reducing an optional homestead exemption that was granted in tax year 2022 through December 31, 2027. See "Appendix A – Financial Information of the District – Assessed Valuation" for the reduction in taxable valuation, if any, attributable to local option homestead exemptions.

State Mandated Freeze on School District Taxes

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

Personal Property

Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

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 of the District – Assessed Valuation" for the reduction in taxable valuation, if any, attributable to Goods-in-Transit or Freeport Property exemptions.

Other Exempt Property

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

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. For tax years beginning on or after January 1, 2022, 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. For more information on the exemption, reference is made to Section 11.35 of the Tax Code, as amended.

Tax Increment Reinvestment Zones

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

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

Tax Limitation Agreements

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

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. The effective date of HB 5 was January 1, 2024 and the District is currently monitoring the State's implementation of this new economic development program.

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.

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, 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 to reflect the inflation rate.

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

Levy and Collection of Taxes

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

District's Rights in the Event of Tax Delinquencies

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

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

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

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on

property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

TAX RATE LIMITATIONS

M&O Tax Rate Limitations

The District is authorized to levy an M&O tax rate pursuant to the approval of the voters of the District at an election held on March 1, 1958 pursuant to Article 2784e-1, Texas Revised Civil Statutes Annotated, as amended.

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

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

I&S Tax Rate Limitations

A school district is also authorized to issue bonds and levy taxes for payment of bonds subject to voter approval of one or more propositions submitted to the voters under Section 45.003(b)(1), Texas Education Code, as amended, which provides a tax unlimited as to rate or amount for the support of school district bonded indebtedness (see "THE 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 Bonds are issued as "new money bonds" and are subject to the \$0.50 threshold tax rate test. In connection with prior bond issues, the District has not used State financial assistance and has not used projected property values to satisfy this threshold test.

Public Hearing and Voter-Approval Tax Rate

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

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

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

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

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

Before adopting its annual tax rate, a public meeting must be held for the purpose of adopting a budget for the succeeding year. A notice of public meeting to discuss the school district's budget and proposed tax rate must be published in the time, format and manner prescribed in Section 44.004 of the Texas Education Code. Section 44.004(e) of the Texas Education Code provides that a person who owns taxable property in a school district is entitled to an injunction restraining the collection of taxes by the school district if the school district has not complied with such notice requirements or the language and format requirements of such notice as set forth in Section 44.004(b), (c), (c-1), (c-2), and (d), and, if applicable, subsection (i), and if such failure to comply was not in good faith. Section 44.004(e) further provides the action to enjoin the collection of taxes must be filed before the date the school district delivers substantially all of its tax bills. A school district that elects to adopt a tax rate before the adoption of a budget for the fiscal year that begins in the current tax year may adopt a tax rate for the current tax year before receipt of the certified appraisal roll, so long as the chief appraiser of the appraisal district in which the school district participates has certified to the assessor for the school district an estimate of the taxable value of property in the school district. If a school district adopts its tax rate prior to the adoption of its budget, both the no-new-revenue tax rate and the Voter-Approval Tax Rate of the school district shall be calculated based on the school district's certified estimate of taxable value. A school district that adopts a tax rate before adopting its budget must hold a public hearing on the proposed tax rate followed by another public hearing on the proposed budget rather than holding a single hearing on the two items.

A school district must annually calculate and prominently post on its internet website, and submit to the county tax assessor-collector for each county in which all or part of the school district is located its Voter-Approval Tax Rate in accordance with forms prescribed by the State Comptroller.

THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT

The Appraisal Districts have the responsibility for appraising property in the District as well as other taxing units in the respective counties. The Appraisal Districts are governed by a board of directors appointed by members of the governing bodies of various political subdivisions within the respective counties.

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

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

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

The District's taxes are collected by the Henderson County Tax Assessor-Collector.

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

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

The District does not grant a portion of the additional local option exemption of up to 20% of the market value of residence homesteads.

The District has granted the freeport exemption. The District has taken action to continue to tax goods-in-transit.

EMPLOYEES' RETIREMENT PLAN AND OTHER POST-EMPLOYMENT BENEFITS

The District's employees participate in a retirement plan (the "Plan") with the State of Texas. The Plan is administered by the Teacher Retirement System of Texas ("TRS"). State contributions are made to cover costs of the Plan up to certain statutory limits. The District is obligated for a portion of TRS costs relating to employee salaries that exceed the statutory limit. For fiscal year ended June 30, 2024, the District made a contribution to TRS on a portion of their employee's salaries that exceeded the statutory minimum. For a discussion of the Plan, see "Note G – Defined Benefit Pension Plan" to the audited financial statements of the District that are attached hereto as Appendix D (the "Financial Statements").

In addition to its participation in TRS, the District contributes to the Texas Public School Retired Employees Group Insurance Program (the "TRS-Care Retired Plan"), a cost-sharing multiple-employer defined benefit post-employment health care plan. The TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. For more detailed information concerning the District's funding policy and contributions in connection with the TRS-Care Retired Plan, see "Note H – Defined Other Post-Employment Benefit Plans" in the audited financial statements of the District that are attached hereto as Appendix D (the "Financial Statements").

During the year ended June 30, 2024, employees of the District were covered by a fully-insured health insurance plan (the "Health Care Plan"). The District contributed \$250 per month per employee to the Health Care Plan. Employees, at their option, authorize payroll withholdings to pay premiums for dependents. See "Note 14. – HEALTH CARE" of the Financial Statements

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

RATING

The Bonds are rated "AAA" by S&P Global Ratings ("S&P") based upon the guaranteed repayment thereof under the Permanent School Fund Guarantee Program (as defined herein) of the Texas Education Agency. The District's unenhanced, underlying rating, including the Bonds, is "A+" from S&P. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

An explanation of the significance of such ratings may be obtained from the company furnishing the ratings. The ratings reflect only the view of such organization and the District makes no representation as to the appropriateness of any rating. There is no assurance that any rating will continue for any given period of time one or both of such ratings will not be revised downward or withdrawn entirely by the rating company, if in the judgment of such company the circumstances so warrant. Any such downward revision or withdrawal of one or more ratings, may have an adverse effect on the market price or marketability of the Bonds.

Periodically, rating agencies will evaluate and, on occasion as a result of these evaluations revise, their rating methodologies and criteria for municipal issuers such as the District. A revision in a rating agency's rating methodology could result in a positive or negative change in a rating assigned by that agency, even if the rated entity has experienced no material change in financial

condition or operation. Any of the rating agencies at any time while the Bonds remain outstanding could undertake such an evaluation process.

LEGAL MATTERS

The delivery of the Bonds is subject to the approval of the Attorney General of Texas, who will deliver its opinion, to the effect that the Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property in the District, and based upon examination of such transcript of proceedings, the approving legal opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel to the District ("Bond Counsel"), to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. The form of Bond Counsel's opinion is attached hereto as Appendix C.

Bond Counsel represents the Financial Advisor and purchasers of school district bonds from time to time in matters unrelated to the issuance of the Bonds, but Bond Counsel has been engaged by and only represents the District in the issuance of the Bonds. McCall, Parkhurst & Horton L.L.P. also advises the TEA in connection with its disclosure obligations under the federal securities laws, but such firm has not passed upon any TEA disclosures contained in this Official Statement. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement to verify that such description conforms to the provisions of the Order. The District intends to pay the legal fee of Bond Counsel for services rendered in connection with the issuance of the Bonds from the proceeds of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX MATTERS

Opinion

On the date of initial delivery of the 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 Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See Appendix C – Form of Legal Opinion of Bond Counsel.

In rendering its opinion, Bond Counsel will rely upon (a) the District's federal tax certificate, (b) covenants of the District with respect to arbitrage, the application of proceeds to be received from the issuance and sale of the Bonds and certain other matters, and (c) the certificate with respect to arbitrage by the Commissioner of Education regarding the allocation and investment of certain investments in the Permanent School Fund. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance.

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

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by 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 Bonds.

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

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such 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 the discussion set forth below.

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

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

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

Collateral Federal Income Tax Consequences

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

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

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

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

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

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

State, Local and Foreign Taxes

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

Information Reporting and Backup Withholding

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

Future and Proposed Legislation

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

INVESTMENT POLICIES

Investments

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

Legal Investments

Under State law, the District is authorized to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued by a federal agency or instrumentality of the United States, the

underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the District in compliance with the PFIA, (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the District's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the District appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for District deposits, or (ii) where (a) the funds are invested by the District through a broker or institution that has a main office or branch office in the State and selected by the District in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the account of the District, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the District appoints, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the District with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clauses (1) or (12), which are pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the District is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; (16) aggregate repurchase agreement transactions entered into by an investing entity in conformity with the provisions of subsections (a-1), (f), and (g) of Section 2256.011 of the PFIA; and (17) 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 is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Under State law, the District may contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term of up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance or resolution. The District has not contracted with, and has no present intention of contracting with, any such investment management firm or the Texas Securities Board to provide such services.

Investment Policies

Under State law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for District funds, maximum allowable stated maturity of any individual investment owned by the District and the maximum average dollar-weighted maturity allowed for pooled fund groups. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

State law also requires that District investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived". At least quarterly the investment officers of the District shall submit an investment report detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the

investment portfolio as it relates to: (a) adopted investment strategy statements and (b) State law. No person may invest District funds without express written authority from the Board.

Additional Provisions

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

Current Investments

As of March 31, 2025, the District had approximately \$12,962,439 (unaudited) invested in Lone Start Investment Pool, \$7,180,259 (unaudited) invested in MBIA Investment Pool, \$2,929,021 (unaudited) in TexStar Investment Pool and \$20,890,858 (unaudited) invested in a local bank (all of which are government investment pools that generally have the characteristics of a money-market mutual fund). The market value of such investments (as determined by the District by reference to published quotations, dealer bids, and comparable information) is approximately 100% of the book value. No funds of the District are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

No registration statement relating to the Bonds has been filed with the SEC under the United States Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2). The Bonds have not been approved or disapproved by the SEC, nor has the SEC passed upon the accuracy or adequacy of the Official Statement. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the 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 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 Purchaser to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The District has agreed to cooperate, at the Purchaser's written request and sole expense, in registering or qualifying the Bonds or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the District shall not be required to qualify as a foreign corporation or to execute a general or special consent to service of process in any jurisdiction.

CYBERSECURITY RISK MANAGEMENT

The District's operations are increasingly dependent on information technologies and services, which are exposed to cybersecurity risks and cyber incidents or attacks. While the District continually assesses and monitors its cybersecurity risks, the District may be subject to cyber-attacks from time to time. In response to such assessments and monitoring, the District takes actions it deems appropriate in response to cybersecurity risks, including, but not limited to, implementing cybersecurity training programs, obtaining technology improvements to mitigate cybersecurity risks, and taking other similar measures. To date, the District has not been the victim of any cyber-attack that has had a material adverse effect on its operations or financial condition. However, no assurance can be given that the District will fully prevent or successfully remediate the operational and/or financial impact of any cybersecurity incursions or incidents arising from events wholly or partially beyond the District's control, including electrical telecommunications outages, natural disasters or cyber-attacks initiated by criminal activities of individuals or organizations. Any such occurrence could materially and adversely affect the District's operations and/or financial condition.

FINANCIAL ADVISOR

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

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code, as amended) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other

political subdivisions or public agencies of the State. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "RATING" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations. The Bonds are eligible to 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 Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The District has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

CONTINUING DISCLOSURE OF INFORMATION

In the Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB"). For a description of the continuing disclosure obligations of the TEA, see "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM." The information provided to the MSRB will be available to the public free of charge via the Electronic Municipal Markets Access ("EMMA") system at www.emma.msrb.org.

Annual Reports

The District will provide certain updated financial information and operating data annually to the MSRB. The information to be updated includes financial information and operating data with respect to the District of the general type included in this Official Statement in Appendix A (such information being the "Annual Operating Report"). The District will additionally provide financial statements of the District (the "Financial Statements"), that will be (i) prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in Appendix D and (ii) audited, if the District commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The District will update and provide the Annual Operating Report within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2025. The District may provide the Financial Statements earlier, including at the time it provides its Annual Operating Report, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the District shall file unaudited Financial Statements within such 12-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

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

The District's current fiscal year end is June 30. Accordingly, the Annual Operating Report must be provided by the last day of December in each year, and the Financial Statements must be provided by June 30 of each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Notice of Certain Events

The District will also provide timely notices of certain events to the MSRB. The District will provide notice of any of the following events with respect to the 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 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 Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material; and (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or others similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties. In addition, the District will provide timely notice of any failure by the District to provide annual financial information in accordance with their agreement described above under "Annual Reports". The District will provide each notice described in this paragraph to the MSRB. Neither the Bonds nor the Order make any provision for a bond trustee, debt service reserves, credit enhancement (except for the Permanent School Fund guarantee), or liquidity enhancement.

For these purposes, (a) an event described in clause (12) of in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District. For the purposes of the above describe event notices (15) and (16), the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

Availability of Information

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

Limitations and Amendments

The District has agreed to update information and to provide notices of events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that has been provided except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell 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. Nothing in this paragraph is intended or shall act to disclaim, waive or limit the District's duties under federal or state securities laws.

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

Compliance with Prior Undertakings

During the past five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule 15c2-12.

LITIGATION

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

FORWARD-LOOKING STATEMENTS

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

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

WINNING BIDDER

After requesting competitive bids for the Bonds, the District accepted the bid of _____ (the "Purchaser" or the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the page ii of this Official Statement at a price of par, plus a [net] reoffering premium of \$_____, plus accrued interest on the Bonds from their Dated Date to their date of initial delivery. The initial reoffering yields shown on page ii hereof will produce compensation to the Purchaser in the amount of \$_____. The District can give no assurance that any trading market will be developed for the District after their sale by the District to the Purchaser. The District has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

CERTIFICATION OF THE OFFICIAL STATEMENT AND NO LITIGATION

At the time of payment for and delivery of the Initial Bond, the Purchaser will be furnished a certificate, executed by proper officials of the District, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the District contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Bonds, on the date of such Official Statement, on the date of sale of said Bonds and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the District, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the District believes to be reliable and the District has no reason to believe that they are untrue in any material respect; (d) except as may be otherwise described in the Official Statement, there has been no material adverse change in the financial condition of the District, since June 30, 2024, the date of the last financial statements of the District appearing in the Official Statement; and (e) no litigation of any nature has been filed or is pending, as of the date hereof, to restrain or enjoin the issuance or delivery of the Bonds or which would affect the provisions made for their payment or security or in any manner question the validity of the Bonds.

CONCLUDING STATEMENT

No person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by

the District. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

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

The Order authorized the Pricing Officer to approve the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorized its further use in the re-offering of the Bonds by the Purchaser. This Official Statement has been approved by the Pricing Officer of the District for distribution in accordance with the provisions of the Rule.

/s/

Pricing Officer

APPENDIX A

FINANCIAL INFORMATION OF THE DISTRICT

ATHENS INDEPENDENT SCHOOL DISTRICT

Financial Information

ASSESSED VALUATION ⁽¹⁾

| | | |
|----------------------------------------------------------------|-------------------------|------------------|
| 2024/25 Total Valuation..... | | \$ 4,185,954,692 |
| Less Exemptions & Deductions ⁽²⁾ : | | |
| State Homestead Exemption | \$ 485,071,623 | |
| State Over-65 Exemption | 21,010,673 | |
| Disabled Homestead Exemption Loss | 34,741,481 | |
| Veterans Exemption Loss | 1,954,558 | |
| Surviving Spouse Disabled Veteran Exemption | 588,062 | |
| Freeport Exemption | 18,975,041 | |
| Pollution Control Exemption Loss | 212,400 | |
| Productivity Loss | 888,530,703 | |
| Solar & Wind Power Exemption | 183,387 | |
| Prorations & Other Partial Exemptions | 179,857 | |
| Homestead Cap Loss | 315,307,105 | |
| Non-Homestead (23.231) Cap Loss | 22,647,389 | |
| | <u>\$ 1,789,402,279</u> | |
| 2024/25 Net Taxable Valuation..... | | \$ 2,396,552,413 |
| 2025/26 Preliminary Net Taxable Valuation ⁽³⁾ | | \$ 2,984,297,835 |

(1) Source: Comptroller of Public Accounts - Property Tax Division. The passage of a Texas constitutional amendment on November 7, 2023 increased the homestead exemption from \$40,000 to \$100,000. See "AD VALOREM TAX PROCEDURES -- Residential Homestead Exemptions" in this Official Statement.

(2) Excludes the values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers which totaled \$257,176,932 in 2024/25.

(3) Source: Preliminary values from the Henderson, Van Zandt and Anderson County Appraisal Districts as of April 2025.

VOTED GENERAL OBLIGATION DEBT

| | |
|----------------------------------------------------------------------------|---------------------|
| Unlimited Tax Bonds Outstanding | \$ 45,595,000 |
| Plus: The Bonds ⁽¹⁾ | 100,000,000 |
| Total Unlimited Tax Bonds ⁽¹⁾ | <u>145,595,000</u> |
| Less: Interest & Sinking Fund Balance (As of June 30, 2025) ⁽²⁾ | <u>(22,000,000)</u> |
| Net General Obligation Debt | \$ 123,595,000 |
| Ratio of Net G.O. Debt to Net Taxable Valuation ⁽³⁾ | 4.14% |
| 2025 Population Estimate ⁽⁴⁾ | 22,992 |
| Per Capita Net Taxable Valuation | \$129,797 |
| Per Capita Net G.O. Debt | \$5,376 |

(1) Preliminary, subject to change.

(2) Source: Athens ISD Estimate.

(3) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in this Official Statement, "DEBT SERVICE REQUIREMENTS" and "NON-VOTED GENERAL FUND MAINTENANCE TAX NOTES DEBT SERVICE REQUIREMENTS" in this appendix and see the "Audited Financial Report Fiscal Year Ended June 30, 2024" in Appendix D for more information relative to the District's outstanding obligations.

(4) Source: The Municipal Advisory Council of Texas.

PROPERTY TAX RATES AND COLLECTIONS

| Fiscal Year | Net Taxable Valuation | Tax Rate | % Collections ⁽⁶⁾ | |
|-------------|---------------------------------|--------------------------|------------------------------|------------------------|
| | | | Current ⁽⁷⁾ | Total ⁽⁷⁾ |
| 2006/07 | \$ 999,129,170 ⁽¹⁾ | \$ 1.4453 ⁽⁸⁾ | 95.32% | 100.14% |
| 2007/08 | 1,069,825,975 ⁽¹⁾ | 1.1534 ⁽⁸⁾ | 95.56% | 100.74% |
| 2008/09 | 1,119,532,140 ⁽¹⁾ | 1.1534 | 95.29% | 99.58% |
| 2009/10 | 1,191,270,123 ⁽¹⁾ | 1.1865 | 95.45% | 99.93% |
| 2010/11 | 1,236,750,723 ⁽¹⁾ | 1.1865 | 95.80% | 100.03% |
| 2011/12 | 1,251,295,200 ⁽¹⁾ | 1.1865 | 95.70% | 99.47% |
| 2012/13 | 1,274,964,085 ⁽¹⁾ | 1.1865 | 96.21% | 100.29% |
| 2013/14 | 1,294,797,390 ⁽¹⁾ | 1.1865 | 96.01% | 99.86% |
| 2014/15 | 1,326,330,577 ⁽¹⁾ | 1.1965 | 96.94% | 101.82% |
| 2015/16 | 1,328,381,474 ⁽¹⁾⁽²⁾ | 1.1965 | 96.70% | 99.99% |
| 2016/17 | 1,337,073,067 ⁽¹⁾⁽²⁾ | 1.4365 | 96.86% | 99.65% |
| 2017/18 | 1,396,348,739 ⁽¹⁾⁽²⁾ | 1.4365 | 96.83% | 99.87% |
| 2018/19 | 1,422,940,248 ⁽¹⁾⁽²⁾ | 1.4365 | 96.90% | 99.75% |
| 2019/20 | 1,544,769,876 ⁽¹⁾⁽²⁾ | 1.3691 ⁽⁹⁾ | 96.67% | 99.28% |
| 2020/21 | 1,725,672,847 ⁽¹⁾⁽²⁾ | 1.3356 | 97.54% | 100.70% |
| 2021/22 | 1,868,891,547 ⁽¹⁾⁽²⁾ | 1.2711 | 96.87% | 98.98% |
| 2022/23 | 2,125,309,374 ⁽¹⁾⁽³⁾ | 1.2537 | 96.90% | 99.60% |
| 2023/24 | 2,138,734,471 ⁽¹⁾⁽⁴⁾ | 1.0917 | 96.82% | 99.83% |
| 2024/25 | 2,396,552,413 ⁽¹⁾⁽⁴⁾ | 1.0569 | 97.00% ⁽¹⁰⁾ | 97.00% ⁽¹⁰⁾ |
| 2025/26 | 2,984,297,835 ⁽⁴⁾⁽⁵⁾ | | | |

(1) Source: Comptroller of Public Accounts - Property Tax Division. See the Assessed Valuation section in this Appendix for additional information.

(2) The passage of a Texas constitutional amendment on November 3, 2015 increased the homestead exemption from \$15,000 to \$25,000.

(3) The passage of a Texas constitutional amendment on May 7, 2022 increased the homestead exemption from \$25,000 to \$40,000.

(4) The passage of a Texas constitutional amendment on November 7, 2023 increased the homestead exemption from \$40,000 to \$100,000.

(5) Source: Preliminary values from the Henderson, Van Zandt and Anderson County Appraisal Districts as of April 2025.

(6) Source: Athens ISD Audited Financial Statements.

(7) Excludes penalties and interest.

(8) The declines in the District's Maintenance & Operation Tax for the 2006/07 and 2007/08 fiscal years are a function of House Bill 1 adopted by the Texas Legislature in May 2006.

(9) See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in this Official Statement.

(10) The decline in the District's Maintenance & Operation Tax from the 2018/19 fiscal year to the 2020/21 fiscal year is a function of House Bill 3 adopted by the Texas Legislature in June 2019. See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in this Official Statement.

(11) Source: Athens ISD Estimate.

TAX RATE DISTRIBUTION

| | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|-----------------------------------------|----------|----------|----------|----------|----------|
| Maintenance & Operations ⁽¹⁾ | \$0.9365 | \$0.8720 | \$0.8546 | \$0.7017 | \$0.6669 |
| Debt Service | \$0.3991 | \$0.3991 | \$0.3991 | \$0.3900 | \$0.3900 |
| Total Tax Rate | \$1.3356 | \$1.2711 | \$1.2537 | \$1.0917 | \$1.0569 |

(1) The decline in the District's Maintenance & Operations Tax from the 2019/20 fiscal year to the 2024/25 fiscal year is a function of House Bill 3 adopted by the Texas Legislature in June 2019.

VALUATION AND FUNDED DEBT HISTORY

| Fiscal Year | Net Taxable Valuation | Bond Debt Outstanding ⁽¹⁾ | Ratio Debt to A.V. ⁽²⁾ |
|-------------|------------------------------|--------------------------------------|-----------------------------------|
| 2006/07 | \$ 999,129,170 | \$ 14,547,543 | 1.46% |
| 2007/08 | 1,069,825,975 | 13,727,543 | 1.28% |
| 2008/09 | 1,119,532,140 | 16,622,543 | 1.48% |
| 2009/10 | 1,191,270,123 | 15,577,543 | 1.31% |
| 2010/11 | 1,236,750,723 | 20,822,543 | 1.68% |
| 2011/12 | 1,251,295,200 | 19,482,543 | 1.56% |
| 2012/13 | 1,274,964,085 | 18,072,543 | 1.42% |
| 2013/14 | 1,294,797,390 | 16,592,543 | 1.28% |
| 2014/15 | 1,326,330,577 | 15,045,000 | 1.13% |
| 2015/16 | 1,328,381,474 | 73,105,000 | 5.50% |
| 2016/17 | 1,337,073,067 | 70,560,000 | 5.28% |
| 2017/18 | 1,396,348,739 | 67,955,000 | 4.87% |
| 2018/19 | 1,422,940,248 | 65,265,000 | 4.59% |
| 2019/20 | 1,544,769,876 | 62,470,000 | 4.04% |
| 2020/21 | 1,725,672,847 | 60,290,000 | 3.49% |
| 2021/22 | 1,868,891,547 | 58,065,000 | 3.11% |
| 2022/23 | 2,125,309,374 | 47,910,000 | 2.25% |
| 2023/24 | 2,138,734,471 | 45,595,000 | 2.13% |
| 2024/25 | 2,396,552,413 | 143,230,000 ⁽⁴⁾ | 5.98% |
| 2025/26 | 2,984,297,835 ⁽³⁾ | 136,385,000 ⁽⁴⁾ | 4.57% |

(1) The Bonds are illustrated on the State of Texas fiscal year end of August 31st, although the District's fiscal year ends June 30th.

(2) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in this Official Statement, "DEBT SERVICE REQUIREMENTS" and "NON-VOTED GENERAL FUND MAINTENANCE TAX NOTES DEBT SERVICE REQUIREMENTS" in this Appendix and see the "Audited Financial Report Fiscal Year Ended June 30, 2024" in Appendix D for more information.

(3) Source: Preliminary values from the Henderson, Van Zandt and Anderson County Appraisal Districts as of April 2025.

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

ESTIMATED OVERLAPPING DEBT STATEMENT

| Taxing Body | Amount | Percent Overlapping | Amount Overlapping |
|-----------------------------------------------------------------|---------------|---------------------|--------------------|
| Anderson County | \$ 16,385,000 | 0.15% | \$ 24,578 |
| Athens, City of | 8,725,000 | 98.38% | 8,583,655 |
| Henderson County | - | 22.15% | - |
| Van Zandt County | - | 1.59% | - |
| Total Overlapping Debt ⁽¹⁾ | | | \$ 8,608,233 |
| Athens Independent School District ⁽²⁾ | | | 123,595,000 |
| Total Direct & Overlapping Debt ^{(1) (2)} | | | \$ 132,203,233 |
| Ratio of Net Direct & Overlapping Debt to Net Taxable Valuation | | 4.43% | |
| Per Capita Direct & Overlapping Debt | | \$5,750 | |

(1) Equals gross-debt less self-supporting debt.

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

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

PRINCIPAL TAXPAYERS ⁽¹⁾**2024/25 Top Ten Taxpayers**

| Name of Taxpayer | Type of Business | Taxable Value | % of Net Valuation |
|----------------------------------------|--------------------------|-----------------------|--------------------|
| Oncor Electric Delivery Company | Electric Utility | \$ 41,144,900 | 1.72% |
| Athens Hospital LLC | Hospital | 24,866,055 | 1.04% |
| Union Pacific Railroad | Railroad | 19,165,120 | 0.80% |
| Athens Enterprise Industry Building LP | Construction | 14,460,155 | 0.60% |
| Atmos Energy / Mid-Tex Pipeline | Oil & Gas Pipeline | 12,670,640 | 0.53% |
| Flat Creek Apartments LLC | Apartments | 9,550,374 | 0.40% |
| CMH Manufacturing Inc. | Industrial Manufacturing | 8,345,528 | 0.35% |
| Meridian Brick | Industrial Manufacturing | 8,295,600 | 0.35% |
| OWP Partners LP | Nursing Homes | 8,220,671 | 0.34% |
| Marie A. Langham | Residential | 1,629,050 | 0.07% |
| | | <u>\$ 148,348,093</u> | <u>6.19%</u> |

2023/24 Top Ten Taxpayers

| Name of Taxpayer | Type of Business | Taxable Value | % of Net Valuation |
|----------------------------------------|--------------------------|-----------------------|--------------------|
| Oncor Electric Delivery Company | Electric Utility | \$ 32,940,855 | 1.54% |
| Athens Hospital LLC | Hospital | 22,605,421 | 1.06% |
| Union Pacific Railroad | Railroad | 18,571,390 | 0.87% |
| Atmos Energy / Mid-Tex Pipeline | Oil & Gas Pipeline | 13,502,290 | 0.63% |
| Argon Medical Devices | Medical Devices | 11,744,891 | 0.55% |
| Athens Enterprise Industry Building LP | Construction | 11,378,637 | 0.53% |
| Schneider Electric USA Inc. | Electric Utility | 7,129,284 | 0.33% |
| OWP Partners LP | Nursing Homes | 7,119,587 | 0.33% |
| CMH Manufacturing Inc. | Industrial Manufacturing | 7,051,316 | 0.33% |
| SEALE East Texas LLC | Residential | 1,549,530 | 0.07% |
| | | <u>\$ 133,593,201</u> | <u>6.25%</u> |

2022/23 Top Ten Taxpayers

| Name of Taxpayer | Type of Business | Taxable Value | % of Net Valuation |
|----------------------------------------|--------------------------|-----------------------|--------------------|
| Oncor Electric Delivery Company | Electric Utility | \$ 31,153,576 | 1.47% |
| Athens Hospital LLC | Hospital | 22,640,320 | 1.07% |
| Dallas Manufacturing Co. Inc. | Industrial Manufacturing | 21,645,009 | 1.02% |
| Union Pacific Railroad | Railroad | 16,718,730 | 0.79% |
| Atmos Energy / Mid-Tex Pipeline | Oil & Gas Pipeline | 15,351,080 | 0.72% |
| Athens Enterprise Industry Building LP | Construction | 11,378,640 | 0.54% |
| Argon Medical Devices | Medical Devices | 10,998,009 | 0.52% |
| Energy Transfer Fuel LP | Oil & Gas | 6,597,690 | 0.31% |
| CMH Manufacturing Inc. | Industrial Manufacturing | 6,527,190 | 0.31% |
| K-Motion Inc. | Recreation | 1,102,800 | 0.05% |
| | | <u>\$ 144,113,044</u> | <u>6.78%</u> |

(1) Source: Comptroller of Public Accounts - Property Tax Division.

CLASSIFICATION OF ASSESSED VALUATION BY USE CATEGORY ⁽¹⁾

| <u>Category</u> | <u>2024/25</u> | <u>% of Total</u> | <u>2023/24</u> | <u>% of Total</u> | <u>2022/23</u> | <u>% of Total</u> |
|--------------------------------------------|-----------------------------------|-----------------------|-----------------------------------|-----------------------|-----------------------------------|-----------------------|
| Real, Residential, Single-Family | \$ 1,464,444,900 | 34.98% | \$ 1,507,540,453 | 40.53% | \$ 1,365,270,307 | 39.73% |
| Real, Residential, Multi-Family | 38,873,855 | 0.93% | 35,860,278 | 0.96% | 26,938,140 | 0.78% |
| Real, Vacant Lots/Tracts | 37,471,118 | 0.90% | 41,798,563 | 1.12% | 45,447,430 | 1.32% |
| Real, Qualified Land & Improvements | 911,258,604 | 21.77% | 720,122,635 | 19.36% | 790,524,100 | 23.00% |
| Real, Non-Qualified Land & Improvements | 1,019,958,268 | 24.37% | 722,976,205 | 19.44% | 580,847,542 | 16.90% |
| Real, Commercial & Industrial | 393,649,284 | 9.40% | 343,207,824 | 9.23% | 298,622,971 | 8.69% |
| Oil & Gas | 3,853,215 | 0.09% | 6,606,618 | 0.18% | 4,552,792 | 0.13% |
| Utilities | 110,286,685 | 2.63% | 101,244,631 | 2.72% | 98,491,356 | 2.87% |
| Tangible Personal, Commercial | 111,097,005 | 2.65% | 100,301,641 | 2.70% | 126,012,777 | 3.67% |
| Tangible Personal, Industrial | 52,193,480 | 1.25% | 111,776,700 | 3.01% | 67,617,747 | 1.97% |
| Tangible Personal, Mobile Homes & Other | 26,669,154 | 0.64% | 13,543,204 | 0.36% | 16,469,786 | 0.48% |
| Tangible Personal, Residential Inventory | 4,301,777 | 0.10% | 4,515,049 | 0.12% | 3,633,500 | 0.11% |
| Tangible Personal, Special Inventory | <u>11,897,347</u> | <u>0.28%</u> | <u>10,013,412</u> | <u>0.27%</u> | <u>12,050,000</u> | <u>0.35%</u> |
| Total Appraised Value | \$ 4,185,954,692 | 100.00% | \$ 3,719,507,213 | 100.00% | \$ 3,436,478,448 | 100.00% |
| Less: | | | | | | |
| Homestead Cap Adjustment | \$ 315,307,105 | | \$ 310,465,241 | | \$ 263,579,691 | |
| Non-Homestead (23.231) Cap Adjustment | 22,647,389 | | - | | - | |
| Productivity Loss | 888,530,703 | | 702,631,951 | | 773,325,841 | |
| Exemptions | <u>562,917,082</u> ⁽²⁾ | | <u>567,675,550</u> ⁽²⁾ | | <u>274,263,542</u> ⁽³⁾ | |
| Total Exemptions/Deductions ⁽⁵⁾ | <u>\$ 1,789,402,279</u> | | <u>\$ 1,580,772,742</u> | | <u>\$ 1,311,169,074</u> | |
| Net Taxable Assessed Valuation | \$ 2,396,552,413 | | \$ 2,138,734,471 | | \$ 2,125,309,374 | |

| <u>Category</u> | <u>2021/22</u> | <u>% of Total</u> | <u>2020/21</u> | <u>% of Total</u> | <u>2019/20</u> | <u>% of Total</u> |
|--------------------------------------------|-----------------------------------|-----------------------|-----------------------------------|-----------------------|-----------------------------------|-----------------------|
| Real, Residential, Single-Family | \$ 1,070,201,102 | 39.41% | \$ 949,887,295 | 38.27% | \$ 818,449,840 | 34.49% |
| Real, Residential, Multi-Family | 24,437,180 | 0.90% | 26,045,400 | 1.05% | 20,349,810 | 0.86% |
| Real, Vacant Lots/Tracts | 36,621,560 | 1.35% | 34,961,320 | 1.41% | 30,742,320 | 1.30% |
| Real, Qualified Land & Improvements | 550,193,116 | 20.26% | 489,979,610 | 19.74% | 594,655,970 | 25.06% |
| Real, Non-Qualified Land & Improvements | 426,854,678 | 15.72% | 367,071,234 | 14.79% | 317,648,046 | 13.39% |
| Real, Commercial & Industrial | 289,254,064 | 10.65% | 296,063,353 | 11.93% | 268,759,390 | 11.33% |
| Oil & Gas | 5,439,757 | 0.20% | 7,795,516 | 0.31% | 16,907,053 | 0.71% |
| Utilities | 96,620,464 | 3.56% | 94,294,058 | 3.80% | 83,937,779 | 3.54% |
| Tangible Personal, Commercial | 139,440,839 | 5.14% | 152,604,215 | 6.15% | 157,742,468 | 6.65% |
| Tangible Personal, Industrial | 47,270,161 | 1.74% | 40,365,159 | 1.63% | 41,233,724 | 1.74% |
| Tangible Personal, Mobile Homes & Other | 15,289,576 | 0.56% | 13,168,936 | 0.53% | 11,120,894 | 0.47% |
| Tangible Personal, Residential Inventory | 3,853,640 | 0.14% | - | 0.00% | - | 0.00% |
| Tangible Personal, Special Inventory | <u>9,897,240</u> | <u>0.36%</u> | <u>9,746,390</u> | <u>0.39%</u> | <u>11,255,000</u> | <u>0.47%</u> |
| Total Appraised Value | \$ 2,715,373,377 | 100.00% | \$ 2,481,982,486 | 100.00% | \$ 2,372,802,294 | 100.00% |
| Less: | | | | | | |
| Homestead Cap Adjustment | \$ 93,149,017 | | \$ 67,946,551 | | \$ 28,060,049 | |
| Non-Homestead (23.231) Cap Adjustment | - | | - | | - | |
| Productivity Loss | 534,311,930 | | 472,470,442 | | 578,073,607 | |
| Exemptions | <u>219,020,883</u> ⁽⁴⁾ | | <u>215,892,646</u> ⁽⁴⁾ | | <u>221,898,762</u> ⁽⁴⁾ | |
| Total Exemptions/Deductions ⁽⁵⁾ | <u>\$ 846,481,830</u> | | <u>\$ 756,309,639</u> | | <u>\$ 828,032,418</u> | |
| Net Taxable Assessed Valuation | \$ 1,868,891,547 | | \$ 1,725,672,847 | | \$ 1,544,769,876 | |

(1) Source: Comptroller of Public Accounts - Property Tax Division.

(2) The passage of a Texas constitutional amendment on November 7, 2023 increased the homestead exemption from \$40,000 to \$100,000.

(3) The passage of a Texas constitutional amendment on May 7, 2022 increased the homestead exemption from \$25,000 to \$40,000.

(4) The passage of a Texas constitutional amendment on November 3, 2015 increased the homestead exemption from \$15,000 to \$25,000.

(5) Excludes values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers.

PRINCIPAL REPAYMENT SCHEDULE ⁽¹⁾

| Fiscal Year Ending 8/31 | Outstanding Bonds | Plus: The | Total ⁽²⁾ | Bonds Unpaid | Percent of Principal Retired |
|----------------------------|-------------------------|--------------------------|--------------------------|----------------------------|------------------------------------|
| | | Bonds ⁽²⁾ | | At Year End ⁽²⁾ | |
| 2025 | \$ 2,365,000.00 | \$ - | \$ 2,365,000.00 | \$ 143,230,000.00 | 1.62% |
| 2026 | 2,420,000.00 | 4,425,000.00 | 6,845,000.00 | 136,385,000.00 | 6.33% |
| 2027 | 2,545,000.00 | 3,205,000.00 | 5,750,000.00 | 130,635,000.00 | 10.28% |
| 2028 | 2,620,000.00 | 3,375,000.00 | 5,995,000.00 | 124,640,000.00 | 14.39% |
| 2029 | 2,700,000.00 | 3,545,000.00 | 6,245,000.00 | 118,395,000.00 | 18.68% |
| 2030 | 2,805,000.00 | 3,730,000.00 | 6,535,000.00 | 111,860,000.00 | 23.17% |
| 2031 | 2,920,000.00 | 1,360,000.00 | 4,280,000.00 | 107,580,000.00 | 26.11% |
| 2032 | 3,035,000.00 | 1,425,000.00 | 4,460,000.00 | 103,120,000.00 | 29.17% |
| 2033 | 3,155,000.00 | 1,505,000.00 | 4,660,000.00 | 98,460,000.00 | 32.37% |
| 2034 | 3,250,000.00 | 1,580,000.00 | 4,830,000.00 | 93,630,000.00 | 35.69% |
| 2035 | 3,350,000.00 | 1,655,000.00 | 5,005,000.00 | 88,625,000.00 | 39.13% |
| 2036 | 3,450,000.00 | 1,740,000.00 | 5,190,000.00 | 83,435,000.00 | 42.69% |
| 2037 | 3,550,000.00 | 1,835,000.00 | 5,385,000.00 | 78,050,000.00 | 46.39% |
| 2038 | 3,660,000.00 | 1,925,000.00 | 5,585,000.00 | 72,465,000.00 | 50.23% |
| 2039 | 3,770,000.00 | 2,025,000.00 | 5,795,000.00 | 66,670,000.00 | 54.21% |
| 2040 | - | 2,875,000.00 | 2,875,000.00 | 63,795,000.00 | 56.18% |
| 2041 | - | 3,020,000.00 | 3,020,000.00 | 60,775,000.00 | 58.26% |
| 2042 | - | 3,165,000.00 | 3,165,000.00 | 57,610,000.00 | 60.43% |
| 2043 | - | 3,305,000.00 | 3,305,000.00 | 54,305,000.00 | 62.70% |
| 2044 | - | 3,455,000.00 | 3,455,000.00 | 50,850,000.00 | 65.07% |
| 2045 | - | 3,615,000.00 | 3,615,000.00 | 47,235,000.00 | 67.56% |
| 2046 | - | 3,780,000.00 | 3,780,000.00 | 43,455,000.00 | 70.15% |
| 2047 | - | 3,960,000.00 | 3,960,000.00 | 39,495,000.00 | 72.87% |
| 2048 | - | 4,155,000.00 | 4,155,000.00 | 35,340,000.00 | 75.73% |
| 2049 | - | 4,360,000.00 | 4,360,000.00 | 30,980,000.00 | 78.72% |
| 2050 | - | 4,570,000.00 | 4,570,000.00 | 26,410,000.00 | 81.86% |
| 2051 | - | 4,795,000.00 | 4,795,000.00 | 21,615,000.00 | 85.15% |
| 2052 | - | 5,025,000.00 | 5,025,000.00 | 16,590,000.00 | 88.61% |
| 2053 | - | 5,270,000.00 | 5,270,000.00 | 11,320,000.00 | 92.23% |
| 2054 | - | 5,525,000.00 | 5,525,000.00 | 5,795,000.00 | 96.02% |
| 2055 | - | 5,795,000.00 | 5,795,000.00 | - | 100.00% |
| Total | <u>\$ 45,595,000.00</u> | <u>\$ 100,000,000.00</u> | <u>\$ 145,595,000.00</u> | | |

(1) The Bonds are illustrated on the State of Texas fiscal year end of August 31st, although the District's fiscal year ends June 30th.

(2) Preliminary, subject to change.

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

| Fiscal Year Ending 8/31 | The Maintenance Tax Notes | | | Notes Unpaid | Percent of Principal Retired |
|----------------------------|---------------------------|------------------------|------------------------|-----------------|------------------------------------|
| | Principal | Interest | Total | At Year End | |
| 2025 | \$ 145,000.00 | \$ 171,895.56 | \$ 316,895.56 | \$ 3,330,000.00 | 4.17% |
| 2026 | 175,000.00 | 142,950.00 | 317,950.00 | 3,155,000.00 | 9.21% |
| 2027 | 185,000.00 | 134,200.00 | 319,200.00 | 2,970,000.00 | 14.53% |
| 2028 | 195,000.00 | 124,950.00 | 319,950.00 | 2,775,000.00 | 20.14% |
| 2029 | 205,000.00 | 115,200.00 | 320,200.00 | 2,570,000.00 | 26.04% |
| 2030 | 215,000.00 | 104,950.00 | 319,950.00 | 2,355,000.00 | 32.23% |
| 2031 | 225,000.00 | 94,200.00 | 319,200.00 | 2,130,000.00 | 38.71% |
| 2032 | 230,000.00 | 85,200.00 | 315,200.00 | 1,900,000.00 | 45.32% |
| 2033 | 240,000.00 | 76,000.00 | 316,000.00 | 1,660,000.00 | 52.23% |
| 2034 | 250,000.00 | 66,400.00 | 316,400.00 | 1,410,000.00 | 59.42% |
| 2035 | 260,000.00 | 56,400.00 | 316,400.00 | 1,150,000.00 | 66.91% |
| 2036 | 270,000.00 | 46,000.00 | 316,000.00 | 880,000.00 | 74.68% |
| 2037 | 280,000.00 | 35,200.00 | 315,200.00 | 600,000.00 | 82.73% |
| 2038 | 295,000.00 | 24,000.00 | 319,000.00 | 305,000.00 | 91.22% |
| 2039 | 305,000.00 | 12,200.00 | 317,200.00 | - | 100.00% |
| | <u>\$ 3,475,000.00</u> | <u>\$ 1,289,745.56</u> | <u>\$ 4,764,745.56</u> | | |

(1) General Fund Obligations are payable solely from the limited maintenance and operations tax or other lawfully available funds of the District. Debt service for the Notes is illustrated on the basis of the State's fiscal year end of August 31st, although the District's fiscal year ends on June 30th. See "NOTES TO THE FINANCIAL STATEMENTS" from the "Audited Financial Report Fiscal Year Ended June 30, 2024" in Appendix D for more information relative to the District's outstanding obligations.

DEBT SERVICE REQUIREMENTS ⁽¹⁾

| Fiscal Year Ending 8/31 | Outstanding Debt Service ⁽²⁾ | Less: | Plus: | | | Combined Total ^{(2) (3) (4) (5)} |
|----------------------------|--------------------------------------------|----------------------------------------------------|--------------------------|-------------------------|--------------------------|----------------------------------------------|
| | | Series 2011 QSCB Federal Subsidy ⁽³⁾ | The Bonds ⁽⁴⁾ | | | |
| | | | Principal | Interest | Total | |
| 2025 | \$ 4,165,500.00 | \$ 279,964.91 | \$ - | \$ 399,786.98 | \$ 399,786.98 | \$ 4,285,322.07 |
| 2026 | 3,884,612.50 | - | 4,425,000.00 | 4,686,818.76 | 9,111,818.76 | 12,996,431.26 |
| 2027 | 3,888,612.50 | - | 3,205,000.00 | 4,496,068.76 | 7,701,068.76 | 11,589,681.26 |
| 2028 | 3,887,262.50 | - | 3,375,000.00 | 4,331,568.76 | 7,706,568.76 | 11,593,831.26 |
| 2029 | 3,888,662.50 | - | 3,545,000.00 | 4,158,568.76 | 7,703,568.76 | 11,592,231.26 |
| 2030 | 3,885,662.50 | - | 3,730,000.00 | 3,976,693.76 | 7,706,693.76 | 11,592,356.26 |
| 2031 | 3,888,462.50 | - | 1,360,000.00 | 3,849,443.76 | 5,209,443.76 | 9,097,906.26 |
| 2032 | 3,886,662.50 | - | 1,425,000.00 | 3,779,818.76 | 5,204,818.76 | 9,091,481.26 |
| 2033 | 3,885,262.50 | - | 1,505,000.00 | 3,706,568.76 | 5,211,568.76 | 9,096,831.26 |
| 2034 | 3,885,612.50 | - | 1,580,000.00 | 3,629,443.76 | 5,209,443.76 | 9,095,056.26 |
| 2035 | 3,888,112.50 | - | 1,655,000.00 | 3,548,568.76 | 5,203,568.76 | 9,091,681.26 |
| 2036 | 3,887,612.50 | - | 1,740,000.00 | 3,463,693.76 | 5,203,693.76 | 9,091,306.26 |
| 2037 | 3,884,112.50 | - | 1,835,000.00 | 3,374,318.76 | 5,209,318.76 | 9,093,431.26 |
| 2038 | 3,887,612.50 | - | 1,925,000.00 | 3,280,318.76 | 5,205,318.76 | 9,092,931.26 |
| 2039 | 3,887,812.50 | - | 2,025,000.00 | 3,181,568.76 | 5,206,568.76 | 9,094,381.26 |
| 2040 | - | - | 2,875,000.00 | 3,059,068.76 | 5,934,068.76 | 5,934,068.76 |
| 2041 | - | - | 3,020,000.00 | 2,911,693.76 | 5,931,693.76 | 5,931,693.76 |
| 2042 | - | - | 3,165,000.00 | 2,768,937.51 | 5,933,937.51 | 5,933,937.51 |
| 2043 | - | - | 3,305,000.00 | 2,629,384.38 | 5,934,384.38 | 5,934,384.38 |
| 2044 | - | - | 3,455,000.00 | 2,479,350.00 | 5,934,350.00 | 5,934,350.00 |
| 2045 | - | - | 3,615,000.00 | 2,320,275.00 | 5,935,275.00 | 5,935,275.00 |
| 2046 | - | - | 3,780,000.00 | 2,151,525.00 | 5,931,525.00 | 5,931,525.00 |
| 2047 | - | - | 3,960,000.00 | 1,970,062.50 | 5,930,062.50 | 5,930,062.50 |
| 2048 | - | - | 4,155,000.00 | 1,777,331.25 | 5,932,331.25 | 5,932,331.25 |
| 2049 | - | - | 4,360,000.00 | 1,575,100.00 | 5,935,100.00 | 5,935,100.00 |
| 2050 | - | - | 4,570,000.00 | 1,363,012.50 | 5,933,012.50 | 5,933,012.50 |
| 2051 | - | - | 4,795,000.00 | 1,140,593.75 | 5,935,593.75 | 5,935,593.75 |
| 2052 | - | - | 5,025,000.00 | 907,368.75 | 5,932,368.75 | 5,932,368.75 |
| 2053 | - | - | 5,270,000.00 | 662,862.50 | 5,932,862.50 | 5,932,862.50 |
| 2054 | - | - | 5,525,000.00 | 406,481.25 | 5,931,481.25 | 5,931,481.25 |
| 2055 | - | - | 5,795,000.00 | 137,631.25 | 5,932,631.25 | 5,932,631.25 |
| | <u>\$ 58,581,575.00</u> | <u>\$ 279,964.91</u> | <u>\$ 100,000,000.00</u> | <u>\$ 82,123,927.78</u> | <u>\$ 182,123,927.78</u> | <u>\$ 240,425,537.87</u> |

(1) Illustrated on the State of Texas fiscal year end of August 31st although the District's fiscal year ends June 30th.

(2) Includes annual mandatory principal and sinking fund payments on the outstanding Unlimited Tax Qualified School Construction Bonds, Taxable Series 2011.

(3) The Direct Pay Subsidy represents 94.3% of the interest cost on the Unlimited Tax Qualified School Construction Bonds, Taxable Series 2011. The Federal Subsidy is not pledged to the debt service fund, however it is current district policy to use this subsidy for debt payments.

(4) Preliminary, subject to change.

(5) Based on it's wealth per student, the District does not expect to receive state financial assistance for the payment of debt service for the fiscal year 2024/25. The amount of state financial assistance for debt service, if any, may differ substantially each year depending on a variety of factors, including the amount, if any, appropriated for that purpose by the state legislature and a school district's wealth per student. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in this Official Statement.

TAX ADEQUACY WITH RESPECT TO THE DISTRICT'S BONDS

| | |
|--------------------------------------------------------------------------------------------------------|----------------------|
| Projected Maximum Debt Service Requirement ⁽¹⁾ | \$ 12,996,431.26 |
| Projected State Financial Assistance for Hold Harmless of Increased Homestead Exemption ⁽²⁾ | 585,000.00 |
| Projected Net Debt Service Requirement | \$ 12,411,431.26 |
| \$0.42438 Tax Rate @ 98% Collections Produces | \$ 12,411,431.26 |
| 2025/26 Preliminary Net Taxable Valuation ⁽³⁾ | \$ 2,984,297,835 |

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

(2) The amount of state financial assistance for debt service, if any, may differ substantially each year depending on a variety of factors, including the amount, if any, appropriated for that purpose by the state legislature and a school district's wealth per student. The District will not receive any Instructional Facilities Allotment nor Existing Debt Allotment state aid in 2023/24, but will receive additional state aid for the increase in the homestead exemption which took effect in 2015/16, 2022/23 and 2023/24.

(3) Source: Preliminary values from the Henderson, Van Zandt and Anderson County Appraisal Districts as of April 2025.

AUTHORIZED BUT UNISSUED BONDS

Following the issuance of the Bonds, the District will have \$21,500,000 (preliminary, subject to change) authorized but unissued ad valorem tax bonds from the May 3, 2025 election, or any other bond election. The District may incur other financial obligations payable from its collection of taxes and other sources of revenue, including public property finance contractual obligations, delinquent tax notes, and leases for various purposes payable from State appropriations and surplus maintenance taxes.

COMPARATIVE STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES ⁽¹⁾

| | Fiscal Year Ended June 30 | | | | |
|----------------------------------------------|---------------------------|-----------------------|-----------------------|-------------------------------|----------------------|
| | 2020 | 2021 | 2022 | 2023 | 2024 |
| Beginning Fund Balance | \$ 11,718,042 | \$ 14,535,976 | \$ 16,299,105 | \$ 17,185,185 | \$ 11,265,695 |
| Revenues: | | | | | |
| Local and Intermediate Sources | \$ 14,488,510 | \$ 15,495,598 | \$ 15,373,973 | \$ 17,636,392 | \$ 15,006,458 |
| State Program Revenues | 15,497,787 | 14,456,712 | 14,501,195 | 13,806,896 | 17,958,265 |
| Federal Sources & Other | 466,301 | 383,884 | 589,451 | 685,603 | 342,869 |
| Total Revenues | \$ 30,452,598 | \$ 30,336,194 | \$ 30,464,619 | \$ 32,128,891 | \$ 33,307,592 |
| Expenditures: | | | | | |
| Instruction | \$ 15,382,608 | \$ 15,451,598 | \$ 15,611,847 | \$ 16,439,037 | \$ 15,759,119 |
| Instructional Resources & Media Services | 272,401 | 288,430 | 352,990 | 357,380 | 332,437 |
| Curriculum & Instructional Staff Development | 73,454 | 49,403 | 44,596 | 48,352 | 24,994 |
| Instructional Leadership | 188,956 | 192,318 | 188,230 | 169,500 | 159,785 |
| School Leadership | 1,686,485 | 1,585,429 | 1,619,688 | 1,659,276 | 1,659,262 |
| Guidance, Counseling & Evaluation Services | 804,091 | 825,173 | 875,797 | 1,018,188 | 1,015,791 |
| Health Services | 243,808 | 232,487 | 322,538 | 223,899 | 264,292 |
| Student (Pupil) Transportation | 1,387,887 | 1,373,514 | 1,646,870 | 1,757,598 | 1,724,169 |
| Food Services | 59,628 | 86,132 | 87,056 | 77,758 | 65,017 |
| Cocurricular/Extracurricular Activities | 1,335,522 | 1,323,332 | 1,456,510 | 1,623,767 | 1,709,718 |
| General Administration | 1,283,785 | 1,192,747 | 1,246,721 | 1,352,656 | 1,560,832 |
| Plant Maintenance and Operations | 3,050,271 | 3,069,714 | 3,233,127 | 3,416,949 | 3,876,010 |
| Security and Monitoring Services | 309,029 | 286,804 | 272,096 | 423,897 | 417,913 |
| Data Processing Services | 551,647 | 643,693 | 653,959 | 749,195 | 777,995 |
| Bond Issuance Costs and Fees | 500 | - | - | - | 142,628 |
| Other Intergovernmental Charges | 374,592 | 431,291 | 479,514 | 538,929 | 600,267 |
| Total Expenditures | \$ 27,004,664 | \$ 27,032,065 | \$ 28,091,539 | \$ 29,856,381 | \$ 30,090,229 |
| Excess (Deficiency) of Revenues | | | | | |
| over Expenditures | \$ 3,447,934 | \$ 3,304,129 | \$ 2,373,080 | \$ 2,272,510 | \$ 3,217,363 |
| Other Resources and (Uses): | | | | | |
| Issuance of Maintenance Tax Notes | \$ - | \$ - | \$ - | \$ - | \$ 3,475,000 |
| Premium on Issuance of Maintenance Tax Notes | - | - | - | - | 167,628 |
| Transfers Out | (630,000) | (1,541,000) | (1,487,000) | (8,192,000) | (347,000) |
| Total Other Resources (Uses) | \$ (630,000) | \$ (1,541,000) | \$ (1,487,000) | \$ (8,192,000) | \$ 3,295,628 |
| Excess (Deficiency) of | | | | | |
| Revenues and Other Sources | | | | | |
| over Expenditures and Other Uses | \$ 2,817,934 | \$ 1,763,129 | \$ 886,080 | \$ (5,919,490) ⁽²⁾ | \$ 6,512,991 |
| Ending Fund Balance | \$ 14,535,976 | \$ 16,299,105 | \$ 17,185,185 | \$ 11,265,695 | \$ 17,778,686 |

(1) See "MANAGEMENT'S DISCUSSION AND ANALYSIS - Economic Factors and Next Year's Budget and Rates" in Appendix D hereto for a discussion of the 2024/25 budget and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - Possible Effects of Wealth Transfer Provisions on the District's Financial Condition" in this Official Statement.

(2) The decrease in fund balance is the net effect of \$2,272,510 results of operations combined with a transfer of \$8,192,000 to the capital projects fund.

CHANGE IN NET ASSETS ⁽¹⁾

| | Fiscal Year Ended June 30 | | | | |
|----------------------------------------------|---------------------------|----------------------|----------------------|----------------------|----------------------|
| | 2020 | 2021 | 2022 | 2023 | 2024 |
| Revenues: | | | | | |
| Program Revenues: | | | | | |
| Charges for Services | \$ 480,694 | \$ 427,101 | \$ 471,770 | \$ 411,102 | \$ 421,361 |
| Operating Grants and Contributions | 7,164,561 | 6,602,551 | 9,068,765 | 9,505,588 | 13,272,162 |
| General Revenues: | | | | | |
| Property Taxes Levied for General Purposes | 14,105,648 | 14,942,050 | 15,080,096 | 16,782,936 | 13,996,651 |
| Property Taxes Levied for Debt Service | 5,786,413 | 6,350,239 | 6,885,715 | 7,828,062 | 7,737,880 |
| Grants and Contributions Not Restricted | 14,042,569 | 12,978,287 | 13,062,932 | 12,232,951 | 16,225,830 |
| Investment Earnings | 339,771 | 137,412 | 79,581 | 1,338,916 | 1,517,221 |
| Miscellaneous Local and Intermediate Revenue | 47,523 | 52,057 | 137,855 | 56,684 | 100,929 |
| | <u>\$ 41,967,179</u> | <u>\$ 41,489,697</u> | <u>\$ 44,786,714</u> | <u>\$ 48,156,239</u> | <u>\$ 53,272,034</u> |
| Expenses: | | | | | |
| Instruction | \$ 22,149,426 | \$ 21,284,243 | \$ 22,416,727 | \$ 23,712,819 | \$ 26,040,669 |
| Instruction Resources & Media Services | 469,550 | 475,277 | 501,245 | 520,041 | 508,028 |
| Curriculum & Staff Development | 110,580 | 108,373 | 119,853 | 127,717 | 109,529 |
| Instructional Leadership | 317,779 | 338,725 | 301,611 | 300,346 | 423,669 |
| School Leadership | 2,213,002 | 2,024,580 | 1,820,462 | 1,928,966 | 2,000,793 |
| Guidance, Counseling & Evaluation Services | 881,519 | 863,517 | 857,657 | 1,046,802 | 1,097,633 |
| Health Services | 262,616 | 241,994 | 306,318 | 275,678 | 297,076 |
| Student Transportation | 1,660,398 | 1,666,683 | 1,750,629 | 2,090,204 | 2,125,612 |
| Food Service | 1,639,305 | 1,753,420 | 2,084,775 | 2,256,618 | 2,190,191 |
| Cocurricular/Extracurricular Activities | 3,315,844 | 3,218,209 | 3,143,697 | 3,440,138 | 3,630,061 |
| General Administration | 1,396,493 | 1,240,818 | 1,149,996 | 1,346,430 | 1,563,404 |
| Plant Maintenance & Operations | 3,290,975 | 3,187,520 | 3,556,488 | 3,374,069 | 3,929,191 |
| Security and Monitoring Services | 345,749 | 339,061 | 373,471 | 472,712 | 606,865 |
| Data Processing Services | 596,407 | 682,213 | 740,170 | 750,158 | 1,652,652 |
| Community Services | 7,861 | 14,187 | 9,984 | 17,144 | 13,288 |
| Debt Service - Interest on Long-Term Debt | 1,829,729 | 2,123,289 | 2,072,425 | 2,028,581 | 1,803,630 |
| Debt Service - Bond Issuance Cost and Fees | 5,300 | 4,300 | 4,300 | 174,478 | 147,928 |
| Other Intergovernmental Charges | 374,592 | 431,291 | 479,514 | 538,929 | 600,267 |
| Total Expenditures | <u>\$ 40,867,125</u> | <u>\$ 39,997,700</u> | <u>\$ 41,689,322</u> | <u>\$ 44,401,830</u> | <u>\$ 48,740,486</u> |
| Change in Net Assets | \$ 1,100,054 | \$ 1,491,997 | \$ 3,097,392 | \$ 3,754,409 | \$ 4,531,548 |
| Beginning Net Assets | \$ 23,209,578 | \$ 24,309,632 | \$ 25,801,629 | \$ 28,899,021 | \$ 32,653,430 |
| Ending Net Assets | <u>\$ 24,309,632</u> | <u>\$ 25,801,629</u> | <u>\$ 28,899,021</u> | <u>\$ 32,653,430</u> | <u>\$ 37,184,978</u> |

(1) The foregoing information represents government-wide financial information provided in accordance with GASB 34, which the District adopted in the 2002 fiscal year.

APPENDIX B

GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

General and Economic Information

Athens Independent School District (the "District") is located in an agricultural and industrial area that includes the City of Athens, the principal industrial and agricultural area of Henderson County located on U.S. Highway 175, 72 miles southeast of Dallas at the intersection of U.S. Highways 31 and 19. Portions of the District also extend into Van Zandt and Anderson Counties. The District's current estimated population is approximately 22,992.

Henderson County (the "County") was created and organized in 1846 from Houston and Nacogdoches Counties. This East Texas county is bordered by the Trinity River to the west and Lake Palestine and the Neches River to the east. The county seat is the City of Athens.

Source: Athens ISD and Henderson County Texas Municipal Reports

Enrollment Statistics

| <u>School Year</u> | <u>Enrollment *</u> |
|--------------------|---------------------|
| 2015/16 | 3,143 |
| 2016/17 | 3,151 |
| 2017/18 | 3,118 |
| 2018/19 | 3,011 |
| 2019/20 | 3,136 |
| 2020/21 | 2,982 |
| 2021/22 | 2,966 |
| 2022/23 | 3,099 |
| 2023/24 | 3,008 |
| 2024/25 | 3,029 |
| Current | 2,996 |

* Enrollment figures provided are for the first of the year.

District Staff

| | |
|-------------------------------|-----|
| Teachers | 229 |
| Teachers' Aides & Secretaries | 94 |
| Administrators | 30 |
| Auxiliary Personnel | 79 |
| Other | 41 |
| Total | 473 |

Facilities

| <u>Campus</u> | <u>Grades</u> | <u>Current Enrollment</u> | <u>Capacity</u> | <u>Year Built</u> | <u>Year of Addition/ Renovation</u> |
|---------------------------|---------------|---------------------------|-----------------|-------------------|------------------------------------------|
| Bel Air Elementary | PK - 5 | 464 | 625 | 1966 | 1978, 1986, 2013 |
| South Athens Elementary | PK - 5 | 447 | 604 | 1960 | 1978, 1986, 1999, 2013 |
| Central Athens Elementary | PK - 5 | 562 | 632 | 1966 | 1978, 1990, 2011, 2015 |
| Athens Middle School | 6 - 8 | 648 | 900 | 2001 | 2011, 2014 |
| Athens High School | 9 - 12 | 875 | 1,570 | 1956, 1986 | 1967, 1978, 1988, 1998, 2011, 2013, 2015 |

Principal Employers within the District

| <u>Name of Company</u> | <u>Type of Business</u> | <u>Number of Employees</u> |
|----------------------------------|----------------------------|----------------------------|
| East Texas Medical Center | Healthcare | 610 |
| Athens ISD | Public School | 473 |
| Henderson County | County Government | 426 |
| Maximus | Call Center | 400 |
| Wal-Mart | Retail | 358 |
| Trinity Valley Community College | Community College | 320 |
| Argon Medical | Disposable Medical Devices | 304 |
| Biomerics (Future Matrix) | Medical Products | 259 |
| Champion Homes | Manufactured Housing | 200 |
| Red Dot Corporation | Steel Buildings | 175 |

Unemployment Rates

| | <u>May 2023</u> | <u>May 2024</u> | <u>May 2025</u> |
|------------------|-----------------|-----------------|-----------------|
| Henderson County | 4.5% | 4.1% | 4.3% |
| State of Texas | 3.9% | 3.8% | 4.0% |

Source: Texas Workforce Commission

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

Proposed Form of Opinion of Bond Counsel

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

**ATHENS INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2025**

IN THE AGGREGATE PRINCIPAL AMOUNT OF \$100,000,000¹

AS BOND COUNSEL for the Athens Independent School District (the "*Issuer*"), the issuer of the Bonds described above (the "*Bonds*"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds, at the rates and payable on the dates as stated in the text of the Bonds, maturing, unless redeemed prior to maturity in accordance with the terms of the Bonds, all in accordance with the terms and conditions stated in the text of the Bonds.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, and a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance of the Bonds, including executed Bond Numbered T-1.

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

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds.

¹ Preliminary, subject to pricing.



IN EXPRESSING THE AFOREMENTIONED OPINIONS, we have relied on and assume continuing compliance with, certain representations contained in the federal tax certificate of the Issuer and covenants set forth in the order adopted by the Issuer to authorize the issuance of the Bonds, relating to, among other matters, the use of the project being financed and the investment and expenditure of the proceeds and certain other amounts used to pay or to secure the payment of debt service on the Bonds and the certificate with respect to arbitrage by the Commissioner of Education regarding the allocation and investment of certain investments in the Permanent School Fund, the accuracy of which we have not independently verified. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds. 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.

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

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

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering our opinions 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 a result. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the 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.

Respectfully,

APPENDIX D

**AUDITED FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2024**

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Athens

INDEPENDENT SCHOOL DISTRICT

Annual Financial Report
For the fiscal year ended June 30, 2024



ATHENS INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2024

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CERTIFICATE OF THE BOARD

Athens Independent School District
Name of School District

Henderson
County

107-901
Co. - Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) ☒ approved ☐ disapproved for the year ended June 30, 2024, at a meeting of the board of trustees of such school district on the 18th day of November, 2024.


Signature of Board Secretary


Signature of Board President

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

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees of
Athens Independent School District
Athens, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Athens Independent School District (the "District"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2024, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Accounting Change

As described in the notes to the financial statements, in fiscal year 2024 the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) *Statement No. 100, Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

OFFICE LOCATIONS

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining statements, required TEA schedules, and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements, 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 November 18, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Waco, Texas
November 18, 2024

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104 Hawn Street • Athens, Texas 75751 • (903) 677-6900 • Fax (903) 677-6908

Dr. Janie Sims, Superintendent

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the administrators of Athens Independent School District, discuss and analyze the District's financial performance for the year ended June 30, 2024. Please read it in conjunction with the independent auditor's report and the District's Basic Financial Statements.

FINANCIAL HIGHLIGHTS

These financial statements present information for the fiscal year July 1, 2023 through June 30, 2024. The District's net position on a government-wide basis increased \$4,531,548 as a result of this period's operations (Exhibit B-1). The increase is primarily reflected in an increase of cash and cash equivalents and other current type assets with an increase in long-term debt.

The operating cost of all of the District's programs increased in total, with no old programs deleted this period. The district experienced common cost increases due to inflation and increases in staff compensation (Exhibit B-1). The district continued the four-day instructional week that was originally implemented for the 2019-2020 school year, and this calendar model is expected to be essentially budget neutral.

During the period, the District General Fund had revenues of \$33,307,592, representing \$3,217,363 more than the \$30,090,229 of operating expenditures (Exhibit C-3). The District transferred \$347,000 from the General Fund to the Capital Projects Fund to address various capital needs, primarily to acquire new buses.

The District General Fund ended the year with a fund balance of \$ 17,778,686 (Exhibit C-3). The increase of \$6,512,991 in fund balance is due to the net effect of the positive results of operations and the proceeds from the sale of maintenance tax notes. The district benefited from favorable property tax collections, favorable enrollment and attendance, increased interest rates that fueled increased investment earnings and conservative management of budgeted expenditures (Exhibit G-1). The strong fund balance position is available to assist with any future academic or maintenance needs.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the District as a whole and present a 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 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 provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The sections labeled Required TEA Schedules and Compliance, Internal Control and Federal Awards 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 primary purpose of the government-wide financial statements is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

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

These two statements report the District's net position (the difference between assets and liabilities) and changes in position. The District's net position (the difference between assets and liabilities) provides one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. Non-financial factors such as changes in the District's average daily attendance, its property tax base and the conditions of the District's facilities could also be considered when assessing the overall health of the district.

In the Statement of Net Position and the Statement of Activities, we combine the District into one kind of activity:

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the Every Student Succeeds Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities and local capital projects).

Governmental funds – Most 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 fund 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 fiduciary, for money raised by student activities and alumnae scholarship programs. All of the District’s fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. 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 these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District is reporting under GASB Statement #34. Our analysis of comparative balances and changes therein appears below. Our analysis focuses on the net position and changes in net position of the District’s governmental activities.

Net position of the District’s governmental activities increased from \$32,653,430 to \$37,184,978, representing an improvement of \$4,531,548. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased by \$1,239,824 to \$1,691,736 as of June 30, 2024. This change in governmental net position was the result of operations, transfers for capital projects and the impact of GASB Statement #68 and #75. The Statement of Net Position includes the elements required by GASB Statement #68 and #75, including Deferred Outflows Related to TRS Pension and OPEB, Deferred Inflow Related to TRS Pension and OPEB, and Net Pension and OPEB Liabilities (District’s Share). Other specific items to note include: the net investment in capital assets decreased by \$490,015 due to current capital additions being less than the sum of current depreciation and the carrying value of assets disposed of while the District’s liabilities related to debt service increased due to the addition of maintenance tax notes net of principal and interest paid during the fiscal year.

TABLE I
CONDENSED SCHEDULE OF NET POSITION
(Some of the presentation may be impacted by rounding)

| | <u>June 30, 2024</u> | <u>June 30, 2023</u> | <u>Increase (Decrease)</u> |
|---------------------------------------------------------------|----------------------|----------------------|--------------------------------|
| Assets: | | | |
| Current and other assets | \$ 40,869,815 | \$ 36,554,174 | 4,315,641 |
| Capital assets | <u>75,180,793</u> | <u>73,173,542</u> | <u>2,007,251</u> |
| Total Assets | <u>116,050,608</u> | <u>109,727,716</u> | <u>6,322,892</u> |
| Deferred Outflows of resources related to TRS | <u>10,435,452</u> | <u>8,875,826</u> | <u>1,559,626</u> |
| Liabilities: | | | |
| Long-term liabilities | 74,522,184 | 70,205,318 | 4,316,866 |
| Other liabilities | <u>5,459,357</u> | <u>5,592,800</u> | <u>(133,443)</u> |
| Total Liabilities | <u>79,981,541</u> | <u>75,798,118</u> | <u>4,183,423</u> |
| Deferred Inflows of resources related to TRS Pension and OPEB | <u>9,319,541</u> | <u>10,151,994</u> | <u>(832,453)</u> |
| Net Position: | | | |
| Invested in capital assets net of related debt | 18,349,554 | 18,839,569 | (490,015) |
| Restricted | 17,143,688 | 10,882,301 | 6,261,387 |
| Unrestricted | <u>1,691,736</u> | <u>2,931,560</u> | <u>(1,239,824)</u> |
| Total Net Position | <u>\$ 37,184,978</u> | <u>\$ 32,653,430</u> | <u>\$ 4,531,548</u> |

TABLE II
CONDENSED SCHEDULE OF CHANGES IN NET POSITION
(Some of the presentation may be impacted by rounding)

| | <u>Year Ended June 30, 2024</u> | <u>Year Ended June 30, 2023</u> | <u>Increase (Decrease)</u> |
|------------------------------------------------------------------------|-------------------------------------|-------------------------------------|--------------------------------|
| Revenues | | | |
| Program Revenues | | | |
| Charges for Services | 421,361 | 411,102 | 10,259 |
| Operating grants and contributions | 13,272,162 | 9,505,588 | 3,766,574 |
| General Revenues | | | |
| Maintenance and operations taxes | 13,996,651 | 16,782,936 | (2,786,285) |
| Debt service taxes | 7,737,880 | 7,828,062 | (90,182) |
| State aid – formula grants & Grants and Contributions (not restricted) | 16,225,830 | 12,232,951 | 3,992,879 |
| Investment earnings | 1,517,221 | 1,338,916 | 178,305 |
| Miscellaneous | <u>100,929</u> | <u>56,684</u> | <u>44,245</u> |
| Total Revenue | <u>53,272,034</u> | <u>48,156,239</u> | <u>5,115,795</u> |
| Expenses | | | |
| Instruction, curriculum and media services | 26,658,226 | 24,360,577 | 2,297,649 |
| Instructional and school leadership | 2,424,462 | 2,229,312 | 195,150 |
| Student support services | 3,520,321 | 3,412,684 | 107,637 |
| Child nutrition | 2,190,191 | 2,256,618 | (66,427) |
| Co curricular activities | 3,630,061 | 3,440,138 | 189,923 |
| General administration | 1,563,404 | 1,346,430 | 216,974 |
| Plant maintenance, security & data proc. | 6,188,708 | 4,596,939 | 1,591,769 |
| Community Services | 13,288 | 17,144 | (3,856) |
| Debt Services | 1,951,558 | 2,203,059 | (251,501) |
| Other Intergovernmental Charges (CAD) | <u>600,267</u> | <u>538,929</u> | <u>61,338</u> |
| Total Expenses | <u>48,740,486</u> | <u>44,401,830</u> | <u>4,338,656</u> |
| Increase (Decrease) in net position | 4,531,548 | 3,754,409 | 777,139 |
| Net position at Beginning of Period | <u>32,653,430</u> | <u>28,899,021</u> | <u>3,754,409</u> |
| Net position at End of Period | <u>\$37,184,978</u> | <u>\$32,653,430</u> | <u>\$ 4,531,548</u> |

Table II includes the impact of changes in the TRS net position and OPEB liabilities on the District's government-wide presentation of revenues, expenses and changes in net position. The total revenues for the year ended June 30, 2024 increased by 10.6 percent compared to the year ended June 30, 2023. The total cost of all programs and services increased by 9.8 percent. The net effect of operations for the year was an increase to net position. These percentage changes reflect the growth of grant revenue related to the COVID environment as well as the growth of investment earnings fueled by the increase in interest rates. The grant revenue related to the COVID environment is expected to end during the 2024-2025 fiscal year.

The net cost of all governmental activities this year was \$35,046,963. However, as shown in the Statement of Activities (Exhibit B-1), the amount that our taxpayers ultimately financed for these activities through District taxes was \$21,734,531. Some of the costs were paid by those who directly benefited from the programs (\$421,361) or by other governments and organizations that subsidized certain programs with grants and contributions (\$13,272,162) or by State funding (\$16,225,830). The decrease in the share of local taxes and the increase in the share of state funding reflects the statewide compression of local maintenance and operations tax rates and the increase in the homestead exemption. The local taxpayer share decreased in spite of the growth in the tax base. Investment earnings have increased with the higher interest rates.

THE DISTRICT'S FUNDS

As the District completed the year, its general fund reported a fund balance of \$17,778,686 (Exhibit C-3), which is \$6,512,991 higher than last year's general fund balance of \$11,265,695. The increase in fund balance is the net effect of \$3,217,363 results of operations combined with the issuance of \$3,475,000 of maintenance tax notes (plus the related premium) that more than offset the transfer of \$347,000 to the capital projects fund. Continued favorable collections of property taxes combined with the increase in investment earnings resulted in a favorable revenue amount. Some budgeted expenditures simply did not materialize during the year (Exhibit G-1) and some expenditures qualified for payment with other funds resulting in an unusually favorable expenditure total. The strong fund balance is available to assist with any future academic, maintenance or transportation needs. The maintenance tax notes were issued as part of the financing plan for capital improvements started in the previous year that are nearing completion. The Debt Service Fund met the current debt obligations. The fund balance grew by \$6,287,659. The remaining strong fund balance in the Debt Service fund will ultimately allow favorable refinancing or additional accelerated retirement of outstanding debt.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into two broad categories. The first category includes amendments and supplemental appropriations that reflect the updated revenue/expenditure expectations after the first semester. The second category involved amendments appropriating funds for the locally defined capital projects and other capital assets as well as moving funds between functions to better address needs within the dynamic education environment.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2024, the District had \$9.4 million invested in capital assets not subject to depreciation (\$1.3 million in land and \$8.1 million construction work in progress) and \$132.2 million invested in a broad range of capital assets subject to depreciation including facilities and equipment for instruction, transportation, athletics, administration, and maintenance subject to depreciation. Current additions include adding new buses and the acquisition of various equipment and furnishings. Construction in progress primarily represents renovations to the baseball and softball venues. Detailed information about the District's capital assets is presented in Note E to the financial statements.

Debt

At June 30, 2024, the District had \$51.6 million in bonds outstanding. No new debt service fund bond debt was issued during 2023-2024. The District met its regular debt service obligations during 2023-2024 and has a strong fund balance available to allow consideration of possible advance repayments (defeasance) of some of the Series 2016 bonds in the future. The District did issue \$3,475,000 of maintenance tax notes during 2023-2024. These notes are serviced by the local maintenance/general operating fund and are a part of the financing plan for capital improvements that were started in the previous year, continued during the current year and will be completed during 2024-2025. More detailed information about the District's long-term liabilities is presented in notes to the financial statements (Note F).

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal year 2024-2025 budget and tax rates. The District's population continues to experience stable growth from year to year. Unemployment for Henderson County has improved compared to the prior year but remains near the 4.0% level. Retail is stable with several new restaurants. Recently completed apartment complexes are filling with tenants. Single-family residences are also under construction or in the development stage. Fall 2024 enrollment is higher than the previous year so revenue for the general operations of the District for 2024-2025 is expected to be higher than 2023-2024, subject to action by the state legislature. Revenue for future years (2025-2026 and beyond) is expected to be stable, again subject to action by the state legislature. Employee pay is expected to increase for the 2024-2025 year for all employees. Cost containment will be accomplished through continued diligent cost management. The local maintenance property tax rate will decrease based on tax rate compression provided by recent legislation. The debt service tax rate will remain stable for 2024-2025. If actual tax collections and the related state funding effects are better than anticipated, a budget amendment recognizing the additional resources and opportunities will be considered.

These indicators were taken into account when adopting the General Fund budget for the fiscal year ending June 30, 2025 and adopting the combined tax rate for the 2024 levy of \$1.0569 per \$100 of valuation. This is the lowest tax rate for Athens ISD in at least twenty years. Amounts available for appropriation in the original General Fund budget are \$33.9 million (\$33.5 million expected revenue supplemented by \$0.4 million from the existing fund balance), as compared to the original 2023-2024 annual budget of \$31.5 million. The District will use its revenues to finance programs currently offered. Budgeted expenditures are \$33.9 million, an increase of approximately \$2.4 million over 2023-2024. The District has expanded to all three elementary campuses the pre-kindergarten program for three-year olds that was started during 2019-2020 as well as continuing the four-day instructional week that was implemented during the 2019-2020 budget year. If these estimates are realized, the District's budgetary General Fund balances are expected to remain flat due to operations. The Pinnacle Early College High School, a project in cooperation with Trinity Valley Community College, receives supplemental funding from a local foundation.

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 Athens Independent School District, 104 Hawn Street, Athens, Texas 75751, phone number 903-677-6937.

BASIC FINANCIAL STATEMENTS

ATHENS INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2024

| Data Control Codes | | Primary Government Governmental Activities |
|---------------------------------------|---------------------------------------------|--------------------------------------------------|
| ASSETS | | |
| 1110 | Cash and cash equivalents | \$ 32,863,907 |
| 1220 | Property taxes receivable (delinquent) | 1,389,559 |
| 1230 | Allowance for uncollectible taxes | (24,170) |
| 1240 | Due from other governments | 6,395,595 |
| 1290 | Other receivables, net | 105,417 |
| 1410 | Prepayments | 139,507 |
| | Capital assets: | |
| 1510 | Land | 1,271,704 |
| 1520 | Buildings, net | 62,862,527 |
| 1530 | Furniture and equipment, net | 2,950,549 |
| 1580 | Construction in progress | 8,096,013 |
| 1000 | Total assets | <u>116,050,608</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| 1705 | Deferred outflows related to NPL | 6,375,884 |
| 1706 | Deferred outflows related to OPEB | <u>4,059,568</u> |
| 1700 | Total deferred outflows of resources | <u>10,435,452</u> |
| LIABILITIES | | |
| 2110 | Accounts payable | 118,418 |
| 2140 | Interest payable | 846,659 |
| 2150 | Payroll deductions and withholdings payable | 12,818 |
| 2160 | Accrued wages payable | 2,893,911 |
| 2200 | Accrued expenses | 48 |
| 2300 | Unearned revenue | 362,503 |
| | Noncurrent liabilities: | |
| | Due within one year: | |
| 2501 | Long-term debt | 1,225,000 |
| | Due in more than one year: | |
| 2502 | Long-term debt | 55,606,239 |
| 2540 | Net pension liability | 13,107,374 |
| 2545 | Net OPEB liability | <u>5,808,571</u> |
| 2000 | Total liabilities | <u>79,981,541</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| 2605 | Deferred inflows related to NPL | 647,563 |
| 2606 | Deferred inflows related to OPEB | 8,639,473 |
| 2607 | Deferred inflows related to leases | <u>32,505</u> |
| 2600 | Total deferred inflows of resources | <u>9,319,541</u> |
| NET POSITION | | |
| 3200 | Net investment in capital assets | 18,349,554 |
| | Restricted for: | |
| 3820 | Federal and state programs | 1,074,499 |
| 3850 | Debt service | 15,768,016 |
| 3890 | Instruction | 301,173 |
| 3900 | Unrestricted | <u>1,691,736</u> |
| 3000 | Total net position | <u>\$ 37,184,978</u> |

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

ATHENS INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2024

| Data Control Codes | Functions/Programs | 1 Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Position |
|--------------------------|-----------------------------------------------|----------------------|------------------------------|-----------------------------------------------|------------------------------------------------------------|
| | | | 3 Charges for Services | 4 Operating Grants and Contributions | |
| | | | | | 6 Primary Government Governmental Activities |
| | Primary government: | | | | |
| | Governmental activities: | | | | |
| 11 | Instruction | \$ 26,040,669 | \$ - | \$ 8,388,385 | \$ (17,652,284) |
| 12 | Instructional resources and media services | 508,028 | - | 14,095 | (493,933) |
| 13 | Curriculum and staff development | 109,529 | - | 74,975 | (34,554) |
| 21 | Instructional leadership | 423,669 | - | 269,735 | (153,934) |
| 23 | School leadership | 2,000,793 | - | 67,603 | (1,933,190) |
| 31 | Guidance, counseling, and evaluation services | 1,097,633 | - | 120,097 | (977,536) |
| 33 | Health services | 297,076 | - | 48,551 | (248,525) |
| 34 | Student (pupil) transportation | 2,125,612 | - | 160,121 | (1,965,491) |
| 35 | Food service | 2,190,191 | 120,802 | 2,036,757 | (32,632) |
| 36 | Extracurricular activities | 3,630,061 | 262,954 | 35,675 | (3,331,432) |
| 41 | General administration | 1,563,404 | - | 49,550 | (1,513,854) |
| 51 | Facilities maintenance and operations | 3,929,191 | 37,605 | 73,135 | (3,818,451) |
| 52 | Security and monitoring services | 606,865 | - | 144,375 | (462,490) |
| 53 | Data processing services | 1,652,652 | - | 881,819 | (770,833) |
| 61 | Community services | 13,288 | - | 13,288 | - |
| 72 | Debt Service - Interest on long-term debt | 1,803,630 | - | 894,001 | (909,629) |
| 73 | Debt Service - Bond issuance costs and fees | 147,928 | - | - | (147,928) |
| 99 | Other intergovernmental charges | 600,267 | - | - | (600,267) |
| | [TP] TOTAL PRIMARY GOVERNMENT: | <u>\$ 48,740,486</u> | <u>\$ 421,361</u> | <u>\$ 13,272,162</u> | <u>\$ (35,046,963)</u> |
| | General revenues: | | | | |
| | Taxes: | | | | |
| MT | Property taxes, levied for general purposes | | | | 13,996,651 |
| DT | Property taxes, levied for debt service | | | | 7,737,880 |
| GC | Grants and contributions not restricted | | | | 16,225,830 |
| IE | Investment earnings | | | | 1,517,221 |
| MI | Miscellaneous | | | | 100,929 |
| TR | Total general revenues | | | | <u>39,578,511</u> |
| CN | Change in net position | | | | 4,531,548 |
| NB | Net position, beginning | | | | <u>32,653,430</u> |
| NE | Net position, ending | | | | <u>\$ 37,184,978</u> |

ATHENS INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2024

| Data Control Codes | | 10 <u>General</u> | 50 <u>Debt Service</u> |
|--------------------------------------|-----------------------------------------------------------------------|----------------------|-------------------------------|
| ASSETS | | | |
| 1110 | Cash and cash equivalents | \$ 14,517,834 | \$ 15,757,296 |
| 1220 | Property taxes - delinquent | 955,196 | 434,363 |
| 1230 | Allowance for uncollectible taxes | (16,771) | (7,399) |
| 1240 | Due from other governments | 4,428,957 | 30,291 |
| 1260 | Due from other funds | 1,154,691 | - |
| 1290 | Other receivables | 49,945 | - |
| 1410 | Prepayments | 139,507 | - |
| 1000 | Total assets | <u>21,229,359</u> | <u>16,214,551</u> |
| LIABILITIES | | | |
| 2110 | Accounts payable | 103,353 | - |
| 2150 | Payroll deductions and withholdings payable | 12,818 | - |
| 2160 | Accrued wages payable | 2,122,207 | - |
| 2170 | Due to other funds | - | - |
| 2200 | Accrued expenses | 48 | - |
| 2300 | Unearned revenue | 357,972 | 9 |
| 2000 | Total liabilities | <u>2,596,398</u> | <u>9</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| 2601 | Unavailable revenue - property taxes | 821,770 | 362,544 |
| 2602 | Related to leases | 32,505 | - |
| 2600 | Total deferred inflows of resources | <u>854,275</u> | <u>362,544</u> |
| FUND BALANCES | | | |
| Nonspendable: | | | |
| 3430 | Prepaid items | 139,507 | - |
| Restricted for: | | | |
| 3450 | Federal or state programs | - | - |
| 3480 | Debt service | - | 15,851,998 |
| 3470 | Capital acquisitions and contractual obligations | - | - |
| 3490 | Instruction | - | - |
| Committed for: | | | |
| 3545 | Campus activity | - | - |
| 3600 | Unassigned | 17,639,179 | - |
| 3000 | Total fund balances | <u>17,778,686</u> | <u>15,851,998</u> |
| 4000 | Total liabilities, deferred inflows of resources and fund balances | <u>\$ 21,229,359</u> | <u>\$ 16,214,551</u> |

EXHIBIT C-1

| 60 Capital Projects | Nonmajor Governmental Funds | Total Governmental Funds |
|---------------------------|-----------------------------------|--------------------------------|
| \$ 1,111,558 | \$ 1,477,219 | \$ 32,863,907 |
| - | - | 1,389,559 |
| - | - | (24,170) |
| - | 1,936,347 | 6,395,595 |
| - | - | 1,154,691 |
| - | 55,472 | 105,417 |
| - | - | 139,507 |
| <u>1,111,558</u> | <u>3,469,038</u> | <u>42,024,506</u> |
| 2,850 | 12,215 | 118,418 |
| - | - | 12,818 |
| - | 771,704 | 2,893,911 |
| - | 1,154,691 | 1,154,691 |
| - | - | 48 |
| - | 4,522 | 362,503 |
| <u>2,850</u> | <u>1,943,132</u> | <u>4,542,389</u> |
| - | - | 1,184,314 |
| - | - | 32,505 |
| - | - | <u>1,216,819</u> |
| - | - | 139,507 |
| - | 1,074,499 | 1,074,499 |
| - | - | 15,851,998 |
| 1,108,708 | - | 1,108,708 |
| - | 301,173 | 301,173 |
| - | 150,234 | 150,234 |
| - | - | 17,639,179 |
| <u>1,108,708</u> | <u>1,525,906</u> | <u>36,265,298</u> |
| <u>\$ 1,111,558</u> | <u>\$ 3,469,038</u> | <u>\$ 42,024,506</u> |

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ATHENS INDEPENDENT SCHOOL DISTRICT

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

JUNE 30, 2024

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| Total fund balances - governmental funds | \$ 36,265,298 |
| 1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. | 75,180,793 |
| 2 Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Losses on refunding of bonds and the premium on issuance of bonds payable are netted against the long-term liabilities in the statement of net position. | (57,677,898) |
| 3 Included in the items related to debt is the recognition of the District's proportion share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$6,375,884, a deferred resource inflow in the amount of \$647,563, and a net pension liability in the amount of \$13,107,374. This resulted in a decrease in net position. | (7,379,053) |
| 4 Included in the items related to debt is the recognition of the District's proportion share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$4,059,568, a deferred resource inflow in the amount of \$8,639,473, and a net OPEB liability in the amount of \$5,808,571. This resulted in a decrease in net position. | (10,388,476) |
| 5 Uncollected property taxes and penalties and interest are reported as deferred inflows in the governmental funds balance sheet, but are recognized as revenue in the statement of activities. | <u>1,184,314</u> |
| 29 Net position of governmental activities | <u>\$ 37,184,978</u> |

ATHENS INDEPENDENT SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2024

| Data Control Codes | | 10 General | 50 Debt Service |
|--------------------------|----------------------------------------------------------------------|----------------------|-----------------------|
| | REVENUES | | |
| 5700 | Local and intermediate sources | \$ 15,006,458 | \$ 8,299,008 |
| 5800 | State programs | 17,958,265 | 611,775 |
| 5900 | Federal programs | <u>342,869</u> | <u>282,226</u> |
| 5020 | Total revenues | <u>33,307,592</u> | <u>9,193,009</u> |
| | EXPENDITURES | | |
| | Current: | | |
| 0011 | Instruction | 15,759,119 | - |
| 0012 | Instructional resources and media services | 332,437 | - |
| 0013 | Curriculum and instructional staff development | 24,994 | - |
| 0021 | Instructional leadership | 159,785 | - |
| 0023 | School leadership | 1,659,262 | - |
| 0031 | Guidance, counseling, and evaluation services | 1,015,791 | - |
| 0033 | Health services | 264,292 | - |
| 0034 | Student (pupil) transportation | 1,724,169 | - |
| 0035 | Food service | 65,017 | - |
| 0036 | Extracurricular activities | 1,709,718 | - |
| 0041 | General administration | 1,560,832 | - |
| 0051 | Facilities maintenance and operations | 3,876,010 | - |
| 0052 | Security and monitoring services | 417,913 | - |
| 0053 | Data processing services | 777,995 | - |
| 0061 | Community services | - | - |
| | Debt service: | | |
| 0071 | Principal on long-term debt | - | 1,030,000 |
| 0072 | Interest on long-term debt | - | 1,870,050 |
| 0073 | Bond issuance costs and fees | 142,628 | 5,300 |
| | Capital outlay: | | |
| 0081 | Facilities acquisition and construction | - | - |
| | Intergovernmental: | | |
| 0099 | Other intergovernmental | <u>600,267</u> | <u>-</u> |
| 6030 | Total expenditures | <u>30,090,229</u> | <u>2,905,350</u> |
| 1100 | EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 3,217,363 | 6,287,659 |
| | OTHER FINANCING SOURCES (USES) | | |
| 7911 | Issuance of maintenance tax notes | 3,475,000 | - |
| 7915 | Transfers in | - | - |
| 7916 | Premium on issuance of maintenance tax notes | 167,628 | - |
| 8911 | Transfers out (uses) | <u>(347,000)</u> | <u>-</u> |
| 7080 | Total other financing sources (uses) | <u>3,295,628</u> | <u>-</u> |
| 1200 | NET CHANGE IN FUND BALANCES | 6,512,991 | 6,287,659 |
| 0100 | FUND BALANCE, BEGINNING, AS PREVIOUSLY REPORTED | 11,265,695 | 9,564,339 |
| | ADJUSTMENTS | | |
| | Change within the financial reporting | - | - |
| 0100 | FUND BALANCES, BEGINNING, AS RESTATED | <u>11,265,695</u> | <u>9,564,339</u> |
| 3000 | FUND BALANCES, ENDING | <u>\$ 17,778,686</u> | <u>\$ 15,851,998</u> |

*Formerly a major fund.

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

EXHIBIT C-3

| 60 Capital Projects | 281* ESSER II CRRSA Act | Nonmajor Governmental Funds | Total Governmental Funds |
|---------------------------|-------------------------------|-----------------------------------|--------------------------------|
| \$ - | | \$ 464,432 | \$ 23,769,898 |
| - | | 1,209,665 | 19,779,705 |
| - | | 9,668,482 | 10,293,577 |
| - | | 11,342,579 | 53,843,180 |
| 91,271 | | 7,345,368 | 23,195,758 |
| - | | - | 332,437 |
| - | | 77,685 | 102,679 |
| - | | 258,358 | 418,143 |
| - | | - | 1,659,262 |
| - | | 85,034 | 1,100,825 |
| - | | 36,576 | 300,868 |
| 260,334 | | 92,142 | 2,076,645 |
| - | | 2,285,345 | 2,350,362 |
| 21,007 | | 135,069 | 1,865,794 |
| - | | - | 1,560,832 |
| 81,481 | | 20,476 | 3,977,967 |
| - | | 144,375 | 562,288 |
| - | | 864,385 | 1,642,380 |
| - | | 13,288 | 13,288 |
| - | | - | 1,030,000 |
| - | | - | 1,870,050 |
| - | | - | 147,928 |
| 7,067,472 | | - | 7,067,472 |
| - | | - | 600,267 |
| 7,521,565 | | 11,358,101 | 51,875,245 |
| (7,521,565) | | (15,522) | 1,967,935 |
| - | | - | 3,475,000 |
| 347,000 | | - | 347,000 |
| - | | - | 167,628 |
| - | | - | (347,000) |
| 347,000 | | - | 3,642,628 |
| (7,174,565) | | (15,522) | 5,610,563 |
| 8,283,273 | - | 1,541,428 | 30,654,735 |
| - | - | - | - |
| 8,283,273 | - | 1,541,428 | 30,654,735 |
| \$ 1,108,708 | \$ - | \$ 1,525,906 | \$ 36,265,298 |

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ATHENS INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2024

| | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Net change in fund balances - total governmental funds | \$ 5,610,563 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful life as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. | 2,007,251 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. | 144,144 |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in treatment of long-term debt and related items. | (2,546,208) |
| GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$847,031. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$817,395. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$1,694,989. The net result is a decrease in the change in net position. | (1,665,353) |
| GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$198,904. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$188,662. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense increased the change in net position by \$970,909. The net result is an increase in the change in net position. | <u>981,151</u> |
| Change in net position of governmental activities | <u>\$ 4,531,548</u> |

ATHENS INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2024

| | Private-Purpose Trust Funds | Custodial Fund |
|---------------------------|--------------------------------|-------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 382,940 | \$ 125,946 |
| Total assets | <u>382,940</u> | <u>125,946</u> |
| LIABILITIES | | |
| Accounts Payable | 496 | - |
| Total liabilities | <u>496</u> | <u>-</u> |
| NET POSITION | | |
| Restricted for: | | |
| Student groups | - | 125,946 |
| Scholarships | <u>382,444</u> | <u>-</u> |
| Total net position | <u>\$ 382,444</u> | <u>\$ 125,946</u> |

ATHENS INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2024

| | Private-Purpose Trust Funds | Custodial Fund |
|--------------------------------------------------------------|--------------------------------|-------------------|
| ADDITIONS | | |
| Contributions and donations | \$ 239,411 | \$ - |
| Collections from student groups | - | 241,600 |
| State Revenue | 3,325 | - |
| Total additions | <u>242,736</u> | <u>241,600</u> |
| DEDUCTIONS | | |
| Payments on be-behalf of student groups | - | 258,604 |
| Beneficiary payments to individuals | 48,716 | - |
| Administrative expense | 157,037 | - |
| Total deductions | <u>205,753</u> | <u>258,604</u> |
| NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION | <u>36,983</u> | <u>(17,004)</u> |
| NET POSITION, BEGINNING | <u>345,461</u> | <u>142,950</u> |
| NET POSITION, ENDING | <u>\$ 382,444</u> | <u>\$ 125,946</u> |

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ATHENS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2024

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

The Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB").

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* include programs supported by taxes, state foundation and intergovernmental revenue. The fund equity is segregated into the following categories invested in capital assets net of related debt, restricted net position, and unrestricted net position.

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

The fund financial statements provide reports on the financial condition and results of operations for two fund categories – governmental and fiduciary. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

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

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

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

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

Property taxes, state foundation funds and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Entitlements are recorded as revenue when all eligibility requirements are met, including any time requirements, and the amount received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

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

The Debt Service Fund – The Debt Service Fund accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

The Capital Projects Fund – The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Additionally, the District reports the following fund types:

Governmental Funds:

Special Revenue Funds – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a Special Revenue Fund. Most federal and some state financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Fiduciary Funds:

Private Purpose Trust Funds – The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District's Private Purpose Trust Funds are a scholarship fund and specified donation funds.

Custodial Fund – The District accounts for resources held on behalf of student groups.

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

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statement these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

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

1. Deposits and Investments

Cash and cash equivalents include cash and highly liquid investments such as certificates of deposits, money market funds, local government investment pools, Treasury bills, and commercial paper that have a maturity from time of purchase of three months or less.

Investments for the District are reported at fair value, except for the position in investment pools. The District's investments in Pools are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. Interest earned on pooled cash and investments is allocated to the participating funds on a pro rata basis according to the fund's percentage of the total pooled cash or investments. Funds with discrete bank accounts retain all investment earnings.

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

2. Due from Other Governments

The District participates in variety of federal and state programs from which it receives grants to finance certain activities partially or fully. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts for these items are reported when earned by the District.

3. Inventories

The District uses the consumption method to account for inventories of food products, school supplies, and athletic equipment. Under this method, these items are carried in an inventory account of the respective fund at cost, using the first-in, first-out method of accounting and are subsequently charged to expenditures when consumed. Inventories of food commodities used in the food service program are recorded at acquisition value. Although commodities are received at no cost, the acquisition value is recorded as inventory and unearned revenue when received. When requisitioned, inventory and unearned revenues are relieved, expenditures are charged, and revenue is recognized for an equal amount.

4. Prepayments

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

5. Receivables and Payables

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

6. Leases

The District has entered into a lease agreement as a lessor. Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate, if available. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

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

Lessor. In both the government-wide financial statements and the governmental fund financial statements, the District initially measures the lease receivable and a deferred inflow of resources for the present value of payments expected to be made during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments made. The deferred inflow of resources is recognized as revenue on a systematic basis over the life of the lease.

7. Capital Assets

Capital assets, which include land, buildings, furniture and equipment are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

| Assets | Years |
|-------------------------|-------|
| Buildings | 40 |
| Building improvements | 20 |
| Vehicles | 5-10 |
| Furniture and equipment | 5-10 |

8. Unearned Revenues

Unearned revenues represent revenues received by the District but not yet earned and are not available for use by the District to liquidate current year liabilities.

9. 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenses.

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.

10. Compensated Absences

Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability has been accrued in the accompanying financial statements. Employees of the District are entitled to sick leave based on category/class of employment.

11. Defined-Benefit Pension Plan

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.

12. Other Post-Employment Benefits

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

13. Deferred outflows/inflows of resources

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 had the following deferred outflows of resources:

- Deferred outflows of resources for pension – 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, the results of differences between expected and actual experience, and changes in actuarial assumptions. 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.
- 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 pension liability, the differences between projected and actual investment earnings, and changes in proportion and difference between the employer's contributions and the proportionate share of contributions. The deferred outflows related to OPEB resulting to District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year.

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 had two items that qualify for reporting in this category:

- Deferred inflow of resources for leases – Reported in the governmental funds balance sheet and government-wide statement of net position. The District recognizes deferred inflows related to leases for its lessor transactions. These amounts offset the receivable related to the lease and will be recognized systematically in future years over the life of the lease.
- Deferred inflow of resources for unavailable revenues – Reported only in the governmental funds balance sheet, for unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of revenues in the period that the amounts become available. During the current year, the District recorded deferred inflow of resources as unavailable revenues – property taxes with the General Fund and Debt Service Fund respectively.
- Deferred inflow of resources for pensions – Reported in the government-wide financial statement of net position, these deferred inflows result from differences between expected and actual economic experience, changes in actuarial assumptions, differences between projected and actual investment earnings, as well as changes in proportion and difference between the employer's contributions and the proportionate share of contributions.
- Deferred inflow of resources for OPEB – Reported in the government-wide financial statement of net position, these deferred inflows result from differences between expected and actual economic experience and changes in actuarial assumptions.

14. Fund Balance Classification

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

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable.
- **Restricted:** This classification includes amounts that are restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions of enabling legislation.
- **Committed:** This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. Those committed amounts cannot be used for any other purposes unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- **Assigned:** This classification includes amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed. Intent should be expressed by the Board or by other officials to which the Board has delegated the authority to assign amounts to be used for specific purposes. When it is appropriate for fund balance to be assigned, the Board delegates the responsibility to assign funds to the Superintendent or his/her designee.

- Unassigned: This classification is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

15. Fund Balance Flow Assumptions

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

16. Net Position

Net position represents the difference between assets, deferred outflows (inflows) of resources and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by 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 their 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.

17. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted – net position is applied.

18. Property Taxes

Property taxes are levied by October 1 on the assessed 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 delinquent if not paid by February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Delinquent taxes not paid by June 30 are subject to penalty and interest charges plus delinquent collection fees for attorney costs. Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

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 by the District as provided by specific statutory authority from the Texas Legislature.

The actual assessed value of the property tax roll on January 1, 2023 upon which the levy for 2024 fiscal year was based, was \$2,112,647,211, while the effective value was \$2,055,157,552, as noted on J-1. The tax rates assessed for the year ended June 30, 2024 to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$0.70170 and \$0.39000 per \$100 valuation, respectively, for a total of \$1.09170 per \$100 valuation.

19. Data Control Codes

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

20. Estimates

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

21. Encumbrances

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

22. Change in Accounting Principle

During fiscal year 2024, the district adopted the following new accounting guidance:

GASB Statement No. 100, Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62, was adopted effective October 1, 2022. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

II. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Deposits and 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, and (9) bid solicitation preferences for certificates of deposit.

State statutes and Board policy authorize the District to invest in 1) Obligations of, or guaranteed by, governmental entities as permitted by Government Code 2256.009.; 2) Certificates of deposit and share certificates as permitted by Government Code 2256.010.; 3) Fully collateralized repurchase agreements permitted by Government Code 2256.011.; 4) A securities lending program as permitted by Government Code 2256.0115.; 5) Banker's acceptances as permitted by Government Code 2256.012.; 6) Commercial paper as permitted by Government Code 2256.013.; 7) No load money market mutual funds and no load mutual funds as permitted by Government Code 2256.014.; 8) A guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements established by Government Code 2256.015.; and 9) Public funds investment pools as permitted by Government Code 2256.016.

In compliance with the Public Funds Investment Act, the District has adopted an investment policy. The District is in substantial compliance with the requirements of the Act and with local policies. The risks that the District may be subject are:

- a) **Custodial Credit Risk - Deposits:** This is the risk that in the event of a bank failure, the District's deposits, including checking, money market accounts and certificates of deposit, may not be returned to it. The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day today 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. As of year-end the District's combined deposits were fully insured by federal depository insurance or collateralized with securities pledged to the District and held by the District's agent.
- b) **Custodial Credit Risk - Investments:** 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. Any investment that is both uninsured and unregistered is exposed to custodial credit risk if the investment is held by the counterparty, or if the investment is held by the counterparty's trust department or agent, but not in the name of the investor government. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Positions in external investment pools are not subject to custodial credit risk.
- c) **Interest Rate Risk:** Interest rate risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates.
- d) **Concentration of Credit Risk:** Concentration risk is defined as positions of five percent or more in the securities of a single issuer. This is the issuer of the underlying investment, and not a pool. This does not apply to U.S. Government securities.

The District's investments - cash equivalents at June 30, 2024, are shown below:

| Investment Type | Reported Value | Weighted Average Maturity (Days) |
|------------------------------------------|----------------------|----------------------------------|
| TexSTAR | \$ 2,826,022 | 34 |
| First Public / Lone Star Investment Pool | 8,822,726 | 34 |
| Texas CLASS | <u>4,011,662</u> | 25 |
| Total Investments | <u>\$ 15,660,410</u> | |
| Portfolio weighted average maturity | | 32 |

The investment pools used by the District are organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. The investment pools are public funds investment pools created to provide a safe environment for the placement of local government funds in authorized short-term investments.

In accordance with state law and the District's investment policy, investments in investment pools must be rated at least AAA or have an equivalent rating, and obligations of states, agencies, counties and cities must be rated at least A or its equivalent. As of June 30, 2024, the District's investments in investment pools met or exceeded the ratings criteria.

B. Due from Other Governments

The District participates in a variety of federal and state programs from which it received grants to partially or fully fund certain activities. The District also received entitlements from the State through the School Foundation and Per Capita Programs. In addition, the District has entered into interlocal agreements with local governments in which the District is to be reimbursed for certain costs. These amounts are reported in the basic financial statements as Due from Other Governments and are summarized below as of June 30, 2024.

| | General Fund | Debt Service | Other Funds | Total |
|--------------------|---------------------|------------------|---------------------|---------------------|
| State entitlements | \$ 4,428,957 | \$ 30,291 | \$ - | \$ 4,459,248 |
| Federal grants | - | - | 1,936,347 | 1,936,347 |
| Total | <u>\$ 4,428,957</u> | <u>\$ 30,291</u> | <u>\$ 1,936,347</u> | <u>\$ 6,395,595</u> |

C. Interfund Balances and Transfers

Balances due to and due from other funds at June 30, 2024, consisted of the following:

| Receivable Fund | Payable Fund | Amount |
|-----------------|-----------------------------|---------------------|
| General Fund | Nonmajor Governmental Funds | <u>\$ 1,154,691</u> |

Interfund balances resulted from the lag between the dates that 1) interfund goods and services are provided on reimbursable expenditures occur, and 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Interfund transfers for the year ended June 30, 2024, consisted of the following individual fund amounts:

| Transfer From | Transfer To | Amount |
|---------------|------------------|-------------------|
| General Fund | Capital Projects | <u>\$ 347,000</u> |

The transfer between the General Fund and Capital Projects fund was to supplement ongoing capital projects.

D. Lease and Other Receivables

As of June 30, 2024, the General Fund recorded a receivable from Trinity Valley Community College in the amount of \$32,505 for the use of the District's football facilities. The balance will be reduced by scheduled payments through fiscal year 2025. The lease carries an interest rate of 3.50%

Additional miscellaneous receivables were recorded at year-end equal to \$17,440.

E. Capital Assets

Capital asset activity for the year ended June 30, 2024, was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|----------------------------------------------|----------------------|--------------|------------|-------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,271,704 | \$ - | \$ - | \$ 1,271,704 |
| Construction in progress | 1,040,755 | 7,055,258 | - | 8,096,013 |
| Total capital assets, not being depreciated | 2,312,459 | 7,055,258 | - | 9,367,717 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 122,499,514 | 108,049 | (186,300) | 122,421,263 |
| Furniture and equipment | 9,849,922 | 704,127 | (727,420) | 9,826,629 |
| Total capital assets, being depreciated | 132,349,436 | 812,176 | (913,720) | 132,247,892 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (54,568,723) | (5,169,546) | 179,535 | (59,558,734) |
| Furniture and equipment | (6,919,628) | (680,813) | 724,359 | (6,876,082) |
| Total accumulated depreciation | (61,488,351) | (5,850,359) | 903,894 | (66,434,816) |
| Total capital assets, being depreciated, net | 70,861,085 | (5,038,183) | (9,826) | 65,813,076 |
| Governmental activities capital assets, net | \$ 73,173,544 | \$ 2,017,075 | \$ (9,826) | \$ 75,180,793 |

Depreciation expenses were charged to functions of the government as follows:

| | | |
|------------------------------------------------------|--|---------------------|
| Governmental activities: | | |
| Instruction | | \$ 2,902,886 |
| Instructional resources and media services | | 179,257 |
| Curriculum and staff development | | 6,850 |
| Instructional leadership | | 1,568 |
| School leadership | | 356,683 |
| Guidance, counseling and evaluation services | | 831 |
| Health services | | 1,457 |
| Student transportation | | 362,996 |
| Food services | | 99,472 |
| Co-curricular/extracurricular | | 1,765,293 |
| General administration | | 14,567 |
| Plant maintenance and operations | | 95,742 |
| Security and monitoring service | | 44,577 |
| Data processing services | | 18,180 |
| Total depreciation expense - governmental activities | | <u>\$ 5,850,359</u> |

F. Long-term Liabilities

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

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due in One Year |
|-----------------------|----------------------|---------------------|---------------------|----------------------|----------------------------|
| Long-term debt: | | | | | |
| Bonds payable | \$ 52,645,000 | \$ - | \$ 1,030,000 | \$ 51,615,000 | \$ 1,080,000 |
| Tax notes | - | 3,475,000 | - | 3,475,000 | 145,000 |
| Bond premium | 1,688,973 | 167,628 | 115,362 | 1,741,239 | - |
| Subtotal | 54,333,973 | 3,642,628 | 1,145,362 | 56,831,239 | 1,225,000 |
| Other: | | | | | |
| Net pension liability | 10,040,353 | 4,047,872 | 980,851 | 13,107,374 | - |
| Net OPEB liability | 5,830,992 | 205,184 | 227,605 | 5,808,571 | - |
| Total | <u>\$ 70,205,318</u> | <u>\$ 7,895,684</u> | <u>\$ 2,353,818</u> | <u>\$ 75,747,184</u> | <u>\$ 1,225,000</u> |

Bonds Payable

A summary of bonds payable for the year ended June 30, 2024 is as follows:

| Description | Interest Rate | Amounts Original Issue | Interest Current Year | Amounts Outstanding 6/30/24 |
|----------------------------------------------------------------|---------------|------------------------|-----------------------|-----------------------------|
| Unlimited Tax Qualified School Construction Bonds, Series 2011 | 4.55% | \$ 6,525,000 | \$ 296,888 | \$ 6,525,000 |
| Unlimited Tax School Building Bonds, Series 2016 | 3.125-5.0% | 58,875,000 | 1,557,863 | 44,745,000 |
| Unlimited Tax Refunding Bonds, Series 2018 | 3.0-4.0% | 2,285,000 | 15,300 | 345,000 |
| Maintenance Tax Notes, Series 2024 | 2.85-3.55% | 3,475,000 | - | 3,475,000 |
| Total | | <u>\$ 71,160,000</u> | <u>\$ 1,870,051</u> | <u>\$ 55,090,000</u> |

Debt service requirements are as follows:

| Year Ending June 30, | General Obligations | | Total Requirements | Federal Interest Subsidy Amount "QSCB" |
|----------------------|----------------------|----------------------|----------------------|----------------------------------------|
| | Principal | Interest | | |
| 2025 | \$ 1,080,000 | \$ 1,824,050 | \$ 2,904,050 | \$ (278,480) |
| 2026 | 7,305,000 | 1,632,556 | 8,937,556 | (139,240) |
| 2027 | 2,420,000 | 1,404,113 | 3,824,113 | - |
| 2028 | 2,545,000 | 1,305,438 | 3,850,438 | - |
| 2029 | 2,620,000 | 1,227,963 | 3,847,963 | - |
| 2030-2034 | 14,615,000 | 4,543,188 | 19,158,188 | - |
| 2035-2039 | 17,260,000 | 1,914,163 | 19,174,163 | - |
| 2040-2042 | 3,770,000 | 192,188 | 3,962,188 | - |
| Total | <u>\$ 51,615,000</u> | <u>\$ 14,043,659</u> | <u>\$ 65,658,659</u> | <u>\$ (417,720)</u> |

| Year Ending June 30, | Maintenance Tax Notes | | Total Requirements |
|----------------------|-----------------------|---------------------|---------------------|
| | Principal | Interest | |
| 2025 | \$ 145,000 | \$ 171,896 | \$ 316,896 |
| 2026 | 175,000 | 142,950 | 317,950 |
| 2027 | 185,000 | 134,200 | 319,200 |
| 2028 | 195,000 | 124,950 | 319,950 |
| 2029 | 205,000 | 115,200 | 320,200 |
| 2030-2034 | 1,160,000 | 426,750 | 1,586,750 |
| 2035-2039 | 1,410,000 | 173,800 | 1,583,800 |
| Total | <u>\$ 3,475,000</u> | <u>\$ 1,289,746</u> | <u>\$ 4,764,746</u> |

In accordance with bond covenants, the District is required to make sinking fund payments for the Qualified School Construction Bonds, Series 2011, as follows:

| Year Ending June 30, | Sinking Fund Payments | |
|----------------------|-----------------------|--------------------|
| | Required Payment | Cumulative Balance |
| 2025 | \$ 1,235,000 | \$ 4,940,000 |
| 2026 | 1,585,000 | 6,525,000 |

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at June 30, 2024.

The District has defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statement. As of June 30, 2024, \$345,000 of bonds considered defeased are still outstanding.

G. Defined Benefit Pension Plan

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

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

Pension Plan Fiduciary Net Position. Detail 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 www.trs.texas.gov; 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 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 in (A) 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 provides in the manner are determined by the System's actuary

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2021 thru 2025.

| | Contribution Rates | |
|----------------------------------------------------|--------------------|--------------|
| | 2023 | 2024 |
| Active Employee | 8.0% | 8.25% |
| Non-Employer Contributing Entity (State) | 8.0% | 8.25% |
| Employers | 8.0% | 8.25% |
| Current fiscal year employer contributions | | \$ 1,012,991 |
| Current fiscal year member contributions | | 1,915,149 |
| 2023 measurement year NECE on-behalf contributions | | 1,178,630 |

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

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

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

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

- All public schools, charter schools, and regional educational service centers must contribute 1.8 percent of the member's salary beginning in fiscal year 2023, gradually increasing to 2 percent in fiscal year 2025.
- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions. The total pension liability in the August 31, 2022 actuarial valuation was rolled forward to August 31, 2023, and was determined using the following actuarial assumptions:

| | |
|-------------------------------------------------------------|---------------------------------------------------|
| Valuation Date | August 31, 2022 rolled forward to August 31, 2023 |
| Asset Valuation Method | Fair Value |
| Single Discount Rate | 7% |
| Long-term expected Investment Rate of Return | 7% |
| Municipal Bond Rate as of August 2023 | 4.13%* |
| Last year ending August 31 in Projection Period (100 years) | 2122 |
| Inflation | 2.3% |
| Salary Increases Including Inflation | 2.95% to 8.95% |
| Ad Hoc Post-Employment Benefit Changes | None |

*The source for the rate is the Fixed Income Market Data/ Yield Curve/ Data Municipal bonds with 20 years to maturity that include only federally tax exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index".

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

| Asset Class ¹ | Target Allocation ² | Long-Term Expected Geometric Real Rate of Return | Expected Contribution to Long-Term Portfolio Results |
|-----------------------------------------------|--------------------------------|--------------------------------------------------|------------------------------------------------------|
| Global Equity | | | |
| U.S. | 18.00% | 4.00% | 1.00% |
| Non-U.S. Developed | 13.00% | 4.50% | 0.90% |
| Emerging Markets | 9.00% | 4.80% | 0.70% |
| Private Equity | 14.00% | 7.00% | 1.50% |
| Stable Value | | | |
| Government Bonds | 16.00% | 2.50% | 0.50% |
| Absolute Value | - | 3.60% | - |
| Stable Value Hedge Funds | 5.00% | 4.10% | 0.20% |
| Real Return | | | |
| Real Estate | 15.00% | 4.90% | 1.10% |
| Energy and Natural Resources & Infrastructure | 6.00% | 4.80% | 0.40% |
| Commodities | - | 4.40% | - |
| Risk Parity | | | |
| Risk Parity | 8.00% | 4.50% | 0.40% |
| Asset Allocation Leverage | | | |
| Cash | 2.00% | 3.70% | - |
| Asset Allocation Leverage | (6.00%) | 4.40% | (0.10%) |
| Inflation Expectation | | | 2.30% |
| Volatility Drag ⁴ | | | (0.90%) |
| Total | 100.00% | - | 8.00% |

¹ Absolute Return includes Credit Sensitive Investments

² Target allocations are based on the FY2023 policy model.

³ Capital Market Assumptions come from Aon Hewitt (as of 6/30/2023).

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

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.00%) in measuring the Net Pension Liability.

| | 1% Decrease in Discount Rate (6.00%) | Discount Rate 7.00% | 1% Increase in Discount Rate (8.00%) |
|---------------------------------------------------|-----------------------------------------|------------------------|-----------------------------------------|
| Proportionate share of the net pension liability: | \$ 19,596,250 | \$ 13,107,374 | \$ 7,711,870 |

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2024 the District reported a liability of \$13,107,374 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

| | | |
|------------------------------------------------------------------------|----|--------------------------|
| District's Proportionate share of the collective net pension liability | \$ | 13,107,374 |
| State's proportionate share that is associated with the District | | <u>15,750,339</u> |
| Total | \$ | <u><u>28,857,713</u></u> |

The net pension liability was measured as of August 31, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2022. The employer's portion 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 0.0190818272% which was an increase of 0.002169018% from its proportion measured as of August 31, 2022.

Change of Assumptions Since the Prior Measurement Date. The actuarial assumptions and methods are the same as used in the determination of the prior year's Net Pension Liability.

Changes in Benefit Provisions Since Prior Measurement Date. 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 election which will be paid January 2024. Therefore, this contingent liability was not reflected as of August 31, 2023.

For the year ended June 30, 2024, the District recognized pension expense of \$4,890,549 and revenue of \$2,378,165 for support provided by the State.

At June 30, 2024, the District's reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|------------------------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience | \$ 467,020 | \$ 158,716 |
| Changes in actuarial assumptions | 1,239,701 | 303,383 |
| Difference between projected and actual investment earnings | 1,907,441 | - |
| Changes in proportion and difference between the employer's contributions and the proportionate share of contributions | 1,914,691 | 185,464 |
| Contributions paid to TRS subsequent to the measurement date | <u>847,031</u> | <u>-</u> |
| Totals | <u><u>\$ 6,375,884</u></u> | <u><u>\$ 647,563</u></u> |

\$847,031 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending June 30, 2025. Other amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30, | Pension Expense |
|------------------------|--------------------|
| 2025 | \$ 1,079,902 |
| 2026 | 774,227 |
| 2027 | 2,019,482 |
| 2028 | 842,120 |
| 2029 | 165,559 |

H. **Defined Other Post-Employment Benefit Plans**

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

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

OPEB Plan Fiduciary Net Position. Detailed information about the TRS-Care's fiduciary net position is available in the separately issued TRS ACFR that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.trs.texas.gov; 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.

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

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25 percent of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65 percent of salary. Section 1575.204 establishes a public school contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75 percent of each active employee's pay for fiscal year 2023. The following table shows contributions to the TRS-Care plan by type of contributor.

| | Contribution Rates | |
|----------------------------------------------------|--------------------|------------|
| | 2023 | 2024 |
| Active employee | 0.65% | 0.65% |
| Non-Employer Contributing Entity (State) | 1.25% | 1.25% |
| Employers | 0.75% | 0.75% |
| Federal/Private Funding Remitted by Employers | 1.25% | 1.25% |
| Current fiscal year employer contributions | | \$ 237,025 |
| Current fiscal year member contributions | | 151,678 |
| 2023 measurement year NECE on-behalf contributions | | 274,640 |

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

TRS-Care received supplemental appropriations from the Stat 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 total OPEB liability in the August 31, 2022 valuation was rolled forward to August 31, 2023.

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 developed in the experience study performed for TRS for the period ending August 31, 2023.

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

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

Additional Actuarial Methods and Assumptions

| | |
|----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Valuation Date | August 31, 2022 rolled forward to August 31, 2023 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Inflation | 2.30% |
| Discount Rate | 4.13% as of August 31, 2023 |
| Aging Factors | Based on plan specific experience |
| Expenses | Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs. |
| Payroll Growth Rate | 3.00% |
| Projected Salary Increases | 2.95% to 8.95%, including inflation |
| Healthcare Trend Rates | The initial medical trend rates were 7.75 percent for Medicare retirees and 7.00 percent for non-Medicare retirees. The initial prescription drug trend rate was 7.75 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 percent over a period of 12 years. |
| Election Rates | Normal Retirement: 62% participation prior to age 65 and 25% participation after age 65. 30% of pre-65 retirees are assumed to discontinue coverage at age 65. |
| Ad hoc 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.

| | 1% Decrease in Discount Rate (3.13%) | Discount Rate -4.13% | 1% Increase in Discount Rate (5.13%) |
|----------------------------------------------|--------------------------------------------|-------------------------|--------------------------------------------|
| Proportionate share of net OPEB liability | \$ 6,841,287 | \$ 5,808,571 | \$ 4,965,850 |

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At June 30, 2024, the District reported a liability of \$5,805,571 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 | \$ 5,808,571 |
| State's proportionate share that is associated with the District | 7,008,934 |
| Total | <u>\$ 12,817,505</u> |

The Net OPEB Liability was measured as of 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 OPEB relative to the contributions of all employers to the plan for the period September 1, 2022 thru August 31, 2023.

At the August 31, 2023 measurement date, the District's proportion of the collective net OPEB liability was 0.0262376514%, which was an increase of 0.0018850326% from its proportion measured as of August 31, 2022.

Healthcare Cost Trend Rates Sensitivity Analysis. The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% less than and 1% greater than the assumed healthcare cost trend rate:

| | <u>1% Decrease</u> | <u>Current Healthcare Cost Trend Rate</u> | <u>1% Increase</u> |
|----------------------------------------------|--------------------|-----------------------------------------------|--------------------|
| Proportionate share of net OPEB liability | \$ 4,783,068 | \$ 5,808,571 | \$ 7,127,885 |

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. This change increased the Total OPEB Liability.

For the year ended June 30, 2024, the District recognized OPEB expense of \$(2,280,609) and revenue of \$(1,498,362) for support provided by the State.

At June 30, 2024, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Differences between expected and actual actuarial experiences | \$ 262,794 | \$4,886,812 |
| Changes in actuarial assumptions | 792,828 | 3,556,742 |
| Differences between projected and actual investment earnings | 2,510 | - |
| Changes in proportion and difference between the employer's contributions and the proportionate share of contributions | 2,802,532 | 195,919 |
| Contributions paid to OPEB subsequent to the measurement date | <u>198,904</u> | <u>-</u> |
| Totals | <u>\$4,059,568</u> | <u>\$8,639,473</u> |

\$198,904 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending June 30, 2025. Other amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Year Ended June 30,</u> | <u>OPEB Expense</u> |
|--------------------------------|-------------------------|
| 2025 | \$ (1,226,775) |
| 2026 | (960,364) |
| 2027 | (599,684) |
| 2028 | (726,292) |
| 2029 | (649,234) |
| Thereafter | (616,460) |

I. Employee Health Care Coverage

During the year ended June 30, 2024, employees of the District were covered by the state sponsored health insurance plan. The District paid premiums of \$300 per month per employee to the plan and employees, at their option, authorized payroll withholdings to pay premiums for dependents.

All premiums were paid to TRS-ActiveCare, the statewide health coverage program for public education employees administered by Aetna. The Plan was authorized by Article 3.5 I -2, Texas Insurance Code and was documented by contractual agreement.

The contract between the District and TRS-ActiveCare is renewable September 1 of each year and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for Aetna are available for the most recent year and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

J. Medicare Part D – On-Behalf

Federal Government Retiree Drug Subsidy - Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. On-behalf payments must be recognized as equal revenues and expenditures/expenses by the District. The allocation of these on-behalf payments is based on the ratio of a reporting entity's covered payroll to the entire payroll reported by all reporting entities. The amount allocated on-behalf for the year ended June 30, 2024, 2023, and 2022 were \$120,729, \$116,061, and \$85,567, respectively.

K. Commitments and Contingencies

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

L. 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 disaster. During fiscal year 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.

M. Changes within the Financial Reporting Entity

During the year the District had one change within the financial reporting entity:

- 1.) The ESSER II Fund was previously reported as a major governmental fund and is now reported as a nonmajor fund. The change in classification is required based on quantitative factors.

N. New Accounting Standards

Significant new accounting standards issued by the Governmental Accounting Standards Board (GASB) not yet implemented by the District include the following:

GASB Statement No. 101, *Compensated Absences* – The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement will become effective for reporting periods beginning after December 15, 2023, and the impact has not yet been determined.

GASB Statement No. 102, *Certain Risk Disclosures* – The objective of this Statement is to provide users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability. This Statement will become effective for reporting periods beginning after June 15, 2024, and the impact has not yet been determined.

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

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

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ATHENS INDEPENDENT SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2024

| Data Control Codes | | | | Actual | Variance with |
|--------------------------------|------------------------------------------------------|------------------|---------------|---------------|----------------------|
| | | Budgeted Amounts | | Amounts | Final Budget |
| | | Original | Final | (GAAP Basis) | Positive Negative |
| REVENUES | | | | | |
| 5700 | Local and intermediate sources | \$ 17,398,000 | \$ 14,327,100 | \$ 15,006,458 | \$ 679,358 |
| 5800 | State programs | 13,643,000 | 17,507,800 | 17,958,265 | 450,465 |
| 5900 | Federal programs | 485,000 | 485,000 | 342,869 | (142,131) |
| 5020 | Total revenues | 31,526,000 | 32,319,900 | 33,307,592 | 987,692 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| 0011 | Instruction | 16,705,000 | 17,144,900 | 15,759,119 | 1,385,781 |
| 0012 | Instructional resources and media sources | 360,000 | 360,000 | 332,437 | 27,563 |
| 0013 | Curriculum and instructional staff development | 165,000 | 165,000 | 24,994 | 140,006 |
| 0021 | Instructional leadership | 306,000 | 451,000 | 159,785 | 291,215 |
| 0023 | School leadership | 1,857,000 | 1,857,000 | 1,659,262 | 197,738 |
| 0031 | Guidance, counseling, and evaluation services | 906,000 | 1,030,000 | 1,015,791 | 14,209 |
| 0033 | Health services | 332,000 | 332,000 | 264,292 | 67,708 |
| 0034 | Student (pupil) transportation | 1,730,000 | 1,755,000 | 1,724,169 | 30,831 |
| 0035 | Food service | 110,000 | 110,000 | 65,017 | 44,983 |
| 0036 | Extracurricular activities | 1,661,000 | 1,773,000 | 1,709,718 | 63,282 |
| 0041 | General administration | 1,563,000 | 1,610,000 | 1,560,832 | 49,168 |
| 0051 | Facilities maintenance and operations | 3,730,000 | 4,145,000 | 3,876,010 | 268,990 |
| 0052 | Security and monitoring services | 479,000 | 479,000 | 417,913 | 61,087 |
| 0053 | Data processing services | 855,000 | 895,000 | 777,995 | 117,005 |
| Debt service: | | | | | |
| 0071 | Principal expenditures | 200,000 | 95,000 | - | 95,000 |
| 0072 | Interest expenditures | - | 95,000 | - | 95,000 |
| 0073 | Bond issuance cost and fees | - | 151,553 | 142,628 | 8,925 |
| 0099 | Other intergovernmental | 567,000 | 603,000 | 600,267 | 2,733 |
| 6030 | Total expenditures | 31,526,000 | 33,051,453 | 30,090,229 | 2,961,224 |
| 1100 | EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | - | (731,553) | 3,217,363 | 3,948,916 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| 7911 | Issuance of maintenance tax notes | - | 3,475,000 | 3,475,000 | - |
| 7916 | Premium on issuance of maintenance tax notes | - | 167,628 | 167,628 | - |
| 7949 | Other | - | 670,000 | - | 670,000 |
| 8911 | Transfers out (uses) | - | (347,000) | (347,000) | - |
| 7080 | Total other financing sources (uses) | - | 3,965,628 | 3,295,628 | 670,000 |
| 1200 | NET CHANGE IN FUND BALANCES | - | 3,234,075 | 6,512,991 | 3,278,916 |
| 0100 | FUND BALANCE, BEGINNING | 11,265,695 | 11,265,695 | 11,265,695 | - |
| 3000 | FUND BALANCES, ENDING | \$ 11,265,695 | \$ 14,499,770 | \$ 17,778,686 | \$ 3,278,916 |

ATHENS INDEPENDENT SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2024

| Measurement period ended August 31, | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|------------------------------------------------------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|
| District's proportion of the net pension liability (asset) | 0.0190818% | 0.0169122% | 0.0132377% | 0.0131815% |
| District's proportionate share of the net pension liability (asset) | \$ 13,107,374 | \$ 10,040,353 | \$ 3,371,179 | \$ 7,059,726 |
| State's proportionate share of the net pension liability (asset) associated with the District | <u>15,750,339</u> | <u>14,334,602</u> | <u>6,878,101</u> | <u>14,665,602</u> |
| Total | <u>\$ 28,857,713</u> | <u>\$ 24,374,955</u> | <u>\$ 10,249,280</u> | <u>\$ 21,725,328</u> |
| District's covered payroll | \$ 22,786,492 | \$ 20,884,098 | \$ 19,134,976 | \$ 18,837,339 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 57.52% | 48.08% | 17.62% | 44.21% |
| Plan fiduciary net position as a percentage of the total pension liability | 73.15% | 75.62% | 88.79% | 75.54% |

| <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 0.0143483% | 0.0142353% | 0.0131487% | 0.0130115% | 0.0148305% | 0.0080684% |
| \$ 7,458,698 | \$ 7,835,451 | \$ 4,204,249 | \$ 4,916,837 | \$ 5,242,384 | \$ 2,155,181 |
| <u>12,987,981</u> | <u>13,873,845</u> | <u>9,110,659</u> | <u>11,508,393</u> | <u>11,521,543</u> | <u>10,390,199</u> |
| <u>\$ 20,446,679</u> | <u>\$ 21,709,296</u> | <u>\$ 13,314,908</u> | <u>\$ 16,425,230</u> | <u>\$ 16,763,927</u> | <u>\$ 12,545,380</u> |
| \$ 16,741,755 | \$ 16,667,088 | \$ 16,747,117 | \$ 16,812,881 | \$ 17,148,440 | \$ 17,077,315 |
| 44.55% | 47.01% | 25.10% | 29.24% | 30.57% | 12.62% |
| 75.24% | 73.74% | 82.17% | 78.00% | 78.43% | 83.25% |

ATHENS INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS TEACHER RETIREMENT SYSTEM

FOR THE YEAR ENDED JUNE 30, 2024

| For the year ended June 30, | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> |
|----------------------------------------------------------------------|--------------------|------------------|------------------|------------------|
| Contractually required contribution | \$ 1,012,991 | \$ 959,131 | \$ 732,869 | \$ 557,963 |
| Contributions in relation to the contractually required contribution | <u>(1,012,991)</u> | <u>(959,131)</u> | <u>(732,869)</u> | <u>(557,963)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 23,339,852 | \$ 22,574,405 | \$ 20,363,855 | \$ 18,992,741 |
| Contribution as a percentage of covered payroll | 4.34% | 4.25% | 3.60% | 2.94% |

| 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$ 543,885 | \$ 486,374 | \$ 484,534 | \$ 425,476 | \$ 420,479 | \$ 403,171 |
| <u>(543,885)</u> | <u>(486,374)</u> | <u>(484,534)</u> | <u>(425,476)</u> | <u>(420,479)</u> | <u>(403,171)</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| \$ 18,713,752 | \$ 17,044,346 | \$ 16,712,855 | \$ 16,710,189 | \$ 16,896,896 | \$ 17,130,199 |
| 2.91% | 2.85% | 2.90% | 2.55% | 2.49% | 2.35% |

ATHENS INDEPENDENT SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2024

| Measurement period ended August 31, | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|
| District's proportion of the net OPEB liability (asset) | 0.0262377% | 0.0243526% | 0.0212911% | 0.0217646% |
| District's proportionate share of the net OPEB liability (asset) | \$ 5,808,571 | \$ 5,830,992 | \$ 8,212,936 | \$ 8,273,699 |
| State's proportionate share of the net OPEB liability (asset) associated with the District | <u>7,008,934</u> | <u>7,112,895</u> | <u>11,003,504</u> | <u>11,117,868</u> |
| Total | <u>\$ 12,817,505</u> | <u>\$ 12,943,887</u> | <u>\$ 19,216,440</u> | <u>\$ 19,391,567</u> |
| District's covered employee payroll | \$ 22,786,492 | \$ 20,884,098 | \$ 19,135,382 | \$ 18,837,339 |
| District's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll | 25.49% | 27.92% | 42.92% | 51.81% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 14.94% | 11.52% | 6.18% | 4.99% |

Note: This schedule is required to have 10 years of information, but the information prior to year ended 2017 is not available.

| <u>2019</u> | <u>2018</u> | <u>2017</u> |
|----------------------|----------------------|----------------------|
| 0.0216235% | 0.0203638% | 0.0201402% |
| \$ 10,226,018 | \$ 10,167,824 | \$ 8,758,207 |
| <u>13,588,091</u> | <u>14,027,852</u> | <u>12,883,792</u> |
| <u>\$ 23,814,109</u> | <u>\$ 24,195,676</u> | <u>\$ 21,641,999</u> |
| \$ 16,741,755 | \$ 16,667,088 | \$ 16,747,117 |
| 61.08% | 61.01% | 52.30% |
| 2.66% | 1.57% | 0.91% |

ATHENS INDEPENDENT SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2024

| For the year ended June 30, | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> |
|----------------------------------------------------------------------|------------------|------------------|------------------|------------------|
| Contractually required contribution | \$ 237,025 | \$ 225,098 | \$ 193,260 | \$ 166,119 |
| Contributions in relation to the contractually required contribution | <u>(237,025)</u> | <u>(225,098)</u> | <u>(193,260)</u> | <u>(166,119)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered employee payroll | \$ 23,339,852 | \$ 22,574,405 | \$ 20,363,855 | \$ 18,993,147 |
| Contribution as a percentage of covered employee payroll | 1.02% | 1.00% | 0.95% | 0.87% |

Note: This schedule is required to have 10 years of information, but the information prior to year ended 2018 is not available.

| <u>2020</u> | <u>2019</u> | <u>2018</u> |
|------------------|------------------|------------------|
| \$ 164,295 | \$ 147,051 | \$ 134,553 |
| <u>(164,295)</u> | <u>(147,051)</u> | <u>(134,553)</u> |
| \$ - | \$ - | \$ - |
| \$ 18,713,752 | \$ 18,144,346 | \$ 16,712,855 |
| 0.88% | 0.81% | 0.81% |

ATHENS INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2024

Budgetary Information

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the National Breakfast and Lunch Program Fund (which is a non-major special revenue fund). The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund budget report appears in Exhibit G-1 and the other two reports are in Exhibits J-2 and J-3.

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

1. Prior to June 20 the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. The budget was amended as necessary during the year.

Each budget is controlled at the organizational level by the administration, appropriate department head or campus principal within Board allocations at the revenue and expenditure function/object level. All budget appropriations lapse at year end.

COMBINING STATEMENTS

ATHENS INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2024

| | | 211 | 224 | 225 | 226 |
|----------------------|-------------------------------------|-------------------|-------------------|-----------------|------------------|
| Data | | ESEA I, A | | | |
| Control | | Improving | IDEA - Part B | IDEA - Part B | IDEA - Part B |
| Codes | | Basic Program | Formula | Preschool | Discretionary |
| ASSETS | | | | | |
| 1110 | Cash and cash equivalents | \$ - | \$ - | \$ - | \$ - |
| 1240 | Due from other governments | 323,389 | 136,442 | 2,630 | 60,411 |
| 1290 | Other receivables | - | - | - | - |
| 1000 | Total assets | <u>323,389</u> | <u>136,442</u> | <u>2,630</u> | <u>60,411</u> |
| LIABILITIES | | | | | |
| 2110 | Accounts payable | - | - | - | - |
| 2160 | Accrued wages payable | 193,064 | 79,863 | 1,687 | - |
| 2170 | Due to other funds | 130,325 | 56,579 | 943 | 60,411 |
| 2300 | Unearned revenue | - | - | - | - |
| 2000 | Total liabilities | <u>323,389</u> | <u>136,442</u> | <u>2,630</u> | <u>60,411</u> |
| FUND BALANCES | | | | | |
| Restricted for: | | | | | |
| 3450 | Federal or state programs | - | - | - | - |
| 3490 | Instruction | - | - | - | - |
| 3545 | Committed for campus activity | - | - | - | - |
| 3000 | Total fund balances | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 4000 | Total liabilities and fund balances | <u>\$ 323,389</u> | <u>\$ 136,442</u> | <u>\$ 2,630</u> | <u>\$ 60,411</u> |

*Formerly a major fund.

EXHIBIT H-1

| 240 | 244 | 255 | 263 | 270 | 279 | 281* | 282 |
|--------------------------------------------|------------------------------------------|------------------------------------------|----------------------------------------------|-------------------------------------|--------------------|-----------------------|-------------------|
| National Breakfast and Lunch Program | Career and Technical - Basic Grant | ESEA II, A Training and Recruiting | Title III, A English Lang. Acquisition | ESEA VI, B Rural & Low Income | TCLAS ESSER III | ESSER II CRRSA Act | ESSER III ARPA |
| \$ 1,018,090 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 9,952 | 14,060 | 35,462 | 16,544 | 12,900 | 13,091 | - | 990,291 |
| 55,472 | - | - | - | - | - | - | - |
| <u>1,083,514</u> | <u>14,060</u> | <u>35,462</u> | <u>16,544</u> | <u>12,900</u> | <u>13,091</u> | <u>-</u> | <u>990,291</u> |
| 9,015 | - | - | - | - | - | - | - |
| - | - | - | 10,452 | 8,098 | - | - | 469,355 |
| - | 14,060 | 35,462 | 6,092 | 4,802 | 13,091 | - | 520,936 |
| - | - | - | - | - | - | - | - |
| <u>9,015</u> | <u>14,060</u> | <u>35,462</u> | <u>16,544</u> | <u>12,900</u> | <u>13,091</u> | <u>-</u> | <u>990,291</u> |
| 1,074,499 | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>1,074,499</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>\$ 1,083,514</u> | <u>\$ 14,060</u> | <u>\$ 35,462</u> | <u>\$ 16,544</u> | <u>\$ 12,900</u> | <u>\$ 13,091</u> | <u>\$ -</u> | <u>\$ 990,291</u> |

ATHENS INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2024

| Data Control Codes | 289 | 385 State | 397 | 410 |
|------------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|---------------------------|
| | Other Federal Special Revenue | Supplemental Visually Impaired | Advanced Placement Incentives | State Textbook Fund |
| ASSETS | | | | |
| 1110 Cash and cash equivalents | \$ - | \$ - | \$ 1,335 | \$ - |
| 1240 Due from other governments | 14,605 | - | - | 228,224 |
| 1290 Other receivables | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 1000 Total assets | <u>14,605</u> | <u>-</u> | <u>1,335</u> | <u>228,224</u> |
| LIABILITIES | | | | |
| 2110 Accounts payable | - | - | - | - |
| 2160 Accrued wages payable | 9,185 | - | - | - |
| 2170 Due to other funds | 5,420 | - | - | 228,224 |
| 2300 Unearned revenue | <u>-</u> | <u>-</u> | <u>1,335</u> | <u>-</u> |
| 2000 Total liabilities | <u>14,605</u> | <u>-</u> | <u>1,335</u> | <u>228,224</u> |
| FUND BALANCES | | | | |
| Restricted for: | | | | |
| 3450 Federal or state programs | - | - | - | - |
| 3490 Instruction | - | - | - | - |
| 3545 Committed for campus activity | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 3000 Total fund balances | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 4000 Total liabilities and fund balances | <u>\$ 14,605</u> | <u>\$ -</u> | <u>\$ 1,335</u> | <u>\$ 228,224</u> |

| 429 | 461 | 496 | 497 | 498 | Total |
|--------------------------------------|--------------------|-------------------------------------|---------------------------------|------------------------------------------|-----------------------------------|
| Teacher Training Reimbursement | Campus Activity | Athens Public Education Grant | Texas High School Project | Murchison Foundation Pinnacle ECHS | Nonmajor Governmental Funds |
| \$ - | \$ 150,234 | \$ 13,113 | \$ 44 | \$ 294,403 | \$ 1,477,219 |
| 78,346 | - | - | - | - | 1,936,347 |
| - | - | - | - | - | 55,472 |
| <u>78,346</u> | <u>150,234</u> | <u>13,113</u> | <u>44</u> | <u>294,403</u> | <u>3,469,038</u> |
| - | - | - | - | 3,200 | 12,215 |
| - | - | - | - | - | 771,704 |
| 78,346 | - | - | - | - | 1,154,691 |
| - | - | 3,187 | - | - | 4,522 |
| <u>78,346</u> | <u>-</u> | <u>3,187</u> | <u>-</u> | <u>3,200</u> | <u>1,943,132</u> |
| - | - | - | - | - | 1,074,499 |
| - | - | 9,926 | 44 | 291,203 | 301,173 |
| - | <u>150,234</u> | - | - | - | <u>150,234</u> |
| - | <u>150,234</u> | <u>9,926</u> | <u>44</u> | <u>291,203</u> | <u>1,525,906</u> |
| <u>\$ 78,346</u> | <u>\$ 150,234</u> | <u>\$ 13,113</u> | <u>\$ 44</u> | <u>\$ 294,403</u> | <u>\$ 3,469,038</u> |

ATHENS INDEPENDENT SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2024

| Data Control Codes | 211 | 224 | 225 | 226 |
|-------------------------------------------------------------------------|-----------------------------------------|--------------------------|----------------------------|--------------------------------|
| | ESEA I, A Improving Basic Program | IDEA - Part B Formula | IDEA - Part B Preschool | IDEA - Part B Discretionary |
| REVENUES | | | | |
| 5700 Local and intermediate sources | \$ - | \$ - | \$ - | \$ - |
| 5800 State programs | - | - | - | - |
| 5900 Federal programs | <u>1,682,924</u> | <u>638,651</u> | <u>9,912</u> | <u>60,411</u> |
| 5020 Total revenues | <u>1,682,924</u> | <u>638,651</u> | <u>9,912</u> | <u>60,411</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| 0011 Instruction | 1,439,145 | 605,184 | 9,912 | 59,898 |
| 0013 Curriculum and instructional staff development | 2,500 | - | - | - |
| 0021 Instructional leadership | 224,891 | 33,467 | - | - |
| 0031 Guidance, counseling, and evaluating services | - | - | - | - |
| 0033 Health services | - | - | - | - |
| 0034 Student (pupil) transportation | - | - | - | 513 |
| 0035 Food service | - | - | - | - |
| 0036 Extracurricular activities | - | - | - | - |
| 0051 Facilities maintenance and operations | - | - | - | - |
| 0052 Security and monitoring services | 3,100 | - | - | - |
| 0053 Data processing | - | - | - | - |
| 0061 Community services | <u>13,288</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 6030 Total expenditures | <u>1,682,924</u> | <u>638,651</u> | <u>9,912</u> | <u>60,411</u> |
| 1200 NET CHANGE IN FUND BALANCES | - | - | - | - |
| FUND BALANCES, BEGINNING, AS PREVIOUSLY REPORTED | - | - | - | - |
| ADJUSTMENTS | | | | |
| Change within the financial reporting entity - formerly a major fund | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 0100 FUND BALANCE, BEGINNING, AS RESTATED | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 3000 FUND BALANCE, ENDING | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

*Formerly a major fund.

| 240 | 244 | 255 | 263 | 270 | 279 | 281* | 282 |
|--------------------------------------------|------------------------------------------|------------------------------------------|----------------------------------------------|-------------------------------------|--------------------|-----------------------|-------------------|
| National Breakfast and Lunch Program | Career and Technical - Basic Grant | ESEA II, A Training and Recruiting | Title III, A English Lang. Acquisition | ESEA VI, B Rural & Low Income | TCLAS ESSER III | ESSER II CRRSA Act | ESSER III ARPA |
| \$ 174,199 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 9,848 | - | - | - | - | - | - | - |
| <u>2,027,428</u> | <u>57,121</u> | <u>204,636</u> | <u>79,917</u> | <u>53,865</u> | <u>13,091</u> | <u>251,400</u> | <u>4,520,694</u> |
| <u>2,211,475</u> | <u>57,121</u> | <u>204,636</u> | <u>79,917</u> | <u>53,865</u> | <u>13,091</u> | <u>251,400</u> | <u>4,520,694</u> |
| - | 57,121 | 145,918 | 79,917 | 53,865 | - | 251,400 | 3,413,075 |
| - | - | 43,884 | - | - | 13,091 | - | 18,000 |
| - | - | - | - | - | - | - | - |
| - | - | 14,834 | - | - | - | - | 70,200 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | 91,629 |
| 2,285,345 | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 20,000 | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | 63,405 |
| - | - | - | - | - | - | - | 864,385 |
| - | - | - | - | - | - | - | - |
| <u>2,305,345</u> | <u>57,121</u> | <u>204,636</u> | <u>79,917</u> | <u>53,865</u> | <u>13,091</u> | <u>251,400</u> | <u>4,520,694</u> |
| (93,870) | - | - | - | - | - | - | - |
| 1,168,369 | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>1,168,369</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>\$ 1,074,499</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

ATHENS INDEPENDENT SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2024

| Data Control Codes | 289 | 385 State | 397 | 410 |
|-------------------------------------------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|---------------------------|
| | Other Federal Special Revenue | Supplemental Visually Impaired | Advanced Placement Incentives | State Textbook Fund |
| REVENUES | | | | |
| 5700 Local and intermediate sources | \$ - | \$ - | \$ - | \$ - |
| 5800 State programs | 36,577 | 155 | - | 1,083,587 |
| 5900 Federal programs | 68,432 | - | - | - |
| 5020 Total revenues | <u>105,009</u> | <u>155</u> | <u>-</u> | <u>1,083,587</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| 0011 Instruction | 68,433 | 155 | - | 1,083,377 |
| 0013 Curriculum and instructional staff development | - | - | - | 210 |
| 0021 Instructional leadership | - | - | - | - |
| 0031 Guidance, counseling, and evaluating services | - | - | - | - |
| 0033 Health services | 36,576 | - | - | - |
| 0034 Student (pupil) transportation | - | - | - | - |
| 0035 Food service | - | - | - | - |
| 0036 Extracurricular activities | - | - | - | - |
| 0051 Facilities maintenance and operations | - | - | - | - |
| 0052 Security and monitoring services | - | - | - | - |
| 0053 Data processing | - | - | - | - |
| 0061 Community services | - | - | - | - |
| 6030 Total expenditures | <u>105,009</u> | <u>155</u> | <u>-</u> | <u>1,083,587</u> |
| 1200 NET CHANGE IN FUND BALANCES | - | - | - | - |
| FUND BALANCES, BEGINNING, AS PREVIOUSLY REPORTED | - | - | - | - |
| ADJUSTMENTS | | | | |
| Change within the financial reporting entity - formerly a major fund | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 0100 FUND BALANCE, BEGINNING | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 3000 FUND BALANCE, ENDING | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

| 429 | 461 | 496 | 497 | 498 | Total |
|--------------------------------------|--------------------|-------------------------------------|---------------------------------|------------------------------------------|-----------------------------------|
| Teacher Training Reimbursement | Campus Activity | Athens Public Education Grant | Texas High School Project | Murchison Foundation Pinnacle ECHS | Nonmajor Governmental Funds |
| \$ - | \$ 150,233 | \$ - | \$ - | \$ 140,000 | \$ 464,432 |
| 78,696 | - | - | - | 802 | 1,209,665 |
| - | - | - | - | - | 9,668,482 |
| <u>78,696</u> | <u>150,233</u> | <u>-</u> | <u>-</u> | <u>140,802</u> | <u>11,342,579</u> |
| 350 | - | - | - | 77,618 | 7,345,368 |
| - | - | - | - | - | 77,685 |
| - | - | - | - | - | 258,358 |
| - | - | - | - | - | 85,034 |
| - | - | - | - | - | 36,576 |
| - | - | - | - | - | 92,142 |
| - | - | - | - | - | 2,285,345 |
| - | 135,069 | - | - | - | 135,069 |
| 476 | - | - | - | - | 20,476 |
| 77,870 | - | - | - | - | 144,375 |
| - | - | - | - | - | 864,385 |
| - | - | - | - | - | 13,288 |
| <u>78,696</u> | <u>135,069</u> | <u>-</u> | <u>-</u> | <u>77,618</u> | <u>11,358,101</u> |
| - | 15,164 | - | - | 63,184 | (15,522) |
| - | 135,070 | 9,926 | 44 | 228,019 | 1,541,428 |
| - | - | - | - | - | - |
| - | 135,070 | 9,926 | 44 | 228,019 | 1,541,428 |
| <u>\$ -</u> | <u>\$ 150,234</u> | <u>\$ 9,926</u> | <u>\$ 44</u> | <u>\$ 291,203</u> | <u>\$ 1,525,906</u> |

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REQUIRED TEA SCHEDULES

ATHENS INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECIEVABLE

FOR THE YEAR ENDED JUNE 30, 2024

| Last Ten Years Ended June 30, | 1 | 2 | 3 | 10 |
|----------------------------------|-------------|--------------|---------------------------------------------------------------|------------------------------------|
| | Tax Rates | | Net Assessed/ Appraised Value for School Tax Purpose | Beginning Balance 07/01/2023 |
| | Maintenance | Debt Service | | |
| 2015 | 1.037380 | 0.149090 | 1,246,943,396 | 108,366 |
| 2016 | 1.037380 | 0.159090 | 1,263,782,646 | 43,145 |
| 2017 | 1.037380 | 0.399090 | 1,239,715,248 | 44,154 |
| 2018 | 1.037380 | 0.399090 | 1,304,178,038 | 49,544 |
| 2019 | 1.037380 | 0.399090 | 1,366,152,621 | 55,879 |
| 2020 | 0.970000 | 0.399090 | 1,446,149,048 | 62,985 |
| 2021 | 0.936500 | 0.399090 | 1,580,550,393 | 90,677 |
| 2022 | 0.872000 | 0.399090 | 1,720,557,789 | 147,549 |
| 2023 | 0.854600 | 0.399090 | 1,963,849,516 | 751,929 |
| 2024 (School year under audit) | 0.701700 | 0.390000 | 2,055,157,552 | - |
| 1000 Totals | | | | <u>\$ 1,354,228</u> |

8000 - Taxes refunded

EXHIBIT J-1

| 20 | 31 | 32 | 40 | 50 | 99 |
|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|---------------------------------|---------------------------------------------------------|
| Current Year's Total Levy | Maintenance Total Collections | Debt Service Total Collections | Entire Year's Adjustments | Ending Balance 06/30/2024 | Total Taxes Refunded Under Section 26.1115 (c) |
| - | 8,997 | 1,309 | (3,046) | 95,014 | |
| - | 4,452 | 648 | - | 38,045 | |
| - | 4,072 | 1,566 | - | 38,516 | |
| - | 1,491 | 573 | (251) | 47,229 | |
| - | 1,354 | 521 | (2,158) | 51,846 | |
| - | 3,376 | 1,389 | (2,653) | 55,567 | |
| - | 10,579 | 4,508 | (6,183) | 69,407 | |
| - | 14,809 | 6,778 | (22,721) | 103,241 | |
| - | 83,008 | 38,764 | (422,808) | 207,349 | |
| <u>22,436,155</u> | <u>13,358,899</u> | <u>7,424,784</u> | <u>(969,127)</u> | <u>683,345</u> | |
| <u>\$ 22,436,155</u> | <u>\$ 13,491,037</u> | <u>\$ 7,480,840</u> | <u>\$ (1,428,947)</u> | <u>\$ 1,389,559</u> | |
| | | | | | <u>\$ 20,924</u> |

ATHENS INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - NATIONAL BREAKFAST AND LUNCH PROGRAM

FOR THE YEAR ENDED JUNE 30, 2024

| Data Control Codes | | Budgeted Amounts | | Actual Amounts | Variance With Final Budget |
|--------------------------|---------------------------------------|---------------------|-------------------|---------------------|-------------------------------|
| | | Original | Final | (GAAP Basis) | Positive or (Negative) |
| | REVENUES | | | | |
| 5700 | Local and intermediate sources | \$ 105,000 | \$ 180,000 | \$ 174,199 | \$ (5,801) |
| 5800 | State programs | 9,000 | 9,000 | 9,848 | 848 |
| 5900 | Federal programs | <u>1,930,000</u> | <u>1,980,000</u> | <u>2,027,428</u> | <u>47,428</u> |
| 5020 | Total revenues | <u>2,044,000</u> | <u>2,169,000</u> | <u>2,211,475</u> | <u>42,475</u> |
| | EXPENDITURES | | | | |
| | Current: | | | | |
| 0035 | Food services | 2,024,000 | 2,434,000 | 2,285,345 | 148,655 |
| 0051 | Facilities maintenance and operations | <u>20,000</u> | <u>20,000</u> | <u>20,000</u> | <u>-</u> |
| 6030 | Total expenditures | <u>2,044,000</u> | <u>2,454,000</u> | <u>2,305,345</u> | <u>148,655</u> |
| 1200 | NET CHANGE IN FUND BALANCES | - | (285,000) | (93,870) | 191,130 |
| 0100 | FUND BALANCE, BEGINNING | <u>1,168,369</u> | <u>1,168,369</u> | <u>1,168,369</u> | <u>-</u> |
| 3000 | FUND BALANCES, ENDING | <u>\$ 1,168,369</u> | <u>\$ 883,369</u> | <u>\$ 1,074,499</u> | <u>\$ 191,130</u> |

ATHENS INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - DEBT SERVICE FUND

FOR THE YEAR ENDED JUNE 30, 2024

| Data Control Codes | | Budgeted Amounts | | Actual Amounts (GAAP Basis) | Variance With Final Budget Positive or (Negative) |
|--------------------------|-------------------------------------|------------------|---------------|-----------------------------------|------------------------------------------------------------|
| | | Original | Final | | |
| | REVENUES | | | | |
| 5700 | Local and intermediate sources | \$ 7,780,000 | \$ 7,780,000 | \$ 8,299,008 | \$ 519,008 |
| 5800 | State programs | 47,000 | 47,000 | 611,775 | 564,775 |
| 5900 | Federal programs | 276,400 | 276,400 | 282,226 | 5,826 |
| 5020 | Total revenues | 8,103,400 | 8,103,400 | 9,193,009 | 1,089,609 |
| | EXPENDITURES | | | | |
| | Debt service: | | | | |
| 0071 | Principal on long-term debt | 4,987,750 | 4,987,750 | 1,030,000 | 3,957,750 |
| 0072 | Interest on long-term debt | 2,500,000 | 2,500,000 | 1,870,050 | 629,950 |
| 0073 | Bond issuance cost and fees | 12,250 | 12,250 | 5,300 | 6,950 |
| 6030 | Total expenditures | 7,500,000 | 7,500,000 | 2,905,350 | 4,594,650 |
| 1200 | NET CHANGES IN FUND BALANCES | 603,400 | 603,400 | 6,287,659 | 5,684,259 |
| 0100 | FUND BALANCE, BEGINNING | 9,564,339 | 9,564,339 | 9,564,339 | - |
| 3000 | FUND BALANCES, ENDING | \$ 10,167,739 | \$ 10,167,739 | \$ 15,851,998 | \$ 5,684,259 |

ATHENS INDEPENDENT SCHOOL DISTRICT

USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2024

Section A: Compensatory Education Programs

| | | |
|-----|-------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| AP1 | Did your district expend any state compensatory education program state allotment funds during the district's fiscal year? | Yes |
| AP2 | Does the district have written policies and procedures for its state compensatory education program? | Yes |
| AP3 | Total state allotment funds received for state compensatory education programs during the district's fiscal year. | \$ 3,756,514 |
| AP4 | Actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 24, 26, 28, 29, 30) | \$ 2,081,114 |

Section B: Bilingual Education Programs

| | | |
|-----|-------------------------------------------------------------------------------------------------------------------|------------|
| AP5 | Did your district expend any bilingual education program state allotment funds during the district's fiscal year? | Yes |
| AP6 | Does the district have written policies and procedures for its bilingual education program? | Yes |
| AP7 | Total state allotment funds received for bilingual education programs during the district's fiscal year. | \$ 419,755 |
| AP8 | Actual direct program expenditures for bilingual education programs during the district's fiscal year. (PICs 25) | \$ 243,479 |

COMPLIANCE SECTION

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

Board of Trustees
Athens Independent School District
Athens, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Athens Independent School District as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Athens Independent School District's basic financial statements, and have issued our report thereon dated November 18, 2024.

Report on Internal Control over Financial Reporting

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

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

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

OFFICE LOCATIONS

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

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

Waco, Texas
November 18, 2024



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

Board of Trustees
Athens Independent School District
Athens, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Athens Independent School District's (the "District") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2024. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

OFFICE LOCATIONS

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

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

Waco, Texas
November 18, 2024

ATHENS INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2024

| Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title | (1) Assistance Listing Number | (2a) Pass-Through Entity Identifying Number | (3) Federal Expenditures |
|-----------------------------------------------------------------------|----------------------------------------|------------------------------------------------------|--------------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| Passed through the Texas Education Agency | | | |
| School Breakfast Program | 10.553 | 71402301 | \$ 90,575 |
| School Breakfast Program | 10.553 | 71402401 | <u>363,356</u> |
| Subtotal Assistance Listing Number 10.553 | | | <u>453,931</u> |
| National School Lunch Program | 10.555 | 71302201 | 5,406 |
| National School Lunch Program | 10.555 | 71302301 | 296,044 |
| National School Lunch Program | 10.555 | 71302401 | <u>1,123,341</u> |
| Total Passed through the Texas Education Agency | | | <u>1,878,722</u> |
| Passed through the Texas Department of Agriculture | | | |
| National School Lunch Program - Non-Cash Assistance | 10.555 | NT4XL1YGLGC5 | 141,791 |
| COVID-19 - EBT Administration Expense Reimbursement | 10.649 | NT4XL1YGLGC5 | <u>6,915</u> |
| Total Passed Through the Texas Department of Agriculture | | | <u>148,706</u> |
| Total Assistance Listing Number 10.555 | | | <u>1,566,582</u> |
| Total Child Nutrition Cluster (10.553, 10.555) | | | <u>2,020,513</u> |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | | <u>2,027,428</u> |
| U.S. DEPARTMENT OF EDUCATION | | | |
| Passed through the Texas Education Agency | | | |
| ESEA, Title I, Part A - Improving Basic Programs | 84.010A | 23-610101107901 | 156,868 |
| ESEA, Title I, Part A - Improving Basic Programs | 84.010A | 24-610101107901 | <u>1,526,056</u> |
| Total Assistance Listing Number 84.010A | | | <u>1,682,924</u> |
| SSA - IDEA - Part B, Formula | 84.027A | 23-660006107901 | 630,257 |
| SSA - IDEA - Part B, Formula | 84.027A | 24-660006107901 | <u>8,394</u> |
| Subtotal Assistance Listing Number 84.027 | | | <u>638,651</u> |
| IDEA - Part B, Preschool | 84.173A | 23-661001107901 | 9,671 |
| IDEA - Part B, Preschool | 84.173A | 24-661001107901 | <u>241</u> |
| Total Assistance Listing Number 84.173 | | | <u>9,912</u> |
| Subtotal Special Education Cluster (IDEA) | | | <u>648,563</u> |
| Career & Technical - Basic Grant | 84.048A | 23-420006107901 | 52,670 |
| Career & Technical - Basic Grant | 84.048A | 24-420006107901 | <u>4,451</u> |
| Total Assistance Listing Number 84.048 | | | <u>57,121</u> |
| ESEA, Title VI, Part B - Rural & Low Income Prog. | 84.358B | 23-696001107901 | 49,656 |
| ESEA, Title VI, Part B - Rural & Low Income Prog. | 84.358B | 24-696001107901 | <u>4,209</u> |
| Total Assistance Listing Number 84.358 | | | <u>53,865</u> |
| Passed through the Texas Education Agency | | | |
| Title III, Part A - English Language Acquisition | 84.365A | 23-671003107901 | 71,135 |
| Title III, Part A - English Language Acquisition | 84.365A | 24-671003107901 | <u>8,782</u> |
| Total Assistance Listing Number 84.365 | | | <u>79,917</u> |
| ESEA, Title II, Part A - Teach/Principal Training | 84.367A | 23-694501107901 | 151,664 |
| ESEA, Title II, Part A - Teach/Principal Training | 84.367A | 24-694501107901 | <u>52,972</u> |
| Total Assistance Listing Number 84.367 | | | <u>204,636</u> |

ATHENS INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2024

| Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title | (1) Assistance Listing Number | (2a) Pass-Through Entity Identifying Number | (3) Federal Expenditures |
|------------------------------------------------------------------------|----------------------------------------|------------------------------------------------------|--------------------------------|
| U.S. DEPARTMENT OF EDUCATION (continued) | | | |
| Passed through the Texas Education Agency (continued) | | | |
| LEP Summer School | 84.369A | 69552302 | \$ 10,214 |
| Title IV, Part A | 84.424A | 23-680101107901 | 51,225 |
| Title IV, Part A | 84.424A | 24-680101107901 | 6,993 |
| Total Assistance Listing Number 84.424 | | | 68,432 |
| COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) II | 84.425D | 21-521001107901 | 251,400 |
| COVID-19 - ESSER III | 84.425U | 21-528001107901 | 4,520,694 |
| COVID-19 - ESSER Supplemental Grant TCLAS | 84.425U | 21-528042107901 | 13,091 |
| Total Assistance Listing Number 84.425 | | | 4,785,185 |
| Total Passed through the Texas Education Agency | | | 7,580,643 |
| Passed through Education Service Center (ESC) Region 10 | | | |
| SSA - IDEA - Part B, Discretionary | 84.027A | UQZKSWHBUH3 | 60,411 |
| Total Passed through ESC Region 10 | | | 60,411 |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | | 7,641,054 |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | \$ 9,668,482 |
| Total Assistance Listing Number 84.027 - \$699,062 | | | |
| Total Special Education Cluster (84.027, 84.173) - \$708,974 | | | |

ATHENS INDEPENDENT SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2024

1. GENERAL

The Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all applicable federal award programs of Athens Independent School District. The District's reporting entity is defined in Note I of the financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the SEFA.

2. BASIS OF ACCOUNTING

The SEFA is presented using the modified accrual basis of accounting. The District's significant accounting policies, including the modified accrual basis of accounting, are presented in Note 1 of the basic financial statements. The SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

3. PASS-THROUGH EXPENDITURES

None of the federal programs expended by the District were provided to subrecipients.

4. INDIRECT COSTS

The District did not elect to use a de minimis cost rate as described at 2 CFR §200.414(f)—Indirect (F&A) costs.

5. RECONCILIATION OF FEDERAL REVENUES AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The following is a reconciliation of expenditures of federal awards program per the Schedule of Expenditures of Federal Awards and expenditures reported in the financial statements as follows:

| | |
|-----------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Federal revenues per the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds (Exhibit C-3) | \$ 10,293,577 |
| Less: | |
| School Health And Related Services | 342,869 |
| Interest paid on Qualified School Construction Bonds | <u>282,226</u> |
| Federal expenditures per the Schedule of Expenditures of Federal Awards (Exhibit K-1) | <u>\$ 9,668,482</u> |

ATHENS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024

Summary of Auditor's Results

Financial Statements:

| | |
|----------------------------------------------------------------|---------------|
| Type of auditor's report issued | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified? | None reported |
| Material noncompliance material to financial statements noted? | No |

Federal Awards:

| | |
|------------------------------------------------------------------|---------------|
| Internal control over major programs: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified? | None reported |
| Type of auditor's report issued on compliance for major programs | Unmodified |

| | |
|----------------------------------------------------------------------------------------------------|------|
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | None |
|----------------------------------------------------------------------------------------------------|------|

Identification of major programs:

| | |
|-------------------------------|-------------------------------------|
| Assistance Listing Number(s): | Name of Federal Program or Cluster: |
| 10.553, 10.555 | Child Nutrition Cluster |
| 84.010 | Title I, Part A |

| | |
|-------------------------------------------------------------------------|-----------|
| Dollar threshold used to distinguish between type A and type B programs | \$750,000 |
|-------------------------------------------------------------------------|-----------|

| | |
|----------------------------------------|-----|
| Auditee qualified as low-risk auditee? | Yes |
|----------------------------------------|-----|

Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Generally Accepted Government Auditing Standards

None reported

Findings and Questioned Costs for Federal Awards

None reported

ATHENS INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024

None.

APPENDIX E

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

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

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

History and Purpose

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

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

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

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

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

Audited financial information for the PSF is provided annually through the PSF Corporation's Annual Comprehensive Financial Report (the "Annual Report"), which is filed with the Municipal Securities Rulemaking Board ("MSRB"). The Texas School Land Board's (the "SLB") land and real assets investment operations, which are part of the PSF as described below, are also included in the annual financial report of the Texas General Land Office (the "GLO") that is included in the annual comprehensive report of the State of Texas. The Annual Report includes the Message From the Chief Executive Officer of the PSF Corporation (the "Message") and the Management's Discussion and Analysis ("MD&A"). The Annual Report for the year ended August 31, 2024, as filed with the MSRB in accordance with the PSF undertaking and agreement made in accordance with Rule 15c2-12 ("Rule 15c2-12") of the United States Securities and Exchange Commission (the "SEC"), as described below, is hereby incorporated by reference into this disclosure. Information included herein for the year ended August 31, 2024, is derived from the audited financial statements of the PSF, which are included in the Annual Report as it is filed and posted. Reference is made to the Annual Report for the complete Message and MD&A for the year ended August 31, 2024, and for a description of the financial results of the PSF for the year ended August 31, 2024, the most recent year for which audited financial information regarding the Fund is available. The 2024 Annual Report speaks only as of its date and the PSF Corporation has

not obligated itself to update the 2024 Annual Report or any other Annual Report. The PSF Corporation posts (i) each Annual Report, which includes statistical data regarding the Fund as of the close of each fiscal year, (ii) the most recent disclosure for the Guarantee Program, (iii) the PSF Corporation's Investment Policy Statement (the "IPS"), and (iv) monthly updates with respect to the capacity of the Guarantee Program (collectively, the "Web Site Materials") on the PSF Corporation's web site at <https://texaspsf.org> and with the MSRB at www.emma.msrb.org. Such monthly updates regarding the Guarantee Program are also incorporated herein and made a part hereof for all purposes. In addition to the Web Site Materials, the Fund is required to make quarterly filings with the SEC under Section 13(f) of the Securities Exchange Act of 1934. Such filings, which consist of a list of the Fund's holdings of securities specified in Section 13(f), including exchange-traded (e.g., NYSE) or NASDAQ-quoted stocks, equity options and warrants, shares of closed-end investment companies and certain convertible debt securities, are available from the SEC at www.sec.gov/edgar. A list of the Fund's equity and fixed income holdings as of August 31 of each year is posted to the PSF Corporation's web site and filed with the MSRB. Such list excludes holdings in the Fund's securities lending program. Such list, as filed, is incorporated herein and made a part hereof for all purposes.

Management and Administration of the Fund

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

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

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

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

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

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

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

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

The Total Return Constitutional Amendment

The Total Return Constitutional Amendment requires that PSF distributions to the ASF be determined using a "total-return-based" approach that provides that the total amount distributed from the Fund to the ASF: (1) in each year of a State fiscal biennium must be an amount that is not more than 6% of the average of the market value of the Fund, excluding real property (the "Distribution Rate"), on the last day of each of the sixteen State fiscal quarters preceding the Regular Session of the Legislature that begins before that State fiscal biennium, in accordance with the rate adopted by: (a) a vote of two-thirds of the total membership of the SBOE, taken before the Regular Session of the Legislature convenes or (b) the Legislature by general law or appropriation, if the SBOE does not adopt a rate as provided by clause (a); and (2) over the ten-year period consisting of the current State fiscal year and the nine preceding State fiscal years may not exceed the total return on all investment assets of the Fund over the same ten-year period (the "Ten Year Total Return"). In April

2009, the Attorney General issued a legal opinion, Op. Tex. Att’y Gen. No. GA-0707 (2009) (“GA-0707”), with regard to certain matters pertaining to the Distribution Rate and the determination of the Ten Year Total Return. In GA-0707 the Attorney General opined, among other advice, that (i) the Ten Year Total Return should be calculated on an annual basis, (ii) a contingency plan adopted by the SBOE, to permit monthly transfers equal in aggregate to the annual Distribution Rate to be halted and subsequently made up if such transfers temporarily exceed the Ten Year Total Return, is not prohibited by State law, provided that such contingency plan applies only within a fiscal year time basis, not on a biennium basis, and (iii) the amount distributed from the Fund in a fiscal year may not exceed 6% of the average of the market value of the Fund or the Ten Year Total Return. In accordance with GA-0707, in the event that the Ten Year Total Return is exceeded during a fiscal year, transfers to the ASF will be halted. However, if the Ten Year Total Return subsequently increases during that biennium, transfers may be resumed, if the SBOE has provided for that contingency, and made in full during the remaining period of the biennium, subject to the limit of 6% in any one fiscal year. Any shortfall in the transfer that results from such events from one biennium may not be paid over to the ASF in a subsequent biennium as the SBOE would make a separate payout determination for that subsequent biennium.

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

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

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

Annual Distributions to the Available School Fund¹

| <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>2023²</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> |
|-------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <u>SBOE Distribution Rate¹</u> | 2.5% | 4.2% | 3.3% | 3.5% | 3.7% | 2.974% | 4.18% | 3.32% | 3.45% |

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

PSF Corporation Strategic Asset Allocation

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

- Generate distributions for the benefit of public schools in Texas;
- Maintain the purchasing power of the Fund, after spending and inflation, in order to maintain intergenerational equity with respect to distributions from the Fund;

- Provide a maximum level of return consistent with prudent risk levels, while maintaining sufficient liquidity needed to support Fund obligations; and
- Maintain a AAA credit rating, as assigned by a nationally recognized securities rating organization.

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

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

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

Comparative Investment Schedule – PSF(CORP)

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

| | | | | |
|--------------------------------|----------------|--------------|--------------|---------------|
| UNALLOCATED CASH | <u>2,583.2</u> | <u>348.2</u> | <u>2,235</u> | <u>641.9%</u> |
| TOTAL PSF(CORP) INVESTMENTS | 56,937.2 | \$ 52,379.8 | \$ 4,557.4 | 8.7% |

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

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

Investment Schedule - PSF(SLB)¹

Fair Value (in millions) August 31, 2024

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

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

From time to time, TEA has limited new guarantees under the Charter District Bond Guarantee Program to conform to capacity limits specified by the Act. The Charter District Bond Guarantee Program Capacity (the "CDBG Capacity") is made available from the capacity of the Guarantee Program but is not reserved exclusively for the Charter District Bond Guarantee Program. See "Capacity Limits for the Guarantee Program." Other factors that could increase the CDBG Capacity include Fund investment performance, future increases in the Guarantee Program multiplier, changes in State law that govern the calculation of the CDBG 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 SDBG 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 SDBG 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

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

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

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

Permanent School Fund Guaranteed Bonds by Category⁽¹⁾

| Formal School Fund - Guaranteed Bonds - by Category | | | | | | |
|-----------------------------------------------------|------------------------------|---------------------------------|-------------------------------|---------------------------------|-------------------------|---------------------------------|
| | <u>School District Bonds</u> | | <u>Charter District Bonds</u> | | <u>Totals</u> | |
| Fiscal Year Ended <u>8/31</u> | No. of <u>Issues</u> | Principal <u>Amount (\$)</u> | No. of <u>Issues</u> | Principal <u>Amount (\$)</u> | No. of <u>Issues</u> | Principal <u>Amount (\$)</u> |
| 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 8-31-2024¹

| <u>Portfolio</u> | <u>Return</u> | <u>Benchmark Return²</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 [available at](https://tea.texas.gov/sites/default/files/ch033a.pdf) <https://tea.texas.gov/sites/default/files/ch033a.pdf>.

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

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

Annual Reports

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

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

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

Financial Advisory Services
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