

PRELIMINARY OFFICIAL STATEMENT
Dated June 17, 2026

NEW ISSUE – BOOK-ENTRY-ONLY

Enhanced/Unenhanced Ratings:

S&P: “AAA” / “A+”

PSF: “Guaranteed”

(See “OTHER PERTINENT INFORMATION – Municipal Bond Rating” herein and “APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” attached hereto.)

In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel to 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 existing on the date thereof, subject to the matters described under “TAX MATTERS” herein, including the alternative minimum tax on certain corporations.

The District will designate the Bonds as “Qualified Tax-Exempt Obligations” for financial institutions.



\$6,755,000*

DALHART INDEPENDENT SCHOOL DISTRICT

(a political subdivision of the State of Texas located in Dallam and Hartley Counties)

UNLIMITED TAX REFUNDING BONDS, SERIES 2026

Dated Date: July 15, 2026

Due: as shown on the inside cover page hereto

Interest to Accrue from Date of Delivery

AUTHORITY FOR ISSUANCE ... The Dalhart Independent School District Unlimited Tax Refunding Bonds, Series 2026 (the “Bonds”) are being issued pursuant to the Constitution and general laws of the State of Texas (the “State” or “Texas”), including Chapter 1207 of the Texas Government Code, as amended, (the “Act”) and a bond order (the “Bond Order”) adopted by the Board of Trustees of the District (the “Board”) on June 9, 2026. As permitted by the Act, in the Bond Order, the Board delegated to certain District officials the ability to execute an approval certificate (the “Pricing Certificate”) evidencing the final sale terms of the Bonds (the Bond Order and the Pricing Certificate are jointly referred to as the “Order”) which is expected to be executed on or about June 24, 2026. See “THE BONDS - Authority for Issuance” herein.

PAYMENT TERMS ... Interest on the Bonds will accrue from the date of initial delivery to the underwriter (the “Underwriter”) named below, will be payable on each August 15 and February 15, commencing August 15, 2026, until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued as fully-registered obligations in principal denominations of \$5,000 or any integral multiple thereof. The definitive Bonds will be registered and delivered to Cede & Co., as the nominee of The Depository Trust Company, New York, New York (“DTC”), pursuant to the Book-Entry-Only System described herein. DTC will act as the initial securities depository (the “Securities Depository”) for the Bonds. Book-entry interests in the Bonds will be made available for purchase in multiples of \$5,000 of the principal amount. 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, principal of and interest on the Bonds (as applicable) will be payable by the Paying Agent/Registrar, initially BOKF, NA, Dallas, Texas, 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” herein.

PURPOSE ... Proceeds from the sale of the Bonds will be used (i) to refund a portion of the District’s currently outstanding unlimited ad valorem tax-supported obligations, as identified in Schedule I attached hereto (the “Refunded Bonds”), and (ii) to pay for the costs of issuance of the Bonds. See “PLAN OF FINANCING – Purpose” and “– Sources and Uses of Funds” herein.

The District has received conditional approval from the Texas Education Agency for the payment of principal and interest on the Bonds to be guaranteed under the Permanent School Fund Guarantee Program, which guarantee will automatically become effective when the Attorney General of the State of Texas approves the Bonds. See “APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” attached hereto.

**For Maturity Schedule, Principal Amounts, Interest Rates, Initial Yields, CUSIP Numbers,
and Redemption Provisions for the Bonds, see the inside cover page hereto.**

The Bonds are offered for delivery when, as, and if issued and received by the Underwriter and are subject to the approving opinion of the Attorney General of the State of Texas and the opinions of McCall, Parkhurst & Horton L.L.P., Dallas, Texas. See “APPENDIX D – FORM OF BOND COUNSEL’S OPINION” attached hereto. Certain matters will be passed upon for the Underwriter by its counsel, Leon, Alcalá, Morse & Reynolds, PLLC, Austin, Texas. It is expected that the Bonds will be available for delivery through DTC on or about July 28, 2026 (the “Date of Delivery”).*

FHN FINANCIAL CAPITAL MARKETS

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or filing under the securities laws of any such jurisdiction.

STATED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS, CUSIP NUMBERS, AND REDEMPTION PROVISIONS

\$6,755,000*

**DALHART INDEPENDENT SCHOOL DISTRICT
(a political subdivision of the State of Texas located in Dallam and Hartley Counties)
UNLIMITED TAX REFUNDING BONDS, SERIES 2026**

CUSIP No. Prefix 234451 ⁽¹⁾

Maturity Date	Principal* (\$)	Interest Rate (%)	Initial Yield ⁽²⁾ (%)	CUSIP No. ⁽¹⁾ Suffix
8/15/2026	490,000			
2/15/2027	360,000			
***	***	***	***	***
2/15/2029	615,000			
2/15/2030	645,000			
2/15/2031	680,000			
2/15/2032	715,000			
2/15/2033	755,000			
2/15/2034	790,000			
2/15/2035	830,000			
2/15/2036	875,000			

(Interest to accrue from the initial Date of Delivery)

Optional Redemption.* The District reserves the option to redeem the Bonds maturing on and after February 15, 20__, in whole or in part, before their respective scheduled maturity dates, in the principal amount of \$5,000 or any integral multiple thereof, on February 15, 20__, or on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption. Additionally, if two or more Bonds of consecutive maturities are combined into one or more "term" Bonds (the "Term Bonds") by the Underwriter, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Order. See "THE BONDS – Redemption Provisions of the Bonds" herein.

* Preliminary, subject to change.

⁽¹⁾ CUSIP numbers are included solely for the convenience of the owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright(c) 2024 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Underwriter, the District, or the Financial Advisors is responsible for the selection or correctness of the CUSIP numbers set forth herein. CUSIP numbers for the Bonds are subject to change after the issuance as a result of various post-issuance events, including, but not limited to, a partial defeasance of the Bonds.

⁽²⁾ The initial yields at which Bonds are priced are established by and are the sole responsibility of the Underwriter and, subject to certain hold-the-offering-price restrictions of limited duration in the purchase agreement for the Bonds, may be changed by the Underwriter.

DALHART INDEPENDENT SCHOOL DISTRICT
701 E. 10th
Dalhart, TX 79022

BOARD OF TRUSTEES

<u>Name</u>	<u>Position</u>	<u>Term Expiration</u>
Jared Gordon	President	May 2029
Shelby Campbell	Vice-President	May 2028
Joni Atha	Secretary	May 2028
Reynaldo Encinias	Board Member	May 2029
Eric Diaz	Board Member	May 2027
Rayna Crawford	Board Member	May 2029
<i>Vacancy</i>	Board Member	N/A

ADMINISTRATION – FINANCE RELATED

<u>Name</u>	<u>Position</u>
Jeff Byrd	Superintendent
Sarah Nutter	Director of Student Services

CONSULTANTS AND ADVISORS

Auditors	Brown, Graham & Company, P.C., Amarillo, Texas
Bond Counsel	McCall, Parkhurst & Horton L.L.P., Dallas, Texas
Municipal Advisor	Live Oak Public Finance, LLC, Austin, Texas

For Additional Information Contact:

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Dalhart Independent School District
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Dalhart, TX 79022
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USE OF INFORMATION IN THE OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended and in effect on the date of this Preliminary Official Statement ("Rule 15c2-12"), 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.

No dealer, broker, salesman, or other person has been authorized by the District or the Underwriter to give any information or to make any representation with respect to the Bonds, 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 either of the foregoing.

This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. The information set forth herein has been obtained from sources that are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the District or the Underwriter.

The information and expressions of opinion 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 information or opinions set forth herein after the date of this Official Statement. See "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – PSF Continuing Disclosure Undertaking" attached hereto and "CONTINUING DISCLOSURE" herein for a description of the undertakings of the Texas Education Agency ("TEA") and the District, respectively, to provide certain information on a continuing basis.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

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

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

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

None of the District, the Municipal Advisor, or the Underwriter make any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company ("DTC") or its Book-Entry-Only System described under the caption "BOOK-ENTRY-ONLY SYSTEM" herein or the affairs of TEA described in "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" attached hereto as such information has been provided by DTC and TEA, respectively.

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

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE BONDS OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE

ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT THAN THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS. SEE "OTHER PERTINENT INFORMATION – FORWARD LOOKING STATEMENTS" HEREIN.

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

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

OFFICIAL STATEMENT SUMMARY

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

THE DISTRICTThe District is a political subdivision of the State of Texas (the "State" or "Texas") located in Dallam and Hartley Counties. 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. See "INTRODUCTION – Description of the District" herein.

AUTHORITY FOR ISSUANCE.....The Bonds are being issued in the principal amount of \$6,755,000 pursuant to the Constitution and general laws of the State, including Chapter 1207 of the Texas Government Code, as amended, (the "Act") and a bond order (the "Bond Order") adopted by the Board of Trustees of the District (the "Board") on June 9, 2026. As permitted by the Act, in the Bond Order, the Board delegated to certain District officials the ability to execute an approval certificate (the "Pricing Certificate") evidencing the final sale terms of the Bonds (the Bond Order and the Pricing Certificate are jointly referred to as the "Order") which is expected to be executed on or about June 24, 2026. See "THE BONDS - Authority for Issuance" herein.

THE BONDSThe Bonds shall mature on the dates and in the amounts set forth on the inside cover page of this Official Statement. See "THE BONDS – Description of the Bonds" herein.

DATED DATEJuly 15, 2026.

PAYMENT OF INTEREST ..Interest on the Bonds will accrue from the date of initial delivery to the Underwriter (listed on the cover page hereof), will be payable on each August 15 and February 15, commencing August 15, 2026, until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. See "THE BONDS – Description of the Bonds" herein.

REDEMPTION*The District reserves the option to redeem the Bonds maturing on and after February 15, 20__, in whole or in part before their respective scheduled maturity dates, in the principal amount of \$5,000 or any integral multiple thereof, on February 15, 20__, or on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption. Additionally, if two or more Bonds of consecutive maturities are combined into one or more "term" Bonds (the "Term Bonds") by the Underwriter, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Order. See "THE BONDS – Redemption Provisions of the Bonds" herein.

SECURITY FOR THE BONDSThe Bonds constitute direct obligations of the District payable from a continuing direct annual ad valorem tax levied against all taxable property located therein, without legal limitation as to rate or amount. Additionally, the payment of the Bonds is expected to be guaranteed by the corpus of the Permanent School Fund of the State of Texas. See "THE BONDS – Security and Source of Payment" and "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" attached hereto.

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

QUALIFIED TAX-EXEMPT OBLIGATIONS.....The District will designate the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations" herein.

PERMANENT SCHOOL FUND GUARANTEEThe District has received conditional approval from the Texas Education Agency for the payment of principal and interest on the Bonds to be guaranteed under the Permanent School Fund Guarantee Program, which guarantee will automatically become effective when the Attorney General of the State of Texas approves the Bonds. See "THE BONDS – Permanent School Fund Guarantee" herein and "APPENDIX E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" attached hereto.

PAYING AGENT/REGISTRARThe initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas.

MUNICIPAL BOND RATINGThe presently outstanding unlimited tax-supported debt of the District including the Bonds is rated "A+" by S&P Global Ratings, Inc. ("S&P") without regard to credit enhancement, and "AAA" by S&P by virtue of the guarantee of the Permanent School Fund of the State. See "OTHER PERTINENT INFORMATION – Municipal Bond Rating" and "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" attached hereto.

USE OF PROCEEDS Proceeds from the sale of the Bonds will be used (i) to refund a portion of the District's currently outstanding unlimited ad valorem tax-supported obligations, as identified in Schedule I attached hereto (the "Refunded Bonds") and (ii) to pay for the costs of issuance of the Bonds. See "PLAN OF FINANCING – Purpose" and "- Sources and Uses of Funds" herein.

BOOK-ENTRY-ONLY SYSTEM.....The definitive Bonds will be initially registered and delivered only to Cede & Co., as nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of

* Preliminary, subject to change.

\$5,000 of the principal amount or any integral multiple thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

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

DELIVERYWhen issued, anticipated to occur on or about July 28, 2026.*

LEGALITYThe Bonds are subject to the delivery of an opinion as to legality by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel, and the opinion as to the legality of the Bonds by the Attorney General of the State of Texas (see "APPENDIX D – FORM OF BOND COUNSEL'S OPINION" herein).

* Preliminary, subject to change.

PRELIMINARY OFFICIAL STATEMENT

Relating to

\$6,755,000*

DALHART INDEPENDENT SCHOOL DISTRICT (a political subdivision of the State of Texas located in Dallam and Hartley Counties) UNLIMITED TAX REFUNDING BONDS, SERIES 2026

INTRODUCTION

This Official Statement, which includes the schedule and appendices attached hereto, and incorporated herein, provides certain information regarding the issuance of the \$6,755,000* Unlimited Tax Refunding Bonds, Series 2026 (the "Bonds") of the Dalhart Independent School District (the "District"). The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the "State" or "Texas"), including Chapter 1207 of the Texas Government Code, as amended, (the "Act") and a bond order (the "Bond Order") adopted by the Board of Trustees of the District (the "Board") on June 9, 2026. As permitted by the Act, in the Bond Order, the Board delegated to certain District officials the ability to execute an approval certificate (the "Pricing Certificate") evidencing the final sale terms of the Bonds (the Bond Order and the Pricing Certificate are jointly referred to as the "Order") which is expected to be executed on or about June 24, 2026. See "THE BONDS - Authority for Issuance" herein.

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

Included in this Official Statement are descriptions of the Bonds, the Order, and certain other information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained by writing the Dalhart Independent School District, 701 E. 10th, Dalhart, Texas 79022, Attention: Superintendent of Schools and, during the offering period, from the District's Municipal Advisor, Live Oak Public Finance, LLC, 1515 S. Capital of Texas Hwy., Suite 206, Austin, Texas 78746, Attention: John Blackburn, 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. Copies of the Official Statement will be deposited with the Municipal Securities Rulemaking Board and will be available through its Electronic Municipal Market Access ("EMMA") System. See "CONTINUING DISCLOSURE" herein for a description of the District's undertaking to provide certain information on a continuing basis.

Description of the District

The District is a political subdivision of the State located in Dallam and Hartley Counties. 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.

PLAN OF FINANCING

Purpose

Proceeds from the sale of the Bonds will be used (i) to refund a portion of the District's currently outstanding unlimited ad valorem tax-supported obligations, as identified in Schedule I attached hereto (the "Refunded Bonds") and (ii) to pay for the costs of issuance of the Bonds. See "Sources and Uses of Funds" herein.

Refunded Bonds

The Order provides that the District will deposit with BOKF, NA, Dallas, Texas (the "Escrow Agent") pursuant to an escrow agreement (the "Escrow Agreement") a portion of the proceeds of the sale of the Bonds to the Underwriter, which, together with other lawfully available funds of the District, if any, will be sufficient, when including any investment earnings described below, to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in an escrow account (the "Escrow

* Preliminary, subject to change.

Fund") in cash or invested in certain governmental obligations permitted by the order that authorized the issuance of the Refunded Bonds ("Escrowed Securities") until the redemption date for the Refunded Bonds. Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds. Amounts in the Escrow Fund will not be available to pay debt service on the Bonds.

Public Finance Partners LLC, Minneapolis, Minnesota will verify at the time of delivery of the Bonds to the Underwriter the mathematical accuracy of the schedules that demonstrate the Escrowed Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay the principal of and interest on the Refunded Bonds on the redemption date.

By the deposit of the proceeds of the Bonds and other lawfully available funds of the District, if any, with the Escrow Agent, the District will have effected the defeasance of the Refunded Bonds pursuant to the Act, and the order authorizing the issuance of the Refunded Bonds. As a result of such defeasance, the Refunded Bonds will be outstanding only for the purpose of receiving payments from the funds held for such purpose by the Escrow Agent, and the Refunded Bonds will not be deemed as being outstanding obligations of the District, payable from the sources and secured in the manner provided in the order authorizing their issuance or for any other purpose. Upon defeasance of the Refunded Bonds, the payment of such Refunded Bonds will no longer be guaranteed by the corpus of the Permanent School Fund of the State of Texas.

Sources and Uses of Funds

The proceeds from the sale of the Bonds, together with other lawfully available funds of the District, if any, will be applied approximately as follows:

<u>Sources of Funds:</u>	
Par Amount of Bonds	\$
[Net] Reoffering Premium on the Bonds	
Issuer Contribution	
TOTAL SOURCES	\$
 <u>Uses of Funds:</u>	
Deposit to Escrow Fund for Refunded Bonds	\$
Costs of Issuance & Rounding Amount	
Underwriter's Discount	
TOTAL USES	\$

THE BONDS

Description of the Bonds

The Bonds will be dated July 15, 2026 (the "Dated Date") and mature on each of the dates and in the amounts shown on the inside cover page of this Official Statement. Interest on the Bonds will accrue from the date of initial delivery to the Underwriter (detailed below), will be payable on each August 15 and February 15, commencing August 15, 2026, until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued only in fully-registered form in denominations of \$5,000 of the principal amount or any integral multiple thereof within a stated maturity.

Interest on the Bonds is payable to the registered owners appearing on the bond registration books kept by the Paying Agent/Registrar relating to the Bonds (the "Bond Register") on the Record Date (detailed below) and such interest shall be paid by the Paying Agent/Registrar (i) by check sent by United States mail, first class, postage prepaid, to the address of the registered owner recorded in the Bond Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The principal of the Bonds is payable at stated maturity or prior redemption upon presentation and surrender to the Paying Agent/Registrar. The Bonds will be issued only in fully-registered form in any integral multiple of \$5,000 of the principal amount for any one maturity.

The definitive Bonds will initially be registered and delivered only to Cede & Co., as nominee of The Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 of the principal amount or any integral multiple thereof. No physical delivery of the Bonds will be made to the owners thereof. Debt service on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners (defined above) of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Authority for Issuance

The Bonds are being issued pursuant to the Constitution and general laws of the State, including the Act and the Bond Order adopted by the Board on June 9, 2026. As permitted by the Act, in the Bond Order, the Board delegated to certain District officials the ability to execute the Pricing Certificate evidencing the final sale terms of the Bonds which is expected to be executed on or about June 24, 2026.

Security and Source of Payment

The Bonds constitute direct obligations of the District payable from a continuing direct annual ad valorem tax levied against all taxable property located within the District, without legal limitation as to rate or amount. See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" herein. Additionally, the payment of the Bonds is expected to be guaranteed by the corpus of the Permanent School Fund of the State of Texas. See "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" attached hereto.

Permanent School Fund Guarantee

The District has received conditional approval from the State Commissioner of Education (the "Education Commissioner") for the payment of the Bonds to be guaranteed under the Permanent School Fund Guarantee Program pursuant to Chapter 45, Subchapter C of the Texas Education Code. Subject to certain conditions discussed under "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" attached hereto, 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, Beneficial Owners will receive all payments due on the Bonds from the corpus of the Permanent School Fund.

Redemption Provisions of the Bonds*

Optional Redemption

The District reserves the right to redeem the Bonds maturing on and after February 15, 20__, in whole or in part, in denominations of \$5,000 of the principal amount or any integral multiple thereof, on February 15, 20__ or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption. When the Bonds or portions thereof have been called for redemption and due provisions have been made to redeem the Bonds, the amounts so redeemed shall be payable solely from the funds provided for redemption, and interest that would otherwise accrue on the Bonds or portions thereof called for redemption shall terminate on the date fixed for redemption.

Mandatory Redemption

If two or more Bonds of consecutive maturities are combined into one or more "term" Bonds (the "Term Bonds") by the Underwriter, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Order.

Selection of Bonds for Redemption

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

Notice of Redemption

Not less than 30 days prior to a redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of a Bond to be redeemed, in whole or in part, at the address of the 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

* Preliminary, subject to change.

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.

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

DTC Redemption Provisions

The Paying Agent/Registrar and the District, so long as the 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 so 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.

Defeasance

Any Bond(s) will be deemed paid and shall no longer be considered to be outstanding within the meaning of the Order when payment of the principal of and interest on such Bond(s) to its stated maturity or redemption date has been made or will have been provided by depositing with an authorized escrow agent: (1) cash in an amount sufficient to make such payment; (2) Government Obligations (defined below) certified, in the case of a net defeasance, by an independent public accounting firm of national reputation, the District's Municipal Advisor, the Paying Agent/Registrar, or another qualified third party certifying such maturities and interest payment dates and bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment; or (3) a combination of moneys and Government Obligations together so certified sufficient to make such payment.

The Order provides that "Government Obligations" means: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America; (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date 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; (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 that are, on the date the governing body of the District authorizes the defeasance, rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; or (d) any additional securities and obligations hereafter authorized by Texas law as eligible for use to accomplish the discharge of obligations such as the Bonds. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Bonds, or those for any other Government Obligations, will be maintained at any particular rating category. Further, there is no assurance that current Texas law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of those securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Bonds ("Defeasance Proceeds"), though the District has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Order does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the District to use lawfully available Defeasance Proceeds to defease all or any portion of the Bonds, registered owners of the Bonds are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under Texas law as permissible defeasance securities.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, the District has the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption at an earlier date

those Bonds which have been defeased to their maturity date, if the District (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call such Bonds for redemption, (ii) gives notice of the reservation of that right to the owners of such Bonds immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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

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

Amendments

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

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

Default and Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Order, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or the Order and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the registered owners 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. 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 United States 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" attached hereto 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 and general principles of equity which permit the exercise of judicial discretion.

Payment Record

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

Legality

The Bonds are offered when, as, and if issued, and subject to the delivery of an opinion as to legality by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel, and the opinion as to the legality of the Bonds by the Attorney General of the State of Texas.

Delivery

When issued; anticipated to occur on or about July 28, 2026 (preliminary, subject to change).

Future Issues

The District has no authorized but unissued ad valorem tax bonds. Aside from the Bonds and any future refunding bonds issued for debt service savings, the District does not anticipate the issuance of additional new money ad valorem tax-supported debt in the next twelve months.

The District's voters could authorize the issuance of additional new money bonds at a future election. In addition, the District may, without voter approval, incur other financial obligations payable from its collection of taxes and other sources of revenue, including maintenance tax notes payable from its collection of maintenance and operations taxes, public property finance contractual obligations payable from its collection of maintenance taxes, delinquent tax notes, and leases for various purposes payable from State appropriations and surplus maintenance and operations taxes.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

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

Record Date for Interest Payment

The record date ("Record Date") for determining the registered owner entitled to receive a payment of interest on any Bond is the close of business on the last business day of the month preceding each interest payment date.

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

Registration, Transferability and Exchange

In the event the Book-Entry-Only System shall be discontinued, printed certificates will be issued to the registered owners of the Bonds and thereafter the Bonds may be transferred, registered, and assigned on the Bond Register only upon presentation and surrender of such printed certificates to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond(s) will be delivered by the Paying Agent/Registrar in lieu of the Bond(s) being transferred or exchanged at the designated office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. A new Bond(s) issued in an exchange or transfer of a Bond(s) 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 Bond(s) 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. Any new Bond(s) registered and delivered in an exchange or transfer shall be in authorized denominations and for a like kind and aggregate principal amount and having the same maturity or maturities as the Bond(s) surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bond(s).

Limitation on Transfer of Bonds

Neither the District nor the Paying Agent/Registrar are required (i) to make any transfer or exchange during a period beginning at the opening of business forty-five (45) days before the day of the first mailing of a notice of redemption of Bonds and ending at the close of business on the day of such mailing, or (ii) to transfer or exchange any Bonds so selected for redemption when such redemption is scheduled to occur within forty-five (45) calendar days; provided however, that such limitation of transfer is not applicable to an exchange by the registered owner of the uncalled balance of a Bond.

BOOK-ENTRY-ONLY SYSTEM

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

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

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each 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 fewer than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

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

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the District or the Paying Agent/Registrar. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

Use of Certain Terms in Other Sections of This Official Statement

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

Effect of Termination of Book-Entry-Only System

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

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" attached hereto for pertinent information regarding the Permanent School Fund Guarantee Program. The disclosure regarding the Permanent School Fund Guarantee Program in APPENDIX E attached hereto is incorporated herein and made a part hereof for all purposes.

AD VALOREM TAX PROCEDURES

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

Valuation of Taxable Property

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

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

An appraisal district may only increase the appraised value of real property during the 2026 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5.32 million (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"). Through December 31, 2026 (unless extended by future legislation), 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" herein.

State-Mandated Homestead Exemptions

State law grants, with respect to taxes for general elementary and secondary public school purposes, (1) a \$140,000 exemption of the appraised value of all residence homesteads (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Sessions" herein for a discussion of a recent increase in this exemption), (2) a \$60,000 exemption of the appraised value of the residence homesteads of persons sixty-five (65) years of age or older and the disabled (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Sessions" herein for a discussion of a recent increase in this exemption), and (3) various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

Local Option Homestead Exemptions

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

State-Mandated Freeze on School District Taxes

Except for increases attributable to certain improvements, a school district is prohibited from increasing the total ad valorem tax on the residence 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 residence homestead qualified for such exemption. This freeze is transferable to a different residence homestead if a qualifying

taxpayer moves and, under certain circumstances, is also transferable to the surviving spouse of a person sixty-five (65) years of age or older, but not the disabled.

The total amount of ad valorem taxes that may be imposed for general elementary and secondary public school purposes on the residence homestead of a person who is 65 years of age or older or disabled may be adjusted to reflect any statutory reduction from the preceding tax year in the maximum compressed rate of the maintenance and operations taxes imposed for those purposes on the homestead.

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. From and after the 2026 tax year, a person is entitled to an exemption from taxation by a taxing unit of \$125,000 of the appraised value of the tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit. A person who leases tangible personal property is also entitled to a tax exemption of \$125,000, regardless of where the property is located in the taxing unit.

Freeport and Goods-in-Transit Exemptions

Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or fewer 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 outside of the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or outside of 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.

Other Exempt Property

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

Temporary Exemption for Qualified Property Damaged by a Disaster

The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the Governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. 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. Under Section 11.35, Texas Tax Code, property is only damaged if it has sustained physical damage. For more information on the exemption, reference is made to Section 11.35, Texas 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 amount by which the appraised value of taxable real property located in the TIRZ for a year exceeds the base value is known as the “captured appraised value.” The “tax increment” for a year is the amount of property taxes levied and collected by each participating

taxing unit on the captured appraised value. During the existence of the TIRZ, all or a portion of the tax increment of a city or county, and of each other overlapping taxing unit that has elected to participate, is required to be deposited into the tax increment fund for the TIRZ and is restricted to paying planned project and financing costs within the TIRZ. and such amounts 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" herein.

Tax Limitation Agreements

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

During the regular session of the 88th Texas Legislature, House Bill 5, codified as Chapter 403, Subchapter T, Texas Government Code, as amended ("Chapter 403T"), was enacted into law. Chapter 403T was intended as a replacement of former Chapter 313, but it contains significantly different provisions than the prior program under Chapter 313. Under Chapter 403T, a school district may offer a 50% abatement on taxable value for maintenance and operations ad valorem taxes for certain eligible projects, except that projects in a federally designated economic opportunity zone receive a 75% abatement. Chapter 403T also provides a 100% abatement of maintenance and operations taxes for eligible property during a project's construction period. Taxable valuation for purposes of the debt service taxes securing the Bonds cannot be abated under Chapter 403T. Eligible projects must involve manufacturing, provision of utility services, including dispatchable electric generation facilities, facilities related to the development of natural resources, facilities engaged in the research, development or manufacture of high-tech equipment or technology, or critical infrastructure projects and projects must create and maintain jobs, as well as meet certain minimum investment requirements.

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 \$62,883,169 for the 2026 tax year and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and generally become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the

District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the District may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances. The Property Tax Code permits taxpayers owning homes or certain small businesses located in a disaster area and damaged as a direct result of the declared disaster to pay taxes imposed in the year following the disaster in four equal installments without penalty or interest, commencing on February 1 and ending on August 1. See "AD VALOREM TAX PROCEDURES – Temporary Exemption for Qualified Property Damaged by a Disaster" herein for further information related to a discussion of the applicability of this section of the Property Tax Code.

District's Rights in the Event of Tax Delinquencies

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

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

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

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

THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT

The Appraisal District has the responsibility for appraising property in the District as well as other taxing units in the applicable County. The Appraisal District is governed by a board of directors.

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

The District provides the State-mandated exemption to the market value of residence homesteads of \$140,000. If the property owner qualifies for a 65 and older or disabled person's exemption, the District grants a State-mandated exemption of an additional \$60,000. A person eligible for both the 65 and older and the disabled person's exemption may receive only one.

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

The District collects 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 Dallam & Hartley County Appraisal Districts.

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 does not grant any portion of the additional local option homestead exemption of up to 20% of the market value of residence homesteads.

The District does not grant a local option homestead exemption for taxpayers who are at least 65 years of age or disabled.

The District does not exempt freeport property from taxation and has not taken action to continue its taxation of goods-in-transit.

Charges for penalties and interest on the unpaid balance of delinquent taxes are as follows:

Month	Cumulative Penalty	Cumulative Interest ^(b)	Total
February	6%	1%	7%
March	7%	2%	9%
April	8%	3%	11%
May	9%	4%	13%
June	10%	5%	15%
July	32% ^(a)	6%	38%

(a) Includes additional penalty of 20% assessed after July 1 in order to defray attorney collection expenses.

(b) Interest continues to accrue after July 1 at the rate of 1% per month until paid.

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 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” herein.

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

Overview

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

Local funding for school districts is derived from collections of ad valorem taxes levied on property located within each school district’s boundaries. School districts are authorized to levy two types of property taxes: 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. Prior to 2006, school districts were authorized to levy their M&O tax at a voter-approved rate, generally up to \$1.50 per \$100 of taxable value. Since 2006, the State Legislature has enacted various legislation that has compressed the voter-approved M&O tax rate, as described below. Current law also requires school districts to demonstrate their ability to pay debt service on outstanding bonded indebtedness through the levy of an I&S tax at a rate not to exceed \$0.50 per \$100 of taxable value at the time bonds are issued. Once bonds are issued, however, school districts generally may levy an I&S tax sufficient to pay debt service on such bonds unlimited as to rate or amount (see “TAX RATE LIMITATIONS – I&S Tax Rate Limitations” herein). Because property values vary widely among school districts, the amount of local funding generated by school districts with the same I&S tax rate and M&O tax rate is also subject to wide variation; however, the public school finance funding formulas are designed to generally equalize, on a per-student basis, local funding generated by a school district’s M&O tax rate.

2025 Legislative Sessions

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

The Governor called a first and second special session; the second began on August 15, 2025 and concluded on September 4, 2025. The agendas for the special session included the following items: (i) flood warning systems, (ii) flood emergency communications, (iii) relief funding for hill country floods, (iv) natural disaster preparation and recovery, (v) eliminating the STAAR test, (vi) cutting property taxes, (vii) protecting children from THC, (viii) regulating hemp-derived products, (ix) protecting unborn children, (x) banning taxpayer-funded lobbying, (xi) protecting human trafficking victims, (xii) police personnel records, (xiii) protecting women’s spaces, (xiv) attorney general election powers, (xv) redistricting, (xvi) title theft and deed fraud, (xvii) water project incentives, (xviii) camp safety, (xix) penalties for willfully absent legislators, (xx) purchasing Ivermectin at pharmacies, (xxi) authorizing a groundwater study of East Texas aquifers, (xxii) banning same day voter registration, and (xxiii) authorizing certain contracts with sheriffs/constables and related transfers of funds. The Governor also identified several bills that were vetoed or filed without signature that were placed on the special session agenda for further consideration. Additional special sessions may be called by the Texas Governor.

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

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

Local Funding for School Districts

A school district's M&O tax rate is composed of two distinct parts: the "Tier One Tax Rate," which is the local M&O tax rate required for a school district to receive any part of the basic level of State funding (referred to herein as "Tier One") under the Foundation School Program, as further described below, and the "Enrichment Tax Rate," which is any local M&O tax effort in excess of its Tier One Tax Rate. 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. Such distinctions are discussed under the subcaption "– Local Revenue Level in Excess of Entitlement" herein.

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

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

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 for such year. See "– State Funding for School Districts – Tier Two" herein.

State Funding for School Districts

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

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

school districts subject to the recapture provisions of Chapter 49 of the Texas Education Code, as amended (see “– Local Revenue Level In Excess of Entitlement”), and in some instances is required to be used for that purpose (see “TAX RATE LIMITATIONS – I&S Tax Rate Limitations” herein), Tier Two funding may not be used for the payment of debt service or capital outlay.

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

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

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

The Basic Allotment for a school district with a Tier One Tax Rate equal to the school district’s MCR, is \$6,160 plus the guaranteed yield increment adjustment (the “GYIA”) for each student in ADA and is revised downward for a school district with a Tier One Tax Rate lower than the school district’s MCR. The GYIA is established by October 1 of each even-numbered year for the subsequent biennium. For the 2026-27 biennium, the GYIA is set at \$55. In subsequent biennia, the TEA will calculate the GYIA, which will be determined as the estimated cost to the State to maintain the guaranteed Golden Pennies yield of State and local funds per weighted student per cent of tax effort at the 96th percentile. Effectively, the Legislature has adopted a policy change so that the Basic Allotment will automatically increase in future biennia, at a rate akin to the level of property values increases across the State.

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

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

Beginning with the 2026-2027 fiscal biennium, school districts will also receive an annual allotment of \$106 per enrolled student. The funds under this allotment may only be used for specific operational costs related to transportation, hiring retired teachers, providing health insurance and employee benefits and paying for payroll taxes, contributions and other costs related to member contributions under the Teacher Retirement System of Texas, utilities, and property and casualty insurance.

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

Existing Debt Allotment, Instructional Facilities Allotment, and New Instructional Facilities Allotment. The Foundation School Program also includes facilities funding components consisting of the IFA and the EDA, subject to legislative appropriation each State fiscal biennium. To the extent funded for a biennium, these programs assist school districts in funding facilities by, generally, equalizing a school

district's I&S tax effort. The IFA guarantees each awarded school district a specified amount per student (the "IFA Yield") in State and local funds for each cent of I&S tax levied to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate or improve instructional facilities. The IFA Yield has been \$35 since the program first began in 1997. New awards of IFA are only available if appropriated funds are allocated for such purpose by the Legislature. To receive an IFA award, in years where new IFA awards are available, a school district must apply to the Education 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 Education Commissioner. A school district may use additional state aid received from an IFA award only to pay the principal of and interest on the bonds for which the district received the aid. The guaranteed level of State and local funds per student per cent of local tax effort applicable to the bonds may not be reduced below the level provided for the year in which the bonds were issued. For the 2026-2027 State fiscal biennium, the Legislature did not appropriate any funds for new IFA awards; however, awards previously granted in years the Legislature did appropriate funds for new IFA awards will continue to be funded.

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

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

A school district may also qualify for a NIFA allotment, which provides assistance to school districts for operational expenses associated with opening new instructional facilities or a renovated portion of an instructional facility to be used for the first time to provide high-cost and undersubscribed career and technology education programs, as determined by the Education Commissioner. In the 2025 Legislative Sessions, the State Legislature appropriated funds in the amount of \$150,000,000 for each fiscal year of the 2026-2027 State fiscal biennium for NIFA allotments.

Tax Rate and Funding Equity. The Education 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 Education Commissioner may also adjust a school district's ADA as it relates to State funding where disaster, flood, extreme weather or other calamity has a significant effect on a school district's attendance.

Beginning with the 2025-2026 school year, school districts will be held harmless and entitled to additional state aid to the extent that state and local revenue used to service eligible debt is less than the state and local revenue that would have been available to the district under state law as it existed on January 1, 2025, 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 in excess of entitlement, 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,” below. Chapter 49 school districts receive their allocable share of funds distributed from the constitutionally-prescribed Available School Fund, but are generally not eligible to receive State aid under the Foundation School Program, although they may continue to receive State funds for certain competitive grants and certain programs that remain outside the Foundation School Program.

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

Options for Local Revenue Levels in Excess of Entitlement. Under Chapter 49, a school district has six (6) options to reduce local revenues to a level that does not exceed the school district’s respective entitlements: (1) a school district may consolidate by agreement with one or more school districts to form a consolidated school district; all property and debt of the consolidating school districts vest in the consolidated school district; (2) a school district may detach property from its territory for annexation by a property-poor school district; (3) a school district may purchase attendance credits from the State; (4) a school district may contract to educate nonresident students from a property-poor school district by sending money directly to one or more property-poor school districts; (5) a school district may execute an agreement to provide students of one or more other school districts with career and technology education through a program designated as an area program for career and technology education; or (6) a school district may consolidate by agreement with one or more school districts to form a consolidated taxing school district solely to levy and distribute either M&O taxes or both M&O taxes and I&S taxes. A Chapter 49 school district may also exercise any combination of these remedies. Options (3), (4) and (6) require prior approval by the Chapter 49 school district’s voters. A district that enters into an agreement to exercise an option to reduce the district’s local revenue level in excess of entitlement under options (3), (4), or (5) for the 2025-2026 school year and that has not previously held an election to exercise said options may request and may receive approval from the Commissioner to delay the date of the election otherwise required to be ordered before September 1.

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 Education 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 Education Commissioner do not provide for assumption of any of the transferring school district’s existing debt.

THE SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

For the 2025-2026 fiscal year, the District was designated as an “excess local revenue” district by the TEA. Accordingly, the District has informed the TEA of its intent to enter into a wealth equalization agreement with the Commissioner for the purchase of attendance credit for this fiscal year for the purpose of implementing a permitted wealth equalization option under Chapter 49, Texas Education Code. Notwithstanding the above, the District does not currently expect to be subject to local revenue reduction as discussed under “CURRENT PUBLIC SCHOOL FINANCE SYSTEM - Local Revenue Level in Excess of Entitlement.”

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

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

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

TAX RATE LIMITATIONS

M&O Tax Rate Limitations

A school district is authorized to levy maintenance and operations (“M&O”) taxes subject to approval of a proposition submitted to district voters. The maximum M&O tax rate that may be levied by a district cannot exceed the voted maximum rate or the maximum rate described in the succeeding paragraphs. The maximum voted M&O tax rate for the District is \$1.50 per \$100 of assessed valuation as

approved by the voters at an election held on October 6, 1970, under Chapter 20, Texas Education Code (now codified at Section 45.003, Texas Education Code).

The maximum M&O tax rate per \$100 of taxable value that may be adopted by a school district is the sum of \$0.17 and the school district's MCR. A school district's MCR is, generally, inversely proportional to the change in taxable property values both within the school district and the State, and is subject to recalculation annually. For any year, the highest possible MCR for a school district is \$0.93 (see "TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Funding for School Districts" herein).

For the State fiscal year ending in 2026 (the 2025-2026 school year), the State Compression Percentage was set at 63.22%, resulting in a maximum MCR of \$0.6322 per \$100 of taxable value. The District's MCR is the same as the maximum MCR. For a detailed discussion of State funding for school districts, see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - State Funding for School Districts" herein.

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

I&S Tax Rate Limitations

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

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

Public Hearing and Voter-Approval Tax Rate

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

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

The Voter-Approval Tax Rate for a school district is the sum of (i) the school district's MCR; (ii) the greater of (a) the school district's Enrichment Tax Rate for the preceding year, or (b) the rate of \$0.05 per \$100 of taxable value; and (iii) the school district's current I&S tax rate (as described below). 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.

Effective for the 2026 tax year and thereafter, a district's current I&S tax rate defaults to a rate that provides the minimum dollar amount required to service the school district's debt for the current year (taking into account State assistance for debt service and any excess collections from the prior year not used to service debt), unless a higher rate is approved in accordance with Section 26.05(a-1), Texas Tax Code. Under Section 26.05(a-1), Texas Tax Code, the governing body of a school district may approve an I&S tax rate that exceeds such minimum rate only if (i) the rate is proposed by a motion that states the minimum rate, the proposed rate, the difference between the two rates, and the purpose for which the excess revenue will be used, and (ii) the motion is approved by at least 60 percent of the members of the governing body. If the governing body approves a higher I&S rate under such procedure, that rate is considered the current I&S rate for the applicable tax year, and the Voter-Approval Tax Rate is recalculated to reflect the higher I&S tax rate. This procedure does not limit the District's obligation to levy taxes at a rate sufficient to pay debt service on its outstanding obligations, including the Bonds. However, this tax rate setting limitation could constrain the District's ability to create a surplus from which the Bonds could be repaid in the event of unexpected delays in the receipt of I&S taxes.

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.

Except with respect to the required procedure to exceed the default minimum I&S tax rate (as discussed above), 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 Sections 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 of Public Accounts.

DEBT LIMITATIONS

Under State law, there is no explicit bonded indebtedness limitation, although the tax rate limits described above under "TAX RATE LIMITATIONS" effectively impose a limit on the incurrence of debt. Such tax rate limits require school districts to demonstrate the ability to pay "new debt" from a tax rate of \$0.50. In demonstrating compliance with the requirement, a district may take into account State equalization payments and, if compliance with such requirement is contingent on receiving state assistance, a district may not adopt a tax rate for a year for purposes of paying the principal of and interest on the bonds unless the district credits to the interest and sinking fund for the bonds the amount of State assistance received or to be received in that year. The State Attorney General reviews a district's calculations showing compliance with such test as a condition to the legal approval of the debt. As stated above, the Bonds are issued as refunding bonds and are not subject to this limitation.

EMPLOYEE BENEFITS, RETIREMENT PLAN AND OTHER POST-EMPLOYMENT BENEFITS

The District contributes to the Teacher Retirement System of Texas (the "System"), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the District but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates primarily under the provisions of the Texas Constitution and Texas Government Code, Title 8, Subtitle C. See "Notes to the Financial Statements – II. Detailed Notes on All Funds And Account Groups – L. Defined Benefit Pension Plan" as set out in the audited financial statements of the District for the year ended June 30, 2025, as set forth in APPENDIX C attached hereto.

The District contributes to the Texas Public School Retired Employees Group Insurance Program ("TRS-Care"), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the TRS. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under TRS. See "Notes to the Financial Statements – II. Detailed Notes on All Funds And Account Groups – N. Defined Other Post- Employment Benefit Plan" in the audited financial statements of the District for the year ended June 30, 2025, as set forth in APPENDIX C attached hereto.

In June 2012, the Government Accounting Standards Board ("GASB") issued Statement No. 68 *Accounting and Financial Reporting for Pensions*, which was later amended by GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*, each in an effort to improve accounting and financial reporting by state and local governments related to pensions. GASB Statement No. 68 requires reporting entities, such as the District, to recognize their proportionate share of the net pension liability and operating statement activity related to changes in collective pension liability. Reporting entities, such as the District, that contribute to the TRS pension plan will report a liability on the face of their government-wide financial statements. See "CHANGE IN NET ASSETS" in APPENDIX C attached hereto. GASB Statement No. 68 applies only to pension benefits and does not apply to OPEB or TRS-Care related liabilities. At the conclusion of the 2024-2025 fiscal year, the District had a net pension liability of \$3,925,555. See "Notes to the Financial Statements – II. Detailed Notes on All Funds And Account Groups – L. Defined Benefit Pension Plan" in the audited financial statements of the District for the year ended June 30, 2025, as set forth in APPENDIX C attached hereto.

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

INVESTMENT POLICIES

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

Legal Investments

Available District funds are invested as authorized by State law and in accordance with investment policies approved by the Board.

Under State law, the District is authorized to make investments meeting the requirements of the Public Funds Investment Act (Chapter 2256, Texas Government Code (the "PFIA")), which currently include (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the District selects from a list the governing body or designated investment committee of the District adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the District selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the District's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the District appoints as the District's custodian of the banking deposits issued for the District's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission (the "SEC") and

operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of the PFIA 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) or in any other manner and provided for by law for District deposits, or (ii) certificates of deposits where (a) the funds are invested by the District through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the District as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the District, (b) the broker or the depository institution selected by the District arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the District, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the District appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the District with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1) above, clause (12) below, require the securities being purchased by the District or cash held by the District to be pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with the remaining term of 270 days or fewer, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or fewer that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (13) no-load money market mutual funds registered with and regulated by the United States SEC that provide the District with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (14) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract and are pledged to the District and deposited with the District or a third party selected and approved by the District.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution. The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than ten (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.

Political subdivisions such as the District are authorized to implement securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

Under State law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for District funds, the maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under State law, the District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least quarterly the District's investment officers must submit an investment report to the District's Board of Trustees detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest for the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) State law. No person may invest District funds without express written authority from the District's Board of Trustees.

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

LEGAL MATTERS

Legal Opinions

The District will furnish the Underwriter a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State 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 approval of certain legal matters by Bond Counsel, to the effect that the Bonds are valid and legally binding obligations of the District and, subject to the qualifications set forth herein under "TAX MATTERS," the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under existing statutes, published rulings, regulations, and court decisions. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions "PLAN OF FINANCING" (except the subcaption "Sources and Uses of Funds" as to which no opinion is expressed), "THE BONDS" (exclusive of the subcaptions "Payment Record," "Default and Remedies," "Permanent School Fund Guarantee," and "Future Issues," as to which no opinion is expressed), "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" (except information appearing under the subcaption "Possible Effects of Changes in Law on District Bonds" as to which no opinion is expressed), "CURRENT PUBLIC SCHOOL FINANCE SYSTEM," "TAX RATE LIMITATIONS – M&O Tax Rate Limitations" (first paragraph only), "LEGAL MATTERS - Legal Opinions" (excluding the last two sentences of this paragraph and the information under the subcaption "Litigation" as to which no opinion is expressed), "TAX MATTERS," "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," "CONTINUING DISCLOSURE" (excluding the information under the subcaption "Compliance with Prior Agreements," as to which no opinion is expressed), and "OTHER PERTINENT INFORMATION - Registration and Qualification of Bonds for Sale" in the Official Statement, and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Bond Order. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. Bond Counsel's legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriter by its counsel, Leon, Alcalá, Morse & Reynolds, PLLC, whose compensation is contingent on the sale and delivery of the Bonds.

Bond Counsel has been engaged by and only represents the District with respect to the issuance of the Bonds. The legal opinions to be delivered concurrently with the delivery of the Bonds expresses the professional judgment of the attorneys rendering the opinions as to the legal issues expressly addressed therein. In rendering legal opinions, the attorneys do 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 such opinions guarantee the outcome of any legal dispute that may arise from the transaction.

McCall, Parkhurst & Horton L.L.P. also advises the TEA in connection with its disclosure obligations under federal securities laws, but such firm has not passed upon any TEA disclosures contained in this Official Statement.

Litigation

At the time of the initial delivery of the Bonds, one or more officials of the District will provide the Underwriter with a certificate to the effect that, to the best of their knowledge, except as disclosed in this Official Statement, (i) there is no litigation or other proceeding pending against or, to their knowledge, threatened against the District in any court, agency, or administrative body (either State or federal) wherein an adverse decision would materially adversely affect the financial condition of the District and (ii) no litigation of any nature has been filed or is then pending challenging the issuance of the Bonds or that affects the payment and security of the Bonds or in any other manner questioning the issuance, sale, or delivery of the Bonds.

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., 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 to the District will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See Appendix D - Form of Opinion of Bond Counsel.

In rendering its opinion, Bond Counsel to the District will rely upon (a) the District's federal tax certificate, (b) covenants of the District with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters, (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 and (d) the report of Public Finance Partners LLC as to the sufficiency of the cash and escrow securities to pay the redemption of the refunded bonds. Failure of the District to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

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 to the District is conditioned on compliance by the District with the covenants and the requirements described in the preceding paragraph, and Bond Counsel to the District 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. The 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 such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the facilities financed or refinanced with the proceeds of the Bonds. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the District that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the 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 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 corporation's "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the 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 Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of foreign investors, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the 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.

Qualified Tax-Exempt Obligations

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by section 265(b) of the Code, section 291 of the Code provides that the allowable deduction to a "bank," as defined in section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The District expects that the Bonds will be designated, or deemed designated, as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the District will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Bonds as "qualified tax-exempt obligations." Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded; however the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the \$10,000,000 limitation and the Bonds would not be "qualified tax-exempt obligations."

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201, as amended), the Bonds (i) are negotiable instruments, (ii) are investment securities to which Chapter 8 of the Texas Uniform Commercial Code applies, and (iii) are legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, or (C) a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. The Bonds are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256, as amended), the Bonds may have to be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. See "OTHER PERTINENT INFORMATION – Municipal Bond 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 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

The District in the Bond Order 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"). This information will be available to the public free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org, as further described below under "Availability of Information from MSRB". This information will be available to the public free of charge from the MSRB via the EMMA system at www.emma.msrb.org. See "APPENDIX E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" for a description of the TEA's continuing disclosure undertaking to provide certain updated financial information and operating data annually with respect to the Permanent School Fund and the State, as the case may be, and to provide timely notice of specified events related to the guarantee to the MSRB.

Annual Reports

The District shall provide annually to the MSRB, (1) within six months after the end of each fiscal year of the District, financial information and operating data with respect to the District of the general type included in APPENDIX A of this Official Statement (except with respect to "Estimated Overlapping Debt Statement"), and (2) if not provided as part of such financial information and operating data, audited financial statements of the District. Any financial statements to be provided shall be (i) prepared in accordance with the accounting principles described in APPENDIX C hereto or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation, and in substantially the form included in this Official Statement, 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. 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 statements becomes available.

The District's current fiscal year end is June 30. Accordingly, it must provide updated information other than the financial statements by the last day of December in each year and the financial statements by the last day of August in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the District otherwise would be required to provide financial information and operating data as set forth above.

All financial information, operating data, financial statements and notices required to be provided to the MSRB shall be provided in an electronic format and be accompanied by identifying information prescribed by the MSRB. Financial information and operating data to be provided as set forth above may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document) available to the public on the MSRB's Internet Web site or filed with the SEC, as permitted by the Rule.

Notice of Certain Events

The District will file with the MSRB notice of any of the following events with respect to the Bonds in a timely manner (not more than ten (10) business days after occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional Paying Agent/Registrar or the change of name of a Paying Agent/Registrar, if material, (15) incurrence of a financial obligation of the District (as defined by Rule 15c2-12, which includes certain debt, debt-like, and debt-related obligations), if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the District, any of which reflect financial difficulties.

Neither the Bonds nor the Order make any provision for debt service reserves, credit enhancement (with the exception of the Texas Permanent School Fund guarantee), or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports." The District will provide each notice described in this paragraph to the MSRB.

For these purposes, any event described in clause (12) in the first paragraph of this subcaption 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 from MSRB

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

Limitations and Amendments

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

The District may amend its continuing disclosure agreement 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 (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with Rule 15c2-12, taking into account any amendments or interpretations of Rule 15c2-12 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 person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also repeal or amend these provisions if the SEC amends or repeals the applicable provisions of Rule 15c2-12 or any court of final jurisdiction enters judgment that such provisions of Rule 15c2-12 are invalid, but in either case 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 giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of Rule 15c2-12. If the District amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

Compliance with Prior Agreements

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

CYBERSECURITY

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

breaches could expose the District to litigation and other legal risks, which could cause the District to incur other costs related to such legal claims or proceedings.

WEATHER EVENTS

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

VERIFICATION OF ARITHMETICAL COMPUTATIONS

Public Finance Partners LLC (the "Verification Agent"), will deliver to the District its verification report indicating that it has verified the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrowed Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds and (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes.

The Verification Agent relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the District. In addition, the Verification Agent will rely on any information provided to it by the District's retained advisors, consultants or legal counsel. The verification report will be relied upon by Bond Counsel in rendering their opinions with respect to the tax exemption of interest on the Bonds and with respect to the defeasance of the Refunded Bonds.

OTHER PERTINENT INFORMATION

Authenticity of Financial Information

The financial data and other information contained herein have been obtained from the District's records, audited financial statements and other sources, which are believed to be reliable. All of the summaries of the statutes, documents and orders contained in this Official Statement are made subject to all of the provisions of such statutes, documents and orders. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

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 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 act 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 Underwriter to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The District agrees to cooperate, at the Underwriter'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.

Municipal Bond Rating

The Bonds are expected to be rated "AAA" by S&P Global Ratings, Inc. ("S&P") by virtue of the guarantee of the Permanent School Fund of the State of Texas. The presently outstanding debt of the District, including the Bonds, is rated "A+" by S&P without regard to credit enhancement.

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

Municipal Advisor

Live Oak Public Finance, LLC (the "Municipal Advisor") is employed as the Municipal Advisor to the District in connection with the issuance of the Bonds. The Municipal Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Live Oak Public Finance, LLC, in its capacity as Municipal Advisor, has relied on the opinions of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants, and representations contained in any of the bond documentation with respect to the federal income tax status of the Bonds.

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

Underwriting

The Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the District at the price equal to the initial offering prices to the public, as shown on inside cover page, less an Underwriter's discount of \$_____. The Underwriter's obligation is subject to certain conditions precedent. The Underwriter will be obligated to purchase all of the Bonds, if any of the Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriter.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

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

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

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

Use of Audited Financial Statements

Brown, Graham & Company, P.C., Amarillo, Texas (the "Auditor"), the District's independent auditor, has not been engaged to perform and has not performed, since the date of the report included herein, any procedures on the financial statements addressed in that report. The Auditor has not performed any procedures relating to this Official Statement.

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.

Information from External Sources

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12.

Authorization of the Official 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 or the Underwriter.

This Official Statement will be approved by the Board of the District for distribution in accordance with provisions of the SEC's Rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

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

DALHART INDEPENDENT SCHOOL DISTRICT

/s/ _____
Superintendent, acting as Pricing Officer pursuant to the Bond Order

SCHEDULE I
REFUNDED BONDS*

Series	Principal Amount (\$)	Maturities	Principal Being Redeemed	Interest Rates (%)	Redemption Date and Price
Dalhart Independent School District					
Unlimited Tax Refunding Bonds					
Series 2012					
	15,000	02/15/2027	15,000	4.125	08/15/2026@100.00%
	115,000	02/15/2028	115,000	4.125	08/15/2026@100.00%
	745,000	02/15/2029	745,000	4.125	08/15/2026@100.00%
	775,000	02/15/2030	775,000	4.125	08/15/2026@100.00%
	810,000	02/15/2031	810,000	4.125	08/15/2026@100.00%
	845,000	02/15/2032	845,000	4.125	08/15/2026@100.00%
	880,000	02/15/2033	880,000	4.125	08/15/2026@100.00%
	915,000	02/15/2034	915,000	4.125	08/15/2026@100.00%
	955,000	02/15/2035	955,000	4.125	08/15/2026@100.00%
	995,000	02/15/2036	995,000	4.125	08/15/2026@100.00%

**Preliminary, subject to change.*

APPENDIX A
SELECTED FINANCIAL INFORMATION REGARDING THE DISTRICT

ASSESSED VALUATION ⁽¹⁾

2025 Total Market Valuation		\$2,399,848,491
State Homestead Exemption	194,087,369	
State Over-65 Exemption	17,760,200	
Disabled Homestead Exemption Loss	2,277,570	
Pollution Control	6,215,410	
Productivity Loss	350,657,620	
Homestead Cap Loss	11,357,017	
Other Exemptions	209,640,609	
Less Total Exemptions & Deductions ⁽²⁾		<u>\$791,995,795</u>
2025 Net Taxable Valuation		<u>\$1,607,852,696</u>

⁽¹⁾ Source: Dallam County Appraisal District ("Dallam CAD") and Hartley County Appraisal District ("Hartley CAD").
⁽²⁾ Excludes the values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers.

VOTED GENERAL OBLIGATION DEBT

Unlimited Tax Bonds Outstanding (as of June 24, 2026)	\$51,280,000
Plus: The Bonds ⁽¹⁾	6,755,000
Less: The Refunded Bonds ⁽²⁾	7,050,000
Less: Interest & Sinking Fund Balance (as of May 15, 2026) ⁽³⁾	<u>2,860,882</u>
Net General Obligation Debt ⁽⁴⁾	\$48,124,118
Ratio of Net G.O. Debt to Net Taxable Valuation ⁽⁵⁾	2.99%
2026 Population Estimate ⁽⁶⁾	11,123
Per Capita Net Taxable Valuation	\$144,552
Per Capita Net G.O. Debt	\$4,327

⁽¹⁾ The Bonds. Preliminary, subject to change.
⁽²⁾ The Refunded Bonds. Preliminary, subject to change.
⁽³⁾ Source: District's unaudited records as of May 15, 2026.
⁽⁴⁾ Includes the Bonds; excludes the Refunded Bonds. Preliminary, subject to change.
⁽⁵⁾ The ratio of Net G.O. Debt to Net Taxable Valuation above.
⁽⁶⁾ Source: The Municipal Advisory Council of Texas.

PROPERTY TAX RATES AND COLLECTIONS

Fiscal Year	Net Taxable Valuation ⁽¹⁾	Tax Rate ⁽¹⁾	% Collections ⁽²⁾	
			Current ⁽³⁾	Total ⁽³⁾
2017	\$1,063,346,795	\$1.1158	98.84%	100.00%
2018	1,164,383,316	1.1245	98.73%	99.64%
2019	1,187,462,801	1.1245	98.90%	99.88%
2020	1,235,963,497	1.0830	98.73%	99.77%
2021	1,311,992,727	1.0157	99.01%	99.81%
2022	1,364,783,338	1.0111	98.71%	99.79%
2023	1,443,176,752	0.9472	98.78%	100.20%
2024	1,512,350,728	0.9920	98.57%	99.50%
2025	1,570,673,505	0.9813	98.01%	98.22%
2026	1,607,852,696	0.9622	96.77% ⁽⁴⁾	96.77% ⁽⁴⁾

⁽¹⁾ Source: Dallam CAD and Hartley CAD.
⁽²⁾ Source: District's Audited Financial Statements for the fiscal year ending June 30, 2025.
⁽³⁾ Excludes penalties and interest.
⁽⁴⁾ Source: District's unaudited records as of May 15, 2026.

TAX RATE DISTRIBUTION ⁽¹⁾

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Maintenance & Operations	\$0.6822	\$0.7013	\$0.7120	\$0.8757	\$0.9363
Debt Service	\$0.2800	\$0.2800	\$0.2800	\$0.0715	\$0.0748
	<u>\$0.9622</u>	<u>\$0.9813</u>	<u>\$0.9920</u>	<u>\$0.9472</u>	<u>\$1.0111</u>

⁽¹⁾ Source: Dallam CAD and Hartley CAD.

VALUATION AND FUNDED DEBT HISTORY

<u>Fiscal Year</u>	<u>Net Taxable Valuation ⁽¹⁾</u>	<u>Bond Debt Outstanding ⁽²⁾</u>	<u>Ratio Debt to A.V.</u>
2017	\$1,063,346,795	\$13,075,000	1.23%
2018	1,164,383,316	12,620,000	1.08%
2019	1,187,462,801	12,150,000	1.02%
2020	1,235,963,497	11,655,000	0.94%
2021	1,311,992,727	11,140,000	0.85%
2022	1,364,783,338	10,605,000	0.78%
2023	1,443,176,752	10,050,000	0.70%
2024	1,512,350,728	36,135,000	2.39%
2025	1,570,673,505	52,755,000	3.36%
2026	1,607,852,696	50,985,000	3.17%

⁽¹⁾ Source: Dallam CAD and Hartley CAD.

⁽²⁾ At fiscal year end.

ESTIMATED OVERLAPPING DEBT STATEMENT ⁽¹⁾

<u>Taxing Body</u>	<u>Amount</u>	<u>As Of</u>	<u>Percent Overlapping</u>	<u>Amount Overlapping</u>
Dalhart, City of	\$6,615,000	5/31/2026	100.00%	\$6,615,000
Dallam County	-	5/31/2026	75.97%	-
Dallam - Hartley Counties Hospital District	1,928,000	5/31/2026	71.06%	\$1,370,037
Hartley County	-	5/31/2026	54.38%	-
Total Overlapping Debt				\$7,985,037
Dalhart Independent School District ⁽²⁾		5/31/2026		\$50,985,000
Total Direct and Overlapping Debt ⁽²⁾				<u>\$58,970,037</u>
Ratio of Net Direct & Overlapping Debt to Net Taxable Valuation				3.67%
Per Capita Direct & Overlapping Debt				\$5,302

⁽¹⁾ Source: The Municipal Advisory Council of Texas.

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

PRINCIPAL TAXPAYERS

2025 Top Ten Taxpayers ^{(1) (2)}

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Hilmar Cheese Company Inc	Food Packaging/Processing	\$237,941,110	14.80%
HCC Properties	Commercial Land	\$118,315,590	7.36%
Hartley Farms LLC	Dairy Farm	\$68,729,371	4.27%
CEA Dairy RNG Texas LLC	Dairy Farm	\$46,097,000	2.87%
Deer Creek Feeding LLC	Dairy Farm	\$38,821,339	2.41%
Cargill Inc	Meat Products	\$30,435,948	1.89%
Union Pacific Railroad Company	Railroad	\$24,077,860	1.50%
BNSF Railway Company	Railroad	\$21,274,090	1.32%
Southwestern Public Service	Electric Utility/Power Plant	\$20,479,570	1.27%
Friona Industries LP	Feedlot	\$18,622,460	1.16%
Total		\$624,794,338	38.86%

2024 Top Ten Taxpayers ^{(1) (2)}

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Hilmar Cheese Company Inc	Food Packaging/Processing	\$236,886,110	15.08%
HCC Properties	Commercial Land	\$122,101,170	7.77%
Hartley Farms LLC	Dairy Farm	\$70,856,406	4.51%
Union Pacific Railroad Company	Railroad	\$37,332,870	2.38%
Cargill Inc	Commercial Land	\$33,890,350	2.16%
BNSF Railway Company	Railroad	\$30,377,310	1.93%
Friona Industries LP	Feedlot	\$27,180,910	1.73%
CEA Dairy RNG Texas LLC	Dairy Farm	\$24,360,300	1.55%
Southwestern Public Service	Electric Utility	\$19,251,600	1.23%
BLF Land LLC	Commercial Land	\$16,681,550	1.06%
Total		\$618,918,576	39.40%

2023 Top Ten Taxpayers ^{(1) (2)}

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Hilmar Cheese Company Inc	Food Packaging/Processing	\$249,353,430	16.49%
HCC Properties	Commercial Land	\$107,818,720	7.13%
Hartley Farms LLC	Dairy Farm	\$67,834,700	4.49%
Cargill Inc.	Commercial Land	\$36,799,080	2.43%
Hartley Farms LLC	Dairy Farm	\$22,902,010	1.51%
Union Pacific Railroad Company	Railroad	\$21,944,480	1.45%
BLF Land LLC	Commercial Land	\$17,012,860	1.12%
Friona Industries LP	Feedlot	\$14,731,660	0.97%
Union Pacific Railroad Company	Railroad	\$14,302,250	0.95%
Southwestern Public Service	Electric Utility	\$14,231,020	0.94%
Total		\$566,930,210	37.49%

⁽¹⁾ Source: Dallam CAD and Hartley CAD.

⁽²⁾ Source: The Municipal Advisory Council of Texas

⁽³⁾ As shown above, the top ten taxpayers in the District currently account for approximately 39% of the District's tax base. The top taxpayer in the District also currently accounts for approximately 15% of the District's tax base, creating a concentration risk for the District. Any adverse development affecting the top taxpayers' ability to continue to conduct business at their locations within the District's boundaries or otherwise materially adversely affecting their businesses or properties within the District may result in significantly less local tax revenue, thereby affecting the District's finances and its ability to repay its outstanding indebtedness. The District makes no representation regarding the continued valuation of any of the property listed in the above table or the generation of future tax revenues therefrom. If any major taxpayer (or a combination of taxpayers) were to default in the payment of taxes due to economic conditions or otherwise, the ability of the District to timely pay debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax lien (which, in the event of bankruptcy, certain laws may preclude until the automatic stay is lifted). Such process is time-consuming and can only occur annually; in the alternative, the District may sell tax anticipation notes until such amounts could be collected, if ever. See "THE BONDS – Default and Remedies" herein. In the event of payment default, Beneficial Owners will receive all payments due on the Bonds from the corpus of the Permanent School Fund. See "APPENDIX E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM."

CLASSIFICATION OF ASSESSED VALUATION BY USE CATEGORY ⁽¹⁾

<u>Category</u>	<u>2025</u>	<u>% of Total</u>	<u>2024</u>	<u>% of Total</u>	<u>2023</u>	<u>% of Total</u>
Real, Residential, Single-Family	\$471,872,350	19.66%	\$447,411,250	19.59%	\$426,481,690	19.37%
Real, Residential, Multi-Family	22,364,310	0.93%	18,874,360	0.83%	18,578,460	0.84%
Real, Vacant Lots/Tracts	13,573,350	0.57%	7,400,920	0.32%	6,354,370	0.29%
Real, Acreage	327,943,110	13.67%	328,056,800	14.36%	430,917,020	19.57%
Real, Farm & Ranch Improvements	207,012,801	8.63%	201,172,911	8.81%	93,429,310	4.24%
Real, Commercial & Industrial	461,269,602	19.22%	430,809,519	18.86%	401,905,350	18.25%
Oil & Gas	2,392,700	0.10%	3,952,140	0.17%	4,794,460	0.22%
Utilities	156,463,360	6.52%	151,136,000	6.62%	146,230,670	6.64%
Tangible Personal, Commercial & Industrial	507,265,490	21.14%	483,684,030	21.17%	473,756,780	21.52%
Tangible Personal, Mobile Homes & Other	15,601,360	0.65%	12,303,210	0.54%	11,253,160	0.51%
Tangible Personal, Residential Inventory	399,710	0.02%	399,710	0.02%	450,870	0.02%
Tangible Personal, Special Inventory	9,287,030	0.39%	9,500,090	0.42%	8,525,060	0.39%
Other Exempt Property	204,403,318	8.52%	189,579,650	8.30%	179,176,330	8.14%
Total Appraised Value	\$2,399,848,491	100.00%	\$2,284,280,590	100.00%	\$2,201,853,530	100.00%
Less:						
Total Exemptions/Deductions ⁽²⁾	<u>\$791,995,795</u>		<u>\$713,607,085</u>		<u>\$689,502,802</u>	
Net Taxable Assessed Valuation ⁽³⁾	<u>\$1,607,852,696</u>		<u>\$1,570,673,505</u>		<u>\$1,512,350,728</u>	
<u>Category</u>	<u>2022</u>	<u>% of Total</u>	<u>2021</u>	<u>% of Total</u>	<u>2020</u>	<u>% of Total</u>
Real, Residential, Single-Family	\$393,818,320	19.30%	\$386,317,870	20.19%	\$348,076,200	18.73%
Real, Residential, Multi-Family	16,237,580	0.80%	12,054,610	0.63%	11,277,340	0.61%
Real, Vacant Lots/Tracts	7,495,600	0.37%	8,921,320	0.47%	8,669,550	0.47%
Real, Acreage	432,227,640	21.18%	298,275,630	15.59%	114,316,783	6.15%
Real, Farm & Ranch Improvements	78,636,360	3.85%	68,152,696	3.56%	67,437,308	3.63%
Real, Commercial & Industrial	355,009,113	17.40%	407,761,232	21.31%	330,836,810	17.81%
Oil & Gas	5,284,310	0.26%	2,845,540	0.15%	6,332,170	0.34%
Utilities	135,275,530	6.63%	123,761,649	6.47%	116,746,560	6.28%
Tangible Personal, Commercial & Industrial	434,537,640	21.30%	333,553,227	17.43%	352,667,520	18.98%
Tangible Personal, Mobile Homes & Other	7,408,410	0.36%	5,844,630	0.31%	5,656,110	0.30%
Tangible Personal, Residential Inventory	485,390	0.02%	802,564	0.04%	751,820	0.04%
Tangible Personal, Special Inventory	7,727,660	0.38%	6,061,108	0.32%	5,655,036	0.30%
Other Exempt Property	166,151,427	8.14%	259,405,375	13.55%	489,472,916	26.35%
Total Market Value	\$2,040,294,980	100.00%	\$1,913,757,451	100.00%	\$1,857,896,123	100.00%
Less:						
Total Exemptions/Deductions ⁽²⁾	<u>\$597,118,228</u>		<u>\$548,974,113</u>		<u>\$545,903,396</u>	
Net Taxable Assessed Valuation ⁽³⁾	<u>\$1,443,176,752</u>		<u>\$1,364,783,338</u>		<u>\$1,311,992,727</u>	

⁽¹⁾ Source: Dallam CAD and Hartley CAD.

⁽²⁾ Excludes values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers.

⁽³⁾ The Figures shown in the table are the tax roll values used for the levy of the District's I&S tax.

PRINCIPAL REPAYMENT SCHEDULE ⁽¹⁾⁽²⁾

Fiscal Year Ending 6/30	Outstanding Bonds	Bonds Unpaid At Year End	Percent of Principal Retired
2026	\$1,475,000	\$50,985,000	2.81%
2027	2,845,000	48,140,000	8.23%
2028	2,000,000	46,140,000	12.05%
2029	2,090,000	44,050,000	16.03%
2030	2,195,000	41,855,000	20.22%
2031	1,420,000	40,435,000	22.92%
2032	1,495,000	38,940,000	25.77%
2033	1,575,000	37,365,000	28.77%
2034	1,655,000	35,710,000	31.93%
2035	1,740,000	33,970,000	35.25%
2036	1,830,000	32,140,000	38.73%
2037	2,025,000	30,115,000	42.59%
2038	2,130,000	27,985,000	46.65%
2039	2,235,000	25,750,000	50.91%
2040	2,355,000	23,395,000	55.40%
2041	2,475,000	20,920,000	60.12%
2042	2,600,000	18,320,000	65.08%
2043	2,730,000	15,590,000	70.28%
2044	2,865,000	12,725,000	75.74%
2045	2,985,000	9,740,000	81.43%
2046	3,115,000	6,625,000	87.37%
2047	3,245,000	3,380,000	93.56%
2048	<u>3,380,000</u>	-	100.00%
Total	\$52,460,000		

⁽¹⁾ Source: Municipal Advisory Council of Texas.

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

DEBT SERVICE REQUIREMENTS ⁽¹⁾⁽²⁾

Fiscal Year Ending 6/30	Outstanding Debt Service	Refunded Bonds ⁽⁴⁾	Plus: The Bonds ⁽³⁾			New Total Debt Service Requirements
			Principal	Interest	Total	
2026	\$3,905,384	\$ -	\$ -	\$ -	\$ -	\$3,905,384
2027	4,376,994	305,813	850,000	172,574	1,022,574	5,093,756
2028	4,381,625	405,194	-	295,250	295,250	4,271,681
2029	4,381,881	1,030,450	615,000	295,250	910,250	4,261,681
2030	4,382,400	1,029,719	645,000	264,500	909,500	4,262,181
2031	3,497,931	1,032,750	680,000	232,250	912,250	3,377,431
2032	3,502,519	1,034,338	715,000	198,250	913,250	3,381,431
2033	3,503,663	1,034,481	755,000	162,500	917,500	3,386,681
2034	3,506,363	1,033,181	790,000	124,750	914,750	3,387,931
2035	3,510,369	1,035,438	830,000	85,250	915,250	3,390,181
2036	3,510,475	1,036,044	875,000	43,750	918,750	3,393,181
2037	3,496,681	-	-	-	-	3,496,681
2038	3,500,431	-	-	-	-	3,500,431
2039	3,498,931	-	-	-	-	3,498,931
2040	3,507,181	-	-	-	-	3,507,181
2041	3,509,431	-	-	-	-	3,509,431
2042	3,510,681	-	-	-	-	3,510,681
2043	3,510,681	-	-	-	-	3,510,681
2044	3,517,081	-	-	-	-	3,517,081
2045	3,502,081	-	-	-	-	3,502,081
2046	3,511,613	-	-	-	-	3,511,613
2047	3,514,775	-	-	-	-	3,514,775
2048	3,517,638	-	-	-	-	3,517,638
	<u>\$84,556,809</u>	<u>\$8,977,406</u>	<u>\$6,755,000</u>	<u>\$1,874,324</u>	<u>\$8,629,324</u>	<u>\$84,208,727</u>

Average Annual Debt Service Requirement	\$3,661,249
Maximum Annual Debt Service Requirement	\$5,093,756

⁽¹⁾ Source: Municipal Advisory Council of Texas.

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

⁽³⁾ The Bonds. Preliminary, subject to change.

⁽⁴⁾ The Refunded Bonds. Preliminary, subject to change.

OTHER OBLIGATIONS ⁽¹⁾⁽²⁾

The District leases copy machines, equipment and vehicles under various non-cancelable operating leases. Total expenditures for such leases was approximately \$90,307 for the year ended June 30, 2025. The future minimum lease payments for these leases are as follows:

<u>Year ending June 30,</u>	<u>Minimum payments</u>
2026	\$45,635
2027	19,935
2028	15,710
2029	13,585
2030	1,132
	<u>\$95,997</u>

⁽¹⁾ Source: Municipal Advisory Council of Texas.

⁽²⁾ Source: District's Audited Financial Statements.

TAX ADEQUACY WITH RESPECT TO THE DISTRICT'S BONDS

2026 Net Principal and Interest Requirements	\$3,905,384	
0.2479 Tax Rate at 98% Collection Produces	\$3,906,149	⁽²⁾
Average Net Annual Principal and Interest Requirements, 2026 - 2048	\$3,661,249	⁽¹⁾
0.2324 Tax Rate at 98% Collection Produces	\$3,661,917	⁽²⁾
Maximum Net Principal and Interest Requirements, 2027	\$5,093,756	⁽¹⁾
0.3233 Tax Rate at 98% Collection Produces	\$5,094,224	⁽²⁾

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

⁽²⁾ Calculation based upon the 2025 Net Taxable Value at a 98% collections rate.

AUTHORIZED BUT UNISSUED BONDS

The District has no authorized but unissued Bonds remaining.

COMPARATIVE STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES ⁽¹⁾

	2021	2022	2023	2024	2025
Revenues:					
Local and Intermediate Sources	\$12,305,131	\$12,718,219	\$13,242,117	\$12,998,972	\$11,453,453
State Program Revenues	3,565,887	3,910,265	4,139,990	7,108,679	7,965,347
Federal Sources & Other	296,525	239,748	302,605	82,170	28,706
Total Revenues	\$16,167,543	\$16,868,232	\$17,684,712	\$20,189,821	\$19,447,506
Expenditures:					
Instruction	\$8,949,033	\$8,718,635	\$8,460,842	\$8,735,102	\$9,053,764
Instructional Resources & Media Services	190,652	212,291	231,562	226,551	160,116
Curriculum & Instructional Staff Development	1,082	7,060	7,295	31,774	51,685
Instructional Leadership	235,325	249,168	298,755	253,018	328,775
School Leadership	989,390	969,318	1,164,670	878,312	1,031,981
Guidance, Counseling & Evaluation Services	380,878	332,294	378,666	386,684	448,808
Social Work Services	-	-	1,701	873	2,035
Health Services	162,461	169,413	173,431	168,406	166,902
Student (Pupil) Transportation	446,230	357,160	495,729	686,225	444,346
Cocurricular/Extracurricular Activities	689,906	717,466	807,553	731,880	801,109
General Administration	776,268	763,018	868,863	880,594	875,732
Plant Maintenance and Operations	1,535,459	1,612,867	1,626,299	2,194,900	2,633,707
Security and Monitoring Services	155,962	74,287	84,766	110,768	138,991
Data Processing Services	315,846	327,774	347,811	379,045	391,146
Community Services	1,519	2,028	1,725	2,200	-
Debt Service - Principal on Long Term Debt	336,921	427,154	346,535	350,887	355,562
Debt Service - Interest on Long Term Debt	21,156	20,442	11,542	7,190	4,351
Debt Service - Issuance Costs and Fees	20	1,000	1,000	1,000	-
Facilities Acquisition and Construction	-	-	75,000	2,418,528	66,031
Payments to Fiscal Agent/Member Districts of SSA	-	-	67	-	-
Other Intergovernmental Charges	362,970	360,151	369,426	410,227	427,968
Total Expenditures	\$15,551,078	\$15,321,526	\$15,753,238	\$18,854,164	\$17,383,009
Excess (Deficiency) of Revenues over Expenditures	\$616,465	\$1,546,706	\$1,931,474	\$1,335,657	\$2,064,497
Other Resources and (Uses):					
Non-Current Loans	-	-	-	-	-
Operating Transfers In	39,365	-	-	75,000	-
Operating Transfers Out	-	-	(31,273)	-	-
Other (Uses)	-	4,850	-	-	-
Total Other Resources (Uses)	\$39,365	\$4,850	(\$31,273)	\$75,000	\$-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses - Net Change in Fund Balance	\$655,830	\$1,551,556	\$1,900,201	\$1,410,657	\$2,064,497
Fund Balance - July 1 (Beginning)	\$5,870,221	\$6,526,051	\$8,077,607	\$9,977,808	\$11,388,465
Fund Balance - June 30 (Ending) ⁽²⁾	\$6,526,051	\$8,077,607	\$9,977,808	\$11,388,465	\$13,452,962

⁽¹⁾ Source: District's Audited Financial Statements

⁽²⁾ The Estimated General Fund Balance as of June 30, 2026 is expected to be approximately \$14,699,988.

CHANGE IN NET ASSETS ⁽¹⁾

	2021	2022	2023	2024	2025
Revenues:					
Program Revenues:					
Charges for Services	\$356,828	\$453,545	\$519,231	\$2,131,632	\$602,663
Operating Grants and Contributions	3,870,348	3,638,249	4,538,698	4,848,972	2,906,316
General Revenues:					
Property Taxes Levied for General Purposes (M&O)	12,092,827	12,564,914	12,497,477	10,567,709	10,732,824
Property Taxes Levied for Debt Service	996,900	999,830	1,016,530	4,140,498	4,288,489
State Aid - Formula Grants	2,752,046	3,130,638	3,365,798	6,262,823	7,478,673
Grants and Contributions Not Restricted	-	-	-	-	-
Investment Earnings	21,155	35,867	449,124	2,007,832	1,913,157
Miscellaneous	166,152	159,599	250,611	171,591	137,308
Total Revenue	\$20,256,256	\$20,982,642	\$22,637,469	\$30,131,057	\$28,059,430
Expenses:					
Instruction	\$10,799,290	\$9,577,746	\$10,307,698	\$11,137,356	\$10,237,010
Instruction, Curriculum, & Media Services	205,330	210,191	235,927	251,539	167,128
Curriculum & Staff Development	23,539	33,632	37,770	62,827	86,735
Instructional & School Leadership	417,631	401,339	477,825	468,185	512,648
School Leadership	1,080,937	937,193	1,186,275	1,016,645	1,062,871
Guidance, Counseling & Evaluation Services	623,100	532,774	519,344	630,240	628,742
Social Work Services	889	1,895	2,260	1,313	10,898
Health Services	217,544	210,888	213,135	243,884	217,516
Student Transportation	323,925	362,668	375,590	360,113	327,094
Food Service	962,493	1,054,734	939,432	1,030,757	1,094,954
Cocurricular/Extracurricular Activities	922,491	916,064	1,107,583	1,125,407	1,143,834
General Administration	824,889	747,295	872,974	935,996	884,913
Plant Maintenance and Operations	1,638,373	1,892,909	2,175,695	2,144,833	2,254,230
Security & Monitoring Services	82,642	72,602	105,888	115,722	138,055
Data Processing Services	337,383	322,421	351,742	304,217	400,681
District Administrative Support(ESC)	-	-	180	2,200	-
Community Services	1,519	2,028	1,725	-	-
Debt Service - Interest on Long-Term Debt	464,963	439,533	413,544	1,451,927	1,874,865
Debt Service - Bond Issuance Cost and Fees	1,540	1,520	1,549	211,115	198,545
Capital Outlay	-	-	-	938	24,966
Other Intergovernmental Charges	362,970	360,151	369,426	410,227	427,968
Total Expenditures	\$19,291,448	\$18,077,583	\$19,695,562	\$21,905,441	\$21,693,653
 Change in Net Assets	 \$964,808	 \$2,905,059	 \$2,941,907	 \$8,225,616	 \$6,365,777
 Beginning Net Assets	 \$7,978,389	 \$9,112,388	 \$12,017,447	 \$14,959,354	 \$23,184,970
Prior period adjustment ⁽²⁾	\$169,191	\$-	\$-	\$-	(\$890,786)
Ending Net Assets	\$9,112,388	\$12,017,447	\$14,959,354	\$23,184,970	\$28,659,961

⁽¹⁾ Source: District's Audited Financial Statements.

⁽²⁾ The prior period adjustments in 2021 and 2025 were due to the implementation of GASB 84 and GASB 101, respectively.

APPENDIX B

GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

DALHART INDEPENDENT SCHOOL DISTRICT

Dalhart Independent School District, located in Dallam County with a portion extending into Hartley County, is an agricultural area that includes the City of Dalhart, the county seat of Dallam County. The City serves as a retail center and shipping point for the area. The District's current estimated population is 11,123.

Dallam County is a Northwest Texas Panhandle county bordering Oklahoma and New Mexico, and is traversed by U.S. Highway 87 and 385. The District's economy and tax base are based on agricultural production including feedlots, fertilizer production, fuel distribution and farming. Additionally, the economy is diversified by the Dalhart Prison Unit, the Union Pacific and Burlington Northern rail lines, healthcare and retail.

Source: Dalhart Independent School District Texas Municipal Report.

Enrollment Statistics	
Fiscal Year 6/30	Enrollment
2015/16	1,758
2016/17	1,774
2017/18	1,773
2018/19	1,737
2019/20	1,691
2020/21	1,632
2021/22	1,735
2022/23	1,770
2023/24	1,788
2024/25	1,846
2025/26	1,818

District Staff	
Teachers	115
Auxiliary Personnel	33
Teachers' Aides & Secretaries	38
Administrators	12
Other	10
Total	208

Present School Facilities		
<u>Campus</u>	<u>Grades</u>	<u>Current Enrollment</u>
Dalhart Elementary School	PreK-2	513
Dalhart Intermediate School	3-5	425
Dalhart Jr. High School	6-8	413
Dalhart High School	9-12	467

Comparative Unemployment Rates⁽¹⁾⁽²⁾					
	February <u>2022</u>	February <u>2023</u>	February <u>2024</u>	February <u>2025</u>	February <u>2026</u>
Dallam County	2.5%	3.1%	3.0%	2.9%	2.9%
Hartley County	3.0%	3.3%	3.3%	3.3%	3.1%
State of Texas	4.3%	4.4%	4.3%	4.3%	4.4%
United States	3.9%	3.6%	3.9%	4.2%	4.4%

⁽¹⁾ Not seasonally adjusted

⁽²⁾ Source: U.S. Bureau of Labor Statistics

APPENDIX C

AUDITED FINANCIAL STATEMENTS

The information contained in this appendix consists of the Dalhart Independent School District Audited Financial Statements (the "Report") for the fiscal year ended June 30, 2025.

The information presented represents only a part of the Report and does not purport to be a complete statement of the District's financial condition. Reference is made to the complete Annual Audit Report for additional information.

DALHART INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2025

Brown, Graham & Company, P.C.
7431 Continental Parkway
Amarillo, Texas 79119
(806)355-8241

**DALHART INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2025**

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**DALHART INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2025**

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CERTIFICATE OF BOARD

DALHART INDEPENDENT SCHOOL DISTRICT
Name of School District

Dallam
County

056-901
Co-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) X approved ___ disapproved for the year ended June 30, 2025, at a meeting of the Board of Trustees of such school district on the 21st day of October, 2025.



Signature of Board Secretary



Signature of Board President

**UNMODIFIED OPINIONS ON BASIC FINANCIAL STATEMENTS
ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION,
SUPPLEMENTARY INFORMATION AND OTHER INFORMATION**

Independent Auditor's Report

**Board of Trustees
Dalhart Independent School District
Dalhart, 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 Dalhart Independent School District (the "District") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 6 through 11, the General Fund budgetary comparison information on page 68, and the pension and OPEB schedules and related notes on pages 69 through 77, 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 non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The required Texas Education Agency (“TEA”) schedules listed in the table of contents are likewise presented for purposes of additional analysis and are not a required part of the basic financial statements.

**Board of Trustees
Dalhart Independent School District
Page three**

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, such information is 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 October 21, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

Brown, Graham & Company, P.C.

Amarillo, Texas
October 21, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS



**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025**

In this section of the Annual Financial Report, we, the administrators of Dalhart Independent School District (the "District"), discuss and analyze the District's financial performance for the fiscal year ended June 30, 2025. Please read it in conjunction with the independent auditor's report and the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the District as a whole and present a long-term view of the District's property and long-term 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.

Governmental 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 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 combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by the Texas Education Agency (the "TEA"). The sections labeled Required TEA Schedules and Overall Compliance and Internal Controls Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations follows. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources as of June 30, 2025, while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the fiscal year ended June 30, 2025. These financial statements are prepared using the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

In the Statement of Net Position and the Statement of Activities, the District has one kind of activity:

- Governmental activities - The District's basic services are reported here, including instruction, counseling, extra-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance the majority of these 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 Elementary & Secondary Education 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).

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

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in the 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 these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities. Net position of the District's governmental activities increased from \$23,184,970 to \$28,659,961. This resulted primarily from higher state aid formula grants and taxes collected.

Unrestricted net position – the portion of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$4,050,433 as of June 30, 2025.

**TABLE I
NET POSITION**

	Governmental Activities 2025	Governmental Activities 2024
Current and other assets	\$ 41,953,713	\$ 44,129,240
Capital assets	54,948,798	29,307,203
Total assets	<u>96,902,511</u>	<u>73,436,443</u>
Deferred outflows of resources	<u>1,904,253</u>	<u>2,220,156</u>
Current liabilities	3,521,793	2,910,592
Long-term liabilities	62,753,401	44,684,173
Total liabilities	<u>66,275,194</u>	<u>47,594,765</u>
Deferred inflows of resources	<u>3,871,609</u>	<u>4,876,864</u>
Net Position:		
Net investment in capital assets	20,068,653	17,883,528
Restricted	4,540,875	3,063,669
Unrestricted	4,050,433	2,237,773
Total net position	<u>\$ 28,659,961</u>	<u>\$ 23,184,970</u>

TABLE II
CHANGES IN NET POSITION

	Governmental Activities 2025	Governmental Activities 2024
Revenues:		
Program Revenues:		
Charges for services	\$ 602,663	\$ 2,131,632
Operating grants and contributions	2,906,316	4,848,972
General Revenues:		
Maintenance and operation taxes	10,732,824	10,567,709
Debt service taxes	4,288,489	4,140,498
State aid - formula grants	7,478,673	6,262,823
Investment earnings	1,913,157	2,007,832
Miscellaneous	137,308	171,591
Total revenues	<u>28,059,430</u>	<u>30,131,057</u>
Expenses:		
Instruction, curriculum and media services	10,490,873	11,451,722
Instructional and school leadership	1,575,519	1,484,830
Student support services	1,184,250	1,235,550
Food services	1,094,954	1,030,757
Extracurricular activities	1,143,834	1,125,407
General administration	884,913	935,996
Facilities maintenance, security and data processing	2,792,966	2,564,772
Community services and administrative support	-	2,200
Debt service	2,073,410	1,663,042
Capital outlay	24,966	938
Other intergovernmental charges	427,968	410,227
Total Expenses	<u>21,693,653</u>	<u>21,905,441</u>
Change in net position	<u>6,365,777</u>	<u>8,225,616</u>
Net position at beginning of year	23,184,970	14,959,354
Prior period adjustment (Implementation of GASB 101)	(890,786)	-
Net position at beginning of year, as restated	<u>22,294,184</u>	<u>14,959,354</u>
Net position at end of year	<u>\$ 28,659,961</u>	<u>\$ 23,184,970</u>

The cost of all governmental activities this year was \$21,693,653 compared to \$21,905,441 last year. As shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through District taxes was \$10,732,824 for maintenance and operation and \$4,288,489 for debt service payments. Some of the costs, \$602,663, were paid by those who directly benefited from the programs and state equalization funding financed \$7,478,673.

The District's state aid from formula grants, which is based upon such inputs as average daily attendance, property tax values, and property tax collections, increased by \$1,215,850 from the prior year. Property tax revenues increased by \$313,106 from the prior year and operating grants and contributions decreased by \$1,942,656.

THE DISTRICT'S FUNDS

As the District completed the year ended June 30, 2025, its governmental funds reported a combined fund balance of \$39,183,246, which is a decrease of \$2,543,027 from last year's total fund balance of \$41,726,273. Most of the decrease was attributable to the District seeing an increase in expenditures, offset by the issuance of the Series 2025 Unlimited Tax School Building Bonds. The District's total revenue decreased by \$749,328, which was primarily the result of lower local revenues in the amount of \$1,404,334. The District's expenditures increased by \$21,450,678 from the prior year, due primarily to an increase in the facilities acquisition and construction function. The Board of Trustees revised the District's budget several times during the fiscal year. These amendments included adjustments among functions and to adjust state revenues. The amendments to the expenditures for the General Fund amounted to \$390,000, or 2% more than what was estimated in the originally adopted budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2025, the District had \$54,948,798 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance, net of accumulated depreciation. During the year ended June 30, 2025, the District expended \$26,978,132 in capital expenditures and reported \$1,336,537 in depreciation expense on the government-wide financial statements for the year. More information on the District's capital assets can be found in Note II(F) in the notes to the financial statements.

Debt

As of June 30, 2025, the District had \$52,755,000 in bonds outstanding versus \$36,490,565 last year – an increase of \$16,264,435. More information on the District's long-term debt can be found in Note II(G) in the notes to the financial statements.

PENSION AND OPEB ACCOUNTING AND REPORTING

During previous years the District implemented GASB Statement Numbers 68, 71 and 75. These GASB statements significantly changed how governmental entities account for and report pension and other post-employment benefit activity. Notes II(L) and II(N) in the notes to the financial statements have detail discussions of how these GASB statements impact the District's financial statements for the year ended June 30, 2025.

IMPLEMENTATION OF GASB 101

During the year ended June 30, 2025, the District implemented GASB Statement No. 101, *Compensated Absences*. This statement changed how governmental entities measure and recognize the liability for compensated absences. Notes II(W), II(Z), and II(AA) in the notes to the financial statements include a detail discussion of how the implementation of this statement impacts the District's financial statements for the year ended June 30, 2025.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal-year 2026 budget and tax rates. The 2026 budget was adopted in June 2025 for the fiscal year July 1, 2025 through June 30, 2026. A conservative approach to estimated revenue and expenses was taken by the Board of Trustees. The Board of Trustees adopted a tax rate of \$0.6822 per \$100 valuation for maintenance and operation and \$0.280 per \$100 valuation for debt service for 2025-2026.

Estimated available amounts for the 2026 General Fund budget are \$19,435,687, an increase of \$1,736,927 from the final 2025 budget of \$17,698,760. Budgeted expenditures are expected to be \$19,517,928, which is an increase of \$2,134,919 from \$17,383,009 of actual expenditures in 2025. The District will use its revenue to finance programs we currently offer. If these anticipated amounts are realized, the District's total fund balance for the General Fund is expected to decrease by approximately \$82,241.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Dalhart Independent School District, 701 East 10th, Dalhart, Texas 79022.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

DALHART INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2025

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 37,834,442
1120 Current Investments	172,461
1220 Property Taxes - Delinquent	238,003
1230 Allowance for Uncollectible Taxes	(76,660)
1240 Due from Other Governments	3,471,169
1267 Due from Fiduciary Funds	9,839
1290 Other Receivables, Net	40,341
1300 Inventories	69,393
1410 Prepayments	194,725
Capital Assets:	
1510 Land	491,697
1520 Buildings, Net	23,891,267
1530 Furniture and Equipment, Net	419,526
1540 Vehicles, Net	885,847
1580 Construction in Progress	29,260,461
1000 Total Assets	96,902,511
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS Pension	805,780
1706 Deferred Outflow Related to TRS OPEB	1,098,473
1700 Total Deferred Outflows of Resources	1,904,253
LIABILITIES	
2110 Accounts Payable	964,968
2140 Interest Payable	912,669
2150 Payroll Deductions and Withholdings	121,535
2160 Accrued Wages Payable	1,356,510
2200 Accrued Expenses	129,530
2300 Unearned Revenue	36,581
Noncurrent Liabilities:	
2501 Due Within One Year: Loans, Note, Leases, etc.	1,835,612
Due in More than One Year:	
2502 Bonds, Notes, Loans, Leases, etc.	54,086,452
2540 Net Pension Liability (District's Share)	3,925,555
2545 Net OPEB Liability (District's Share)	2,905,782
2000 Total Liabilities	66,275,194
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	463,066
2606 Deferred Inflow Related to TRS OPEB	3,408,543
2600 Total Deferred Inflows of Resources	3,871,609
NET POSITION	
3200 Net Investment in Capital Assets	20,068,653
Restricted:	
3820 Restricted for Federal and State Programs	847,402
3850 Restricted for Debt Service	1,290,792
3860 Restricted for Capital Projects	2,402,681
3900 Unrestricted	4,050,433
3000 Total Net Position	\$ 28,659,961

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

DALHART INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

EXHIBIT B-1

Data	Program Revenues			Net (Expense)	
Control	1	3	4	Revenue and	
Codes	Expenses	Charges for	Operating	Changes in Net	
		Services	Grants and	Position	
			Contributions	Primary Gov.	
				Governmental	
				Activities	
Primary Government:					
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 10,237,010	\$ -	\$ 1,243,856	\$ (8,993,154)
12	Instructional Resources and Media Services	167,128	-	3,914	(163,214)
13	Curriculum and Instructional Staff Development	86,735	-	35,068	(51,667)
21	Instructional Leadership	512,648	-	189,194	(323,454)
23	School Leadership	1,062,871	-	32,656	(1,030,215)
31	Guidance, Counseling, and Evaluation Services	628,742	-	180,403	(448,339)
32	Social Work Services	10,898	-	8,863	(2,035)
33	Health Services	217,516	-	81,202	(136,314)
34	Student (Pupil) Transportation	327,094	-	3,282	(323,812)
35	Food Services	1,094,954	199,275	1,026,842	131,163
36	Extracurricular Activities	1,143,834	400,043	62,879	(680,912)
41	General Administration	884,913	-	13,198	(871,715)
51	Facilities Maintenance and Operations	2,254,230	3,345	10,058	(2,240,827)
52	Security and Monitoring Services	138,055	-	4,895	(133,160)
53	Data Processing Services	400,681	-	10,006	(390,675)
72	Debt Service - Interest on Long-Term Debt	1,874,865	-	-	(1,874,865)
73	Debt Service - Bond Issuance Cost and Fees	198,545	-	-	(198,545)
81	Capital Outlay	24,966	-	-	(24,966)
99	Other Intergovernmental Charges	427,968	-	-	(427,968)
	[TP] TOTAL PRIMARY GOVERNMENT:	\$ 21,693,653	\$ 602,663	\$ 2,906,316	(18,184,674)
	Data				
	Control				
	Codes				
	MT				
	DT				
	SF				
	IE				
	MI				
	TR				
	CN				
	NB				
	PA				
	NE				
	General Revenues:				
	Taxes:				
	Property Taxes, Levied for General Purposes				10,732,824
	Property Taxes, Levied for Debt Service				4,288,489
	State Aid - Formula Grants				7,478,673
	Investment Earnings				1,913,157
	Miscellaneous Local and Intermediate Revenue				137,308
	Total General Revenues				24,550,451
	Change in Net Position				6,365,777
	Net Position - Beginning as Previously Reported				23,184,970
	Restatement for Implementation of GASB 101				(890,786)
	Net Position - Beginning as Restated and Adjusted				22,294,184
	Net Position - Ending				\$ 28,659,961

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

FUND FINANCIAL STATEMENTS

DALHART INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 11,268,608	\$ 2,206,303	\$ 23,282,276
1120 Investments - Current	172,461	-	-
1220 Property Taxes - Delinquent	176,422	61,581	-
1230 Allowance for Uncollectible Taxes	(58,920)	(17,740)	-
1240 Due from Other Governments	2,938,516	12,306	-
1260 Due from Other Funds	420,249	-	-
1290 Other Receivables	-	-	30,950
1300 Inventories	27,164	-	-
1410 Prepayments	194,725	-	-
1000 Total Assets	<u>\$ 15,139,225</u>	<u>\$ 2,262,450</u>	<u>\$ 23,313,226</u>
LIABILITIES			
2110 Accounts Payable	\$ 101,475	\$ -	\$ 823,157
2150 Payroll Deductions and Withholdings Payable	121,535	-	-
2160 Accrued Wages Payable	1,235,852	-	-
2170 Due to Other Funds	39	58,987	-
2200 Accrued Expenditures	109,860	-	-
2300 Unearned Revenue	-	-	-
2000 Total Liabilities	<u>1,568,761</u>	<u>58,987</u>	<u>823,157</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	117,502	43,841	-
2600 Total Deferred Inflows of Resources	<u>117,502</u>	<u>43,841</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	27,164	-	-
3430 Prepaid Items	194,725	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	22,490,069
3480 Retirement of Long-Term Debt	-	2,159,622	-
Committed Fund Balance:			
3545 Other Committed Fund Balance	-	-	-
3600 Unassigned Fund Balance	13,231,073	-	-
3000 Total Fund Balances	<u>13,452,962</u>	<u>2,159,622</u>	<u>22,490,069</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 15,139,225</u>	<u>\$ 2,262,450</u>	<u>\$ 23,313,226</u>

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

Other Funds	Total Governmental Funds
\$ 1,077,255	\$ 37,834,442
-	172,461
-	238,003
-	(76,660)
520,347	3,471,169
10,452	430,701
9,391	40,341
42,229	69,393
-	194,725
<u>\$ 1,659,674</u>	<u>\$ 42,374,575</u>
\$ 40,336	\$ 964,968
-	121,535
120,658	1,356,510
361,836	420,862
19,670	129,530
36,581	36,581
<u>579,081</u>	<u>3,029,986</u>
-	161,343
<u>-</u>	<u>161,343</u>
42,229	69,393
-	194,725
805,173	805,173
-	22,490,069
-	2,159,622
233,191	233,191
-	13,231,073
<u>1,080,593</u>	<u>39,183,246</u>
<u>\$ 1,659,674</u>	<u>\$ 42,374,575</u>

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

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	39,183,246
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$51,291,978 and the accumulated depreciation was \$21,984,775. In addition, long-term liabilities, including bonds payable in the amount of \$36,135,000, unamortized premiums on bond issuances in the amount of \$1,415,915, and notes payable in the amount of \$355,565, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position.		(8,599,277)
2 Current year capital outlays in the amount of \$26,978,132 and long-term debt principal payments in the amount of \$3,040,565 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2025 capital outlays and debt principal payments is to increase net position.		30,018,697
3 The 2025 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(1,336,537)
4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. At the beginning of the year, the net position related to TRS was a deferred resource outflow in the amount of \$1,627,546, a deferred resource inflow in the amount of \$644,339 and a net pension liability in the amount of \$4,608,739. The impact of this on net position is a decrease of \$3,625,532. Changes from the current year reporting of the TRS plan resulted in an increase in net position in the amount of \$42,691. The combination of the beginning of the year amounts and the changes during the year resulted in a difference between the ending fund balance and the ending net position in the amount of (\$3,582,841).		(3,582,841)
5 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. At the beginning of the year, the net position related to TRS OPEB was a deferred resource outflow in the amount of \$592,610, a deferred resource inflow in the amount of \$4,232,525 and a net OPEB liability in the amount of \$2,168,954. The impact of this on net position is a decrease of \$5,808,869. Changes from the current year reporting of the TRS OPEB plan resulted in an increase in net position in the amount of \$593,017. The combination of the beginning of the year amounts and the changes during the year resulted in a difference between the ending fund balance and the ending net position in the amount of (\$5,215,852).		(5,215,852)
6 Also included in the items related to debt is the recognition of the District's compensated absences required by GASB 101. Because the District implemented GASB 101 during the fiscal year ended June 30, 2025, a prior period adjustment in the amount of \$890,786 was necessary to record the beginning of year liability pertaining to compensated absences which decreased net position. Changes from the current year activity resulted in a decrease in net position of \$63,744. The combination of the beginning of the year amounts from the prior period adjustment and the changes during the year resulted in a total decrease in ending net position in the amount of \$954,530.		(954,530)

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

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

EXHIBIT C-2

<p>7 During the year, the District issued the Series 2025 Unlimited Tax School Building Bonds in the amount of \$19,305,000. Premiums on the issuance, net of underwriter's discount, were \$880,245. The result of this bond issuance is to decrease net position in the amount of \$20,185,245.</p>	<p>(20,185,245)</p>
<p>8 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue in the amount of \$161,343, recognizing the liabilities associated with maturing long-term debt and interest in the amount of (\$912,669), and recognizing the current year's amortization of bond premiums in the amount of \$83,626. The net effect of these reclassifications and recognitions is to decrease net position.</p>	<p>(667,700)</p>
<p>29 Net Position of Governmental Activities</p>	<p style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 28,659,961</p>

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

DALHART INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 11,453,453	\$ 4,405,386	\$ 1,198,599
5800 State Program Revenues	7,965,347	379,619	-
5900 Federal Program Revenues	28,706	-	-
5020 Total Revenues	<u>19,447,506</u>	<u>4,785,005</u>	<u>1,198,599</u>
EXPENDITURES:			
Current:			
0011 Instruction	9,053,764	-	-
0012 Instructional Resources and Media Services	160,116	-	-
0013 Curriculum and Instructional Staff Development	51,685	-	-
0021 Instructional Leadership	328,775	-	-
0023 School Leadership	1,031,981	-	-
0031 Guidance, Counseling, and Evaluation Services	448,808	-	-
0032 Social Work Services	2,035	-	-
0033 Health Services	166,902	-	-
0034 Student (Pupil) Transportation	444,346	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	801,109	-	-
0041 General Administration	875,732	-	-
0051 Facilities Maintenance and Operations	2,633,707	-	-
0052 Security and Monitoring Services	138,991	-	-
0053 Data Processing Services	391,146	-	-
Debt Service:			
0071 Principal on Long-Term Liabilities	355,562	2,685,000	-
0072 Interest on Long-Term Liabilities	4,351	1,646,096	-
0073 Bond Issuance Cost and Fees	-	13,300	185,245
Capital Outlay:			
0081 Facilities Acquisition and Construction	66,031	-	26,395,418
Intergovernmental:			
0099 Other Intergovernmental Charges	427,968	-	-
6030 Total Expenditures	<u>17,383,009</u>	<u>4,344,396</u>	<u>26,580,663</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,064,497</u>	<u>440,609</u>	<u>(25,382,064)</u>
OTHER FINANCING SOURCES (USES):			
7911 Capital Related Debt Issued	-	-	19,305,000
7916 Premium or Discount on Issuance of Bonds	-	-	880,245
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>20,185,245</u>
1200 Net Change in Fund Balances	2,064,497	440,609	(5,196,819)
0100 Fund Balance - July 1 (Beginning)	11,388,465	1,719,013	27,686,888
3000 Fund Balance - June 30 (Ending)	<u>\$ 13,452,962</u>	<u>\$ 2,159,622</u>	<u>\$ 22,490,069</u>

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

Other Funds	Total Governmental Funds
\$ 630,410	\$ 17,687,848
166,403	8,511,369
2,201,926	2,230,632
2,998,739	28,429,849
937,706	9,991,470
-	160,116
35,018	86,703
180,967	509,742
-	1,031,981
167,214	616,022
8,863	10,898
48,158	215,060
-	444,346
1,101,960	1,101,960
365,644	1,166,753
-	875,732
-	2,633,707
4,523	143,514
-	391,146
-	3,040,562
-	1,650,447
-	198,545
-	26,461,449
-	427,968
2,850,053	51,158,121
148,686	(22,728,272)
-	19,305,000
-	880,245
-	20,185,245
148,686	(2,543,027)
931,907	41,726,273
\$ 1,080,593	\$ 39,183,246

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

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ (2,543,027)
Current year capital outlays in the amount of \$26,978,132 and long-term debt principal payments in the amount of \$3,040,565 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2025 capital outlays and debt principal payments is to increase the change in net position.	30,018,697
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.	(1,336,537)
During the year, the District issued the Series 2025 Unlimited Tax School Building Bonds in the amount of \$19,305,000. Premiums on the issuance, net of underwriter's discounts, were \$880,245. The net effect of removing the bond proceeds is to decrease the change in net position.	(20,185,245)
Pension expenditures on the fund financial statements are recognized on the modified accrual basis of accounting; however, on the government-wide financial statements, pension expense is reported on the accrual basis of accounting in accordance with GASB 68, as amended. Differences occur as the result of timing when pension contributions are made verses when they are recognized, as well as the result of changes in assumptions, differences between projected and actual earnings, differences between expected and actual actuarial experience, etc. The net effect on reporting pension expense in accordance with GASB 68, as amended, is to increase the change in net position.	42,691
Other post-employment benefit expenditures on the fund financial statements are recognized on the modified accrual basis of accounting; however, on the government-wide financial statements, other post-employment benefit expense is reported on the accrual basis of accounting in accordance with GASB 75, as amended. Differences occur as the result of timing when other post-employment contributions are made verses when they are recognized, as well as the result of changes in assumptions, differences between projected and actual earnings, differences between expected and actual actuarial experience, etc. The net effect on reporting other post-employment benefit expense in accordance with GASB 75, as amended, is to increase the change in net position.	593,017
Change in the compensated absences liability are not recognized in the governmental funds since it does not require the use of current financial resources. However, on the government-wide financial statements, compensated absences liability is reported on the accrual basis of accounting in accordance with GASB 101. The net effect of the current year's change in compensated absences liability is to decrease the change in net position.	(63,744)
Various other reclassifications and eliminations are necessary to convert from the modified the accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue and adjusting current year revenue to show the revenue earned from the current year's tax levy in the amount of \$64,346, recognizing the liabilities associated with maturing long-term debt and interest in the amount of (\$308,047), and recognizing the current year's amortization of bond premiums in the amount of \$83,626. The net effect of these reclassifications and recognitions is to decrease the change in net position.	(160,075)
Change in Net Position of Governmental Activities	\$ 6,365,777

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

DALHART INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2025

	Custodial Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 73,857
Total Assets	<u>73,857</u>
LIABILITIES	
Accounts Payable	449
Due to Other Funds	9,839
Due to Student Groups	20
Total Liabilities	<u>10,308</u>
NET POSITION	
Restricted for Other Purposes	<u>63,549</u>
Total Net Position	<u><u>\$ 63,549</u></u>

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

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

	Custodial Fund
ADDITIONS:	
Contributions to Student Groups	\$ 6,250
Miscellaneous Revenue - Student	70,154
Earnings from Temporary Deposits	3,720
Total Additions	<u>80,124</u>
DEDUCTIONS:	
Other Deductions	84,129
Total Deductions	<u>84,129</u>
Change in Fiduciary Net Position	(4,005)
Total Net Position - July 1 (Beginning)	<u>67,554</u>
Total Net Position - June 30 (Ending)	<u><u>\$ 63,549</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

**DALHART INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

I. Summary of Significant Accounting Policies:

Dalhart 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 accounting principles generally accepted in the United States of America ("GAAP") promulgated by the Governmental Accounting Standards Board ("GASB") and other authoritative sources identified in *Codification of Statement on Auditing Standards* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's ("TEA") *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. Reporting Entity

The Board 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 GASB in its *Codification of Governmental Accounting and Financial Reporting Standards*. There are no component units included within the reporting entity.

The District receives funding from local, state, and federal government sources and complies with the requirements of these funding source entities.

B. Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District's non-fiduciary activities with the applicable interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the District, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due from on the Governmental Funds Balance Sheet and as other resources and other uses on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Net Position.

**DALHART INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

I. Summary of Significant Accounting Policies (continued):

B. Government-Wide and Fund Financial Statements (continued)

The fund financial statements provide reports on the financial condition and results of operations for two fund categories – governmental and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental 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 government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, deferred inflows of resources and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets and current liabilities (i.e., revenues and other financing sources and expenditures and other financing uses). The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collected within 60 days after year end except for state funding formula grants which are recognized based upon funding formulas approved by the Texas Legislature and the TEA.

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

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

The fiduciary funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable.

**DALHART INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

I. Summary of Significant Accounting Policies (continued):

D. Fund Accounting

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.

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

Capital Projects Fund – The District uses the Capital Projects Fund to account for various renovation and construction projects that are being financed from the issuance of bonds.

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 a grantor in a Special Revenue Fund. Most Federal and some State financial assistance are accounted for in Special Revenue Funds, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Fiduciary Funds:

Custodial Fund - The District accounts for resources held for others in a custodial capacity in a custodial fund. The District's custodial fund is the Student Activity Fund. The student activity organizations exist with the explicit approval of, and are subject to revocation by, the District's Board of Trustees.

E. Budgetary Data

The Board of Trustees adopts an "appropriated budget" for the General Fund, the Child Nutrition Program (which is included in the Special Revenue Funds) and the Debt Service Fund. At a minimum, the District is required to present the adopted and final amended budgeted revenues and expenditures compared to actual revenues and expenditures for these three funds. These comparisons are on Exhibits G-1, J-2 and J-3, respectively.

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.

**DALHART INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

I. Summary of Significant Accounting Policies (continued):

E. Budgetary Data (continued)

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. Because the District has a policy of careful budgetary control, several amendments were necessary during the year.
4. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at June 30, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. End-of-year outstanding encumbrances were all cancelled.
5. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end.

F. Other Accounting Policies

1. The Data Control Codes refer to the account code structure prescribed by TEA's Resource Guide. The TEA requires school districts to display these codes in the financial statements filed with the TEA in order to ensure accuracy in building a State-wide database for policy development and funding plans.
2. The District records purchases of supplies as expenditures. If a material amount of supplies is on hand at the end of the year, their total cost is recorded as inventory and the fund balance is reported as non-spendable for the same amount. Although not material, at June 30, 2025, the District is reporting supplies on hand in the amount of \$69,363.
3. The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
4. The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2025, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.
5. Employees of the District are entitled to paid vacation and paid sick days depending on job classification, length of service and other factors. For the fund financial statements, it is impractical to estimate the amount of compensation for future absences, and, accordingly, no liability has been recorded in the accompanying fund financial statements.

**DALHART INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

I. Summary of Significant Accounting Policies (continued):

F. Other Accounting Policies (continued)

On the fund financial statements, the District’s policy is to recognize the costs of compensated absences when actually paid to employees. See Note II(Z) for how the District recognized a liability for compensated absences on the government-wide financial statements.

6. Capital assets, which include land, buildings and improvements, and furniture and equipment are reported in the governmental activities columns 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 estimated fair market value at the date of donation. 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. Outlays for construction projects and improvements are capitalized and depreciated as projects are completed.

Capital assets of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10-30
Furniture and equipment	5-30
Vehicles	7-10

7. Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Unearned revenue on the fund financial statements pertains to unused grant funds and food commodity inventory as of June 30, 2025.
8. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the year incurred.

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

9. In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

**DALHART INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

I. Summary of Significant Accounting Policies (continued):

F. Other Accounting Policies (continued)

The District reported \$805,780 of deferred outflows pertaining to its pension plan as discussed in more detail in Note II(L) and \$1,098,473 of deferred outflows pertaining to its participation in the OPEB plan as discussed in more detail in Note II(N) for the year ended June 30, 2025.

In addition to liabilities, the Statement of Net Position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) which will not be recognized as an inflow of resources (revenue) until that time. As of June 30, 2025, the District reported \$463,066 of deferred inflows pertaining to its pension plan as discussed in more detail in Note II(L) and \$3,408,543 of deferred inflows of resources pertaining to its participation in the OPEB plan as discussed in more detail in Note II(N) below. In addition, the District has only one type of item, which arises under the modified accrual basis of accounting that qualifies for reporting as a deferred inflow of resources. Accordingly, the item, unavailable revenue from property taxes in the amount of \$161,343, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

10. Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net investment in capital assets amount also is adjusted by any bond issuance deferral amounts. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted. The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.
11. The District participates in numerous state and federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2025, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.
12. 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.

**DALHART INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

I. Summary of Significant Accounting Policies (continued):

F. Other Accounting Policies (continued)

13. The fiduciary net position of the Texas Public School Retired Employees Group Insurance Program Care Plan (TRS-Care) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net other post-employment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to other OPEB, 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.
14. The amounts on the statements have been rounded individually; consequently, some columns may not total and some schedules may not agree because of this rounding.

II. Detailed Notes on All Funds and Account Groups:

A. Deposits and Investments

Legal and Contractual Provisions Governing Deposits and Investments

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

Policies Governing Deposits and Investments

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

**DALHART INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

II. Detailed Notes on All Funds and Account Groups (continued):

A. Deposits and Investments (continued)

- a. **Custodial Credit Risk:** In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. For an investment, this is the risk that, in the event of a failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The District’s policy provides that investments and deposits be collateralized by pledging of securities and/or FDIC coverage. The District also minimizes custodial credit risk by depositing funds in public investment pools that are on demand investment type vehicles.
- b. **Interest Rate Risk:** Interest rate risk arises from investments in debt instruments and is defined as “the risk that changes in interest rates will adversely affect the fair value of an investment.” The District has a policy of investing in investment pools and certificates of deposit and consequently has no substantial interest-rate risk.
- c. **Concentration of Credit Risk:** As of June 30, 2025, the District had the following investments:

<u>Type</u>	<u>Standard & Poor's Rating</u>	<u>Maturity Date</u>	<u>Carrying Amount</u>
Included in Cash and Cash Equivalents:			
TexPool	AAAm	N/A	\$ 303,840
Lone Star	AAA	N/A	<u>34,538,648</u>
			<u><u>\$ 34,842,488</u></u>
Included in Investments:			
Certificate of deposit	N/A	12/29/2024	<u><u>\$ 172,461</u></u>

The District maintains a portion of its cash deposits in TexPool and Lone Star which are public investment pools. These funds seek to provide safety of principal, daily liquidity, and the highest possible rate of return. The funds seek to maintain a net asset value ranging from fifty cents to one dollar, with their dollar-weighted average maturity dates with a range of 60 to 120 days or fewer.

Because of the District’s ability to withdraw cash from these funds immediately at net asset values, the District considers funds held by these investment pools to be cash and cash equivalents on the governmental funds balance sheet and the statement of net position, while certificates of deposits are reported as investments on the financial statements.

B. 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 on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

**DALHART INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

II. Detailed Notes on All Funds and Account Groups (continued):

C. Delinquent Taxes Receivable

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

D. Interfund Balances and Transfers

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

Interfund balances on the fund financial statements as of June 30, 2025 were as follows:

Due to General Fund from:

Nonmajor Governmental Funds	\$	361,262
Debt Service Fund		58,987
Total	\$	420,249

Due to Nonmajor Governmental Funds from:

General Fund	\$	39
Nonmajor Governmental Funds		574
Custodial Fund		9,839
Total	\$	10,452

There were no transfers between funds for the year ended June 30, 2025.

**DALHART INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

II. Detailed Notes on All Funds and Account Groups (continued):

E. Disaggregation of Receivables and Payables

Receivables in the fund financial statements as of June 30, 2025, were as follows:

	<u>Property Taxes</u>	<u>Due From Other Governments</u>	<u>Due From Other Funds</u>	<u>Other Receivables</u>	<u>Total Receivables</u>
Governmental Funds:					
General Fund	\$ 176,422	\$ 2,938,516	\$ 420,249	\$ -	\$ 3,535,187
Debt Service Fund	61,581	12,306	-	-	73,887
Capital Projects Fund	-	-	-	30,950	30,950
Non-major Governmental Funds	<u>-</u>	<u>520,347</u>	<u>10,452</u>	<u>9,391</u>	<u>540,190</u>
Total - Governmental Funds	<u>\$ 238,003</u>	<u>\$ 3,471,169</u>	<u>\$ 430,701</u>	<u>\$ 40,341</u>	<u>\$ 4,180,214</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 76,660</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,660</u>

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives grants from the state through the School Foundation and Per Capita Programs. Amounts due from federal and state governments for the year ended June 30, 2025, are summarized below:

	<u>State Funding</u>	<u>State Grants</u>	<u>Federal Grants</u>	<u>Property Taxes</u>	<u>Total</u>
Governmental Funds:					
General Fund	\$ 2,919,672	\$ -	\$ -	\$ 18,844	\$ 2,938,516
Debt Service Fund	-	-	-	12,306	12,306
Non-major Governmental Funds	<u>-</u>	<u>51,253</u>	<u>469,094</u>	<u>-</u>	<u>520,347</u>
Total - Governmental Funds	<u>\$ 2,919,672</u>	<u>\$ 51,253</u>	<u>\$ 469,094</u>	<u>\$ 31,150</u>	<u>\$ 3,471,169</u>

Payables in the fund financial statements at June 30, 2025, were as follows:

	<u>Accounts Payable and Accrued Expenses</u>	<u>Salaries and Benefits</u>	<u>Due To Other Funds</u>	<u>Total Payables</u>
Governmental Funds:				
General Fund	\$ 211,335	\$ 1,357,387	\$ 39	\$ 1,568,761
Debt Service Fund	-	-	58,987	58,987
Capital Projects Fund	823,157	-	-	823,157
Non-major Governmental Funds	<u>60,006</u>	<u>120,658</u>	<u>361,836</u>	<u>542,500</u>
Total - Governmental Funds	<u>\$ 1,094,498</u>	<u>\$ 1,478,045</u>	<u>\$ 420,862</u>	<u>\$ 2,993,405</u>

**DALHART INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

II. Detailed Notes on All Funds and Account Groups (continued):

F. Capital Asset Activity

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

	<u>Balance 07/01/24</u>	<u>Additions</u>	<u>Adjustments & Retirements</u>	<u>Balance 06/30/25</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 491,697	\$ -	\$ -	\$ 491,697
Construction in Progress	<u>2,907,327</u>	<u>26,353,134</u>	<u>-</u>	<u>29,260,461</u>
Total capital assets not being depreciated	<u>3,399,024</u>	<u>26,353,134</u>	<u>-</u>	<u>29,752,158</u>
Capital assets, being depreciated:				
Buildings and improvements	44,543,045	463,700	-	45,006,745
Furniture and equipment	1,265,519	23,055	-	1,288,574
Vehicles	<u>2,084,390</u>	<u>138,243</u>	<u>-</u>	<u>2,222,633</u>
Total capital assets being depreciated	<u>47,892,954</u>	<u>624,998</u>	<u>-</u>	<u>48,517,952</u>
Less accumulated depreciation for:				
Buildings and improvements	20,005,192	1,110,286	-	21,115,478
Furniture and equipment	795,294	73,754	-	869,048
Vehicles	<u>1,184,289</u>	<u>152,497</u>	<u>-</u>	<u>1,336,786</u>
Total accumulated depreciation	<u>21,984,775</u>	<u>1,336,537</u>	<u>-</u>	<u>23,321,312</u>
Total capital assets, being depreciated, net	<u>25,908,179</u>	<u>(711,539)</u>	<u>-</u>	<u>25,196,640</u>
Governmental activities capital assets, net	<u>\$ 29,307,203</u>	<u>\$ 25,641,595</u>	<u>\$ -</u>	<u>\$ 54,948,798</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 922,212
Instructional Resources and Media Services	13,279
Curriculum and Instructional Staff Development	149
Instructional Leadership	50,153
School Leadership	105,644
Guidance, Counseling and Evaluation Services	58,994
Health Services	20,555
Student (Pupil) Transportation	17,875
Food Services	4,538
Co-curricular/Extracurricular Activities	40,077
General Administration	44,192
Plant Maintenance and Operations	27,383
Security and Monitoring Services	4,507
Data Processing Services	<u>26,979</u>
Total Depreciation Expense	<u>\$ 1,336,537</u>

**DALHART INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

II. Detailed Notes on All Funds and Account Groups (continued):

F. Capital Asset Activity (continued)

During the prior year, the District began incurring costs related to construction of a new intermediate school. As of June 30, 2025 the District has incurred costs of \$1,868,562 for architectural costs associated with the project and \$27,391,899 in construction costs associated with the project. The total costs incurred of \$29,260,461 as of June 30, 2025 are recorded in the District's financial statements as construction in progress. Although subject to change, the District's management estimates that the total cost of the project will not exceed \$38,308,844 and the project is expected to be complete by September 30, 2025.

G. Bonds and Notes Payable

Bond indebtedness of the District is reflected in the government-wide Statement of Net Position, and current requirements for principal and interest expenditures are accounted for in both the General Fund and the Debt Service Fund.

In a previous year, the District issued \$7,815,000 of Series 2012 Unlimited Tax Refunding Bonds (the "2012 Bonds"). Proceeds from the sale of the 2012 Bonds were used to advance refund a portion of Series 2006 Unlimited Tax School Building Bonds (the "2006 Bonds") that had also been issued in a previous year. The 2012 Bonds were issued in conformity with the constitution and laws of the State of Texas, including provisions of the Governmental Code. Principal and interest on the 2012 Bonds are payable from the receipts of an annual ad valorem tax levied in the debt service fund, without legal limit as to rate or amount, upon taxable property located within the District, which taxes have been pledged irrevocably to pay principal and interest on the bonds. The maturity date of the bonds is February 15, 2036. Principal is due each February 15, beginning February 15, 2014, until maturity. Interest is due semi-annually each February 15 and August 15, beginning February 15, 2013, until maturity. The interest rate is 4.25%. The 2012 Bonds were not issued at a premium or a discount, so there was no premium or discount subject to being amortized by the District. Proceeds from the 2012 Bonds were used to pay off principal of \$7,815,000 of the 2006 Bonds. The difference between the cash flow requirements to service the 2012 Bonds over its life and the cash flow requirements to service the 2006 Bonds was \$1,788,057. The economic gain that resulted because of the refunding bonds was \$463,611. There was no accounting gain or loss on the financial statements. The administration has indicated the District is in compliance with all reporting requirements. All of the 2006 Bonds have been paid in full in a previous year. The balance of the 2012 Bonds outstanding as of June 30, 2025 was \$7,065,000.

In a previous year, the District issued \$5,830,000 of Unlimited Tax Refunding Bonds, Series 2014 (the "2014 Bonds") to advance refund \$5,865,000 of the 2006 Bonds in order to achieve debt service savings. The 2006 Bond maturities that were refunded were the 2017 through 2027 maturities, with interest rates ranging from 4.30% to 5.125%. The net proceeds from the issuance of the 2014 Bonds were used to purchase U.S. Government Securities, and those securities were deposited into an irrevocable trust with an escrow agent to provide debt service payments until the 2006 Bonds had been refunded. The advance refunding met the requirements of an in-substance defeasance, and therefore, the 2006 Bonds redeemed have been removed from the District's government-wide financial statements. The amount of defeased bonds outstanding were redeemed on August 15, 2016. The 2014 Bonds were issued as serial bonds maturing on August 15 in the years 2015 through 2027.

**DALHART INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

II. Detailed Notes on All Funds and Account Groups (continued):

G. Bonds and Notes Payable (continued)

The 2014 Bonds bear interest at rates from 3.00% to 4.00%. The 2014 Bonds were issued at a net premium of \$35,000 which was fully recognized by the District during the year the 2014 Bonds were issued. The balance of the 2014 Bonds as of June 30, 2025 was \$-0-, as the bonds were paid off during the current year.

The District follows the reporting guidance of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65) for the reporting of the 2014 Bonds. Under GASB 65, since the 2014 Bonds are considered to be an in-substance defeasance of the 2006 Bonds refunded, the difference between the reacquisition price (the amount required to repay previously issued debt in a refunding transaction – in the District’s case the amount placed in escrow that, together with interest earnings, is necessary to pay interest and principal on the old debt) and the net carrying value (the amount due at maturity, adjusted for any unamortized premium or discount related to the old debt) is reported as a deferred outflow of resources and is being amortized over the remaining life of the 2006 Bonds using the effective interest method. The reacquisition price of the 2006 Bonds was \$5,865,000 and the net carrying value was \$5,865,000, which resulted in a deferred outflow of resources of \$-0-.

The advance refunding resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$669,941.

In a previous year the District issued Series 2010 Qualified School Construction Notes (the “2010 Notes”) in the amount of \$4,896,000 with an associated tax credit to pay maintenance expenditures permitted by Section 45.608 of the Texas Education Code, as amended, together with costs related to the authorization and delivery of the loan agreement together with the note and Tax Credit Certificate. The American Recovery and Reinvestment Act of 2009 granted a national allocation to provide for the issuance of qualified school construction notes in accordance with the qualified tax credit bond program found in Section 54A of the Internal Revenue Service Code of 1986, as amended. The 2010 Notes are payable from and secured by the District’s annual ad valorem maintenance taxes, within the limits prescribed by law, levied in an amount sufficient to pay principal and interest on them. The 2010 Notes are further payable from and secured by a lien on and pledge of any available funds of the District, including proceeds of a maintenance tax, including delinquent taxes levied for maintenance purposes by the District. Principal and interest payments are due quarterly, beginning October 1, 2010, (October 1 payment of \$91,180 including principal and interest) and payments beginning January 1, 2011, in the amount of \$89,480 (including principal and interest) until final payment on July 1, 2025. The interest rate was 1.25%. The Tax Credit Rate on the note was 5.34%. The balance of the 2010 Notes as of June 30, 2025 was \$-0-, as the notes were paid off during the current year.

In a previous year, the District issued \$28,750,000 of Unlimited Tax School Building Bonds, Series 2023 (the “2023 Bonds”). Proceeds from the sale of the bonds will be used for (i) demolition of the existing intermediate campus and constructing a new intermediate campus; district-wide heating, ventilation, and air conditioning; improving fencing, lighting and scoreboards at the baseball/softball complex, and improvements to the junior high and elementary school campuses; and (ii) payment of the costs of issuing the Bonds.

**DALHART INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

II. Detailed Notes on All Funds and Account Groups (continued):

G. Bonds and Notes Payable (continued)

The bonds are direct and voted obligations of the District, payable from a continuing direct annual ad valorem tax levied by the District, without legal limit as to rate or amount, on all taxable property within the District. The 2023 Bonds consists of two types of bonds, \$19,685,000 of serial bonds and \$9,065,000 of term bonds. The serial bonds bear interest at 5.00% and have maturity dates of February 15, 2024 through February 15, 2044. The term bonds bear interest at a rate of 4.00% and have a maturity date of February 15, 2048. The 2023 Bonds were issued at a premium of \$1,628,201, net of an underwriter's discount of \$168,979. This net premium of \$1,459,222 will be amortized over the life of the 2023 Bonds using the effective interest method. The balance of the 2023 Bonds as of June 30, 2025 was \$26,385,000. The current year's amortization of the net premium on the bond issuance was \$83,626.

In May 2023, voters of the District approved an election and a bond order for the District's administration to issue bonds in the amount of \$50,000,000. The District's administration issued the bonds in two different sequences of approximately \$28,750,000 in the first issuance and the remaining \$20,000,000 in a separate issuance. In February 2025, the District issued \$19,305,000 of Unlimited Tax School Building Bonds, Series 2025 (the "2025 Bonds"). Proceeds from the sale of the bonds will be used for (i) demolition of the existing intermediate campus and constructing a new intermediate campus; district-wide heating, ventilation, and air conditioning; improving fencing, lighting and scoreboards at the baseball/softball complex, and improvements to the junior high and elementary school campuses; and (ii) payment of the costs of issuing the Bonds. Additionally, a portion of the proceeds were used to advance refund \$600,000 and \$1,210,000 of the 2012 Bonds and the 2014 Bonds, respectively. The 2012 Bond maturity that was refunded was the 2028 maturity, with interest at a rate of 4.125%. The 2014 Bond maturities that were refunded were the 2026 and 2027 maturities, with interest at a rate of 3.00%.

The bonds are direct and voted obligations of the District, payable from a continuing direct annual ad valorem tax levied by the District, without legal limit as to rate or amount, on all taxable property within the District. The 2025 Bonds consists of two types of bonds, \$16,500,000 of serial bonds and \$2,805,000 of term bonds. The serial bonds bear interest at rates from 4.00% to 5.00% and have maturity dates of February 15, 2026 through February 15, 2045. The term bonds bear interest at a rate of 4.25% and have a maturity date of February 15, 2048. The 2025 Bonds were issued at a premium of \$981,362, net of an underwriter's discount of \$101,117. This net premium of \$880,245 will be amortized over the life of the 2025 Bonds using the effective interest method. The balance of the 2025 Bonds as of June 30, 2025 was \$19,305,000.

The advance refunding resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$674,250.

**DALHART INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

II. Detailed Notes on All Funds and Account Groups (continued):

G. Bonds and Notes Payable (continued)

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

<u>Bonds and Notes Payable</u>	<u>Debt Issue Date</u>	<u>Interest Rate Payable</u>	<u>Interest Paid Current Year</u>	<u>Payable/ Amounts Outstanding 07/01/24</u>	<u>Additions</u>	<u>Retired/ Refunded/ & Amortized</u>	<u>Payable/ Amounts Outstanding 06/30/25</u>	<u>Current Portion</u>
Unlimited Tax Refunding Bond Series 2012 Current Interest Bonds (original amount of \$7,815,000)	6/1/2012	4.25%	\$ 336,688	\$ 7,680,000	-	\$ 615,000	\$ 7,065,000	\$ 15,000
Unlimited Tax Refunding Bond Series 2014 Current Interest Bonds (original amount of \$5,830,000)	10/15/2014	3.00% to 4.00%	66,808	1,790,000	-	1,790,000	-	-
Series 2010 Qualified School Construction Notes (original amount of \$4,896,000)	8/1/2010	1.25%	4,351	355,565	-	355,565	-	-
Unlimited Tax School Building Bonds Series 2023 Current Interest Bonds (original amount of \$28,750,000)	8/15/2023	4.00% to 5.00%	1,242,600	26,665,000	-	280,000	26,385,000	295,000
Unlimited Tax School Building Bonds Series 2025 Current Interest Bonds (original amount of \$19,305,000)	1/21/2025	4.00% to 5.00%	-	-	19,305,000	-	19,305,000	1,165,000
Total Bonds and Notes Payable			<u>\$ 1,650,447</u>	<u>\$ 36,490,565</u>	<u>\$ 19,305,000</u>	<u>\$ 3,040,565</u>	<u>\$ 52,755,000</u>	<u>\$ 1,475,000</u>
Net unamortized premium on bond issuance *				<u>\$ 1,415,915</u>	<u>\$ 880,245</u>	<u>\$ 83,626</u>	<u>\$ 2,212,534</u>	

* The net unamortized premium on bond issuance is included in the Noncurrent Liabilities - Due In More Than One Year section of the Statement of Net Position

There are a number of limitations and restrictions contained in the bond indenture. The District's administrators believe that the District is in compliance with all significant limitations and restrictions at June 30, 2025.

**DALHART INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

II. Detailed Notes on All Funds and Account Groups (continued):

G. Bonds and Notes Payable (continued)

Debt service requirements for bonds and notes payable are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2026	\$ 1,475,000	\$ 2,430,384	\$ 3,905,384
2027	2,010,000	2,366,994	4,376,994
2028	2,115,000	2,266,625	4,381,625
2029	2,220,000	2,161,881	4,381,881
2030	2,325,000	2,057,400	4,382,400
2031-2035	8,520,000	9,000,844	17,520,844
2036-2040	10,695,000	6,818,700	17,513,700
2041-2045	13,655,000	3,894,956	17,549,956
2046-2048	9,740,000	804,025	10,544,025
Total	\$ 52,755,000	\$ 31,801,809	\$ 84,556,809

As noted above, in a previous year the District issued the 2010 Notes in the amount of \$4,896,000 with an associated tax credit to pay maintenance expenditures permitted by Section 45.608 of the Texas Education Code, as amended, along with costs related to the authorization and delivery of the loan agreement together with the note and Tax Credit Certificate. The 2010 Notes were considered to be direct placement notes.

The initial investors of the 2010 Notes, as well as the amounts currently owed to these investors are as follows:

	<u>Original Note Purchased</u>	<u>Current Note Balance</u>
Dalhart Federal Savings & Loan Association, Dalhart, Texas	\$ 1,000,000	\$ -
Panhandle First Bank, Spearman, Texas (Formerly First National Bank, Spearman, Texas)	1,000,000	-
Wellington State Bank, Wellington, Texas (Formerly First National Bank, Dalhart, Texas)	750,000	-
First State Bank, Stratford, Texas	1,000,000	-
The City National Bank of Colorado City, Texas	1,146,000	-
	<u>\$ 4,896,000</u>	<u>\$ -</u>

* Dalhart Federal Savings & Loan Association purchased this note from The City National Bank of Colorado City, Texas on March 28, 2019.

**DALHART INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

II. Detailed Notes on All Funds and Account Groups (continued):

G. Bonds and Notes Payable (continued)

The 2010 Notes were secured by a security agreement between the District and the original investors, which states the District, for valuable consideration, the receipt of which is acknowledged, hereby grants to Secured Party a security interest in any available funds of the District, including delinquent taxes levied for maintenance purposes for the District's fiscal year ended on August 31, 2009 and all previous fiscal years, as well as any delinquent taxes levied for maintenance purposes for the current school year and each subsequent school year up to and including the school year ending on the final maturity of the loan (the "Collateral").

Delinquent taxes levied for school bonds are expressly excluded as Collateral hereunder. The security interest granted hereby secures payment and performance of all obligations of the District under a loan agreement issued to the investors shown above on or about the date the loan agreement was entered into in the original principal amount of \$4,896,000, all interest, fees, charges and expenses and any liabilities arising out of or relating thereto the 2010 Notes.

During each year while the 2010 Notes are outstanding and unpaid, the Board of Trustees shall compute and ascertain, as a part of the District's maintenance tax, a rate and amount of ad valorem tax which will be sufficient to raise and produce the money required (i) to pay the interest on the 2010 Notes as such interest comes due and (ii) to provide and maintain a sinking fund adequate to pay the principal installments of such 2010 Notes as such principal installments mature. The sinking fund is administered by Wells Fargo and is funded at a rate not more rapid than equal annual installments. The annual debt service requirements as listed above are included in the District's annual debt service requirements shown earlier in this report.

Remedies in the Event of Default: In addition to all the rights and remedies provided by the laws of the State of Texas, the District covenants and agrees particularly that in the event that the District (a) defaults in the payments to be made to the interest and sinking fund, or (b) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth herein, the registered owner shall be entitled to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the Board and other officers of the District to observe and perform any covenant, condition, or obligation prescribed in the loan agreement.

The District shall be in default under the 2010 Notes agreement upon the happening of any condition or event set forth below which is not remedied within thirty (30) days after the date on which written notice thereof is received by the District:

- If the District fails to pay when due any obligation, including the interest on or principal of the 2010 Notes, whether by maturity, acceleration or otherwise;
- If the District fails to perform any of its agreements, warranties or representations in the 2010 Notes agreement or the 2010 Notes;
- If any warranty, covenant or representation made to a secured party by or on behalf of the District proves to have been false in any material respect when made;
- If a receiver is appointed for the District or any of the collateral;

**DALHART INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

II. Detailed Notes on All Funds and Account Groups (continued):

G. Bonds and Notes Payable (continued)

- If the collateral is assigned for the benefit of creditors or, to the extent permitted by law, if bankruptcy or insolvency proceedings commence against or by the District;
- If any financing statement regarding the collateral but not related to this security interest and not favoring a secured party is filed; and
- If any lien attaches to any of the collateral.

There are no unused lines of credit associated with the 2010 Notes.

Accountable Event of Loss of Qualified School Construction Bond Status: (a) Any act or any failure to act on the part of the District, which act or failure to act is a breach of a covenant or agreement of the District contained in the 2010 Notes agreement, the Tax Credit Certificate executed in connection with the issuance of the 2010 Notes (the "Tax Credit Certificate"), or the 2010 Notes and which act or failure to act causes the 2010 Notes to lose their status, or fail to qualify, as Qualified School Construction Bonds; or (b) the making by the District of any representation contained in the 2010 Notes agreement, the Tax Credit Certificate, or the 2010 Notes, which representation was untrue when made and the untruth of which representation at such time causes the 2010 Notes to lose their status, or fail to qualify, as a Qualified School Construction Bond under the Code (the United States Internal Revenue Code of 1986, as amended).

The date specified in a Determination of Loss of Qualified School Construction Bond Status is defined as the date from and after which the Note lost its status, or failed to qualify, as Qualified School Construction Bonds as a result of an Accountable Event of Loss of Qualified School Construction Bond Status, which date could be as early as the date of issuance of the note.

The Determination of a Loss of Qualified Construction Bond Status means (a) a final determination by the Internal Revenue Service determining that the note has lost its status, or has failed to qualify, as a Qualified School Construction Bond under the Code and specifying the date of loss of the Qualified Construction Bonds Status which date could be as early as the date of issuance of the note, or (b) a non-appealable holding of a court of competent jurisdiction holding that the note has lost its status, or has failed to qualify, as a Qualified School Construction Bond under the Code and specifying the date of the loss of Qualified School Construction Bond status which date could be as early as the date of issuance of the note.

H. Commitments Under Leases

GASB Statement No. 87, *Leases* (GASB 87) became effective during a prior fiscal year. One of the aspects of implementation of any statement issued by GASB is that the provision of each of the GASB's statements need not be applied to immaterial items. When assessing the overall impact of GASB 87 on the District's financial statements and whether it should be adopted, management evaluated all lease agreements in place at that time and made the determination that the implementation of GASB 87 would not have had a material impact on the District's financial statements; consequently, GASB 87 was not implemented for the District's fiscal year ending June 30, 2022 financial statements.

**DALHART INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

II. Detailed Notes on All Funds and Account Groups (continued):

H. Commitments Under Leases (continued)

For the year ended June 30, 2025, management again evaluated all lease agreements currently in place and determined that at the present time, the implementation of GASB 87 would not have a material impact on the District's financial statements; consequently, GASB 87 was not implemented for the District's fiscal year ending June 30, 2025 financial statements. Management will continue to assess the impact that GASB 87 may have in the future on the District's financial statements, and if determined to be material, will be implemented at that time.

The District leases copy machines, equipment and vehicles under various non-cancelable operating leases. Total expenditures for such leases was approximately \$90,307 for the year ended June 30, 2025. The future minimum lease payments for these leases are as follows:

<u>Year ending June 30,</u>	<u>Minimum Payments</u>
2026	\$ 45,635
2027	19,935
2028	15,710
2029	13,585
2030	1,132
	<u>\$ 95,997</u>

I. Unearned Revenues

Unearned revenues as of June 30, 2025 in the fund financial statements consist of the following:

	<u>Non-major Governmental Funds</u>
Unused local grant proceeds	\$ 8,855
Food commodity revenue - held in inventory	27,726
Totals	<u>\$ 36,581</u>

J. Deferred Inflows of Resources

Unavailable revenues as of June 30, 2025 in the fund financial statements consisted of the following:

	<u>General Fund</u>	<u>Debt Service</u>	<u>Total</u>
Unavailable property taxes	\$ 117,502	\$ 43,841	\$ 161,343

**DALHART INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

II. Detailed Notes on All Funds and Account Groups (continued):

K. Fund Balance

The District's fund balances for its governmental funds are presented in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, ("GASB 54") which classifies fund balance based on the level of constraints placed on the usage of fund resources. Under GASB 54, fund balances for governmental funds are reported in the following categories:

1. Non-spendable – The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in a spendable form or (b) 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. The District reported \$264,118 of non-spendable fund balance for inventory and prepaids as of June 30, 2025.
2. Restricted – The restricted fund balance classification includes amounts that are restricted to specific purposes. Fund balance is reported as restricted when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District reported \$2,159,622 of restricted fund balance for the retirement of long-term debt, \$22,490,069 restricted for capital acquisition and contractual obligation, and \$805,173 of restricted fund balance for the National School Breakfast and Lunch Program as of June 30, 2025.
3. Committed – The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority, the Board of Trustees. Formal action consists of a board resolution by a majority vote of the District's Board of Trustees in a publicly held scheduled meeting. Committed fund balance amounts cannot be used for any other purpose unless the Board of Trustees removes or changes the specified use by taking the same type of action (board resolution). Commitments may be for facility expansion or renovation, program modifications, wage and salary adjustments, financial cushions (rainy day funds), and other purposes determined by the Board of Trustees. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District reported \$233,191 of committed fund balance for campus and athletics activity funds as of June 30, 2025.
4. Assigned – The assigned fund balance classification includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Trustees may delegate authority to specified persons or groups to make assignments of certain fund balances by a majority vote in a scheduled meeting. The Board of Trustees may modify or rescind its delegation of authority by the same action. The authority to make assignments shall be in effect until modified or rescinded by the Board of Trustees by majority vote in a publicly scheduled meeting. The Board of Trustees has delegated the authority to make assignments of fund balance amounts to the District's Superintendent or his designee. The District had no assigned fund balance amounts as of June 30, 2025.

**DALHART INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

II. Detailed Notes on All Funds and Account Groups (continued):

K. Fund Balance (continued)

5. Unassigned – The unassigned fund balance classification is the residual classification for the general fund. This classification represents fund balance that has not be assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The District reported \$13,231,073 of unassigned fund balance in the general fund as of June 30, 2025.

When the District incurs expenditures that can be made from either restricted or unrestricted balances, the expenditures are charged first to restricted balances, and then to unrestricted balances as they are needed. When the District incurs expenditures that can be made from either committed, assigned, or unassigned balances, the expenditures are charged to committed resources first, then to assigned resources and then to unassigned resources as they are needed.

L. Defined Benefit Pension Plan

Plan Description - The District participates in a multiple-employer, cost-sharing, defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67, and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust fund 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 TRS’s fiduciary net position is available in a separately issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the internet at <https://www.trs.texas.gov/learning-resources/publications>; by writing to TRS at attention Finance Division, PO Box 149676, Austin, TX, 78714-0185, or by calling 1-800-223-8778.

The information provided in the notes to the financial statements in the 2024 ACFR for TRS provides the following information regarding the net pension liability of the Plan as of August 31, 2024:

Net Pension Liability	
Total pension liability	\$ 271,627,434,294
Less: Plan fiduciary net position	(210,543,258,495)
Net pension liability	\$ 61,084,175,799
Net position as a percentage of total pension liability	77.51%

**DALHART INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

II. Detailed Notes on All Funds and Account Groups (continued):

L. Defined Benefit Pension Plan (continued)

Benefits Provided - TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule.

There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above. Accordingly, the 2023 Texas Legislature passed Senate Bill (SB) 10 and House Joint Resolution (HJR) 2 to provide eligible retirees with a one-time stipend and an ad hoc cost-of-living adjustment (COLA).

One-Time Stipends

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

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

Cost-of-Living Adjustment

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

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

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

**DALHART INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

II. Detailed Notes on All Funds and Account Groups (continued):

L. Defined Benefit Pension Plan (continued)

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 percent of the member’s annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation paid to members of the system during the fiscal year. Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2019 thru 2025.

Contribution Rates and Amounts		
	2024	2025
Member	8.25%	8.25%
Non-employer contributing entity (State)	8.25%	8.25%
Employers	8.25%	8.25%
Dalhart ISD's 2025 Employer Contributions	\$	383,279
Dalhart ISD's 2025 Member Contributions	\$	870,603
Dalhart ISD's 2025 NECE On-behalf Contributions	\$	643,946

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member’s first 90 days of employment.
- When any or all of an employee’s salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

**DALHART INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

II. Detailed Notes on All Funds and Account Groups (continued):

L. Defined Benefit Pension Plan (continued)

- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50 percent of the state contribution rate for certain instructional or administrative employees; and 100 percent of the state contribution rate for all other employees.

In addition to the employer contributions listed above, there is a surcharge an employer is subject to:

- All public schools, charter schools, and regional educational service centers must contribute 1.9 percent of the member's salary beginning in fiscal year 2024, gradually increasing to 2 percent in fiscal year 2025.
- When employing a retiree of 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 actuarial valuation was performed as of August 31, 2023. Update procedures were used to roll forward the total pension liability to August 31, 2024.

The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumptions were selected by the Board of Trustees based upon analysis and recommendations by the system's actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the Plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the four-year period ending August 31, 2021 and were adopted in July 2022.

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

**DALHART INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

II. Detailed Notes on All Funds and Account Groups (continued):

L. Defined Benefit Pension Plan (continued)

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

Valuation date	August 31, 2023 rolled forward to August 31, 2024
Actuarial cost method	Individual entry age normal
Asset valuation method	Fair value
Single discount rate	7.00%
Long-term expected rate	7.00%
Municipal bond rate as of August 2024	3.87% - The source for the rate is the Bond Buyers 20 Index which represents the estimated yield of a portfolio of 20 general obligation bonds maturing in 20 years based on a survey of municipal bond traders index's "20-year Municipal GO AA Index"
Last year ending August 31 in projection period (100 years)	2123
Inflation	2.30%
Salary increases	2.95% to 8.95% including inflation
Ad hoc post-employment benefit changes	None

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

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

Based on 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.

**DALHART INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

II. Detailed Notes on All Funds and Account Groups (continued):

L. Defined Benefit Pension Plan (continued)

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the system's target asset allocation as of August 31, 2024 are summarized below:

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

* Absolute Return includes Credit Sensitive Investments.

** Target allocation based on the FY2024 policy model.

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

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

**DALHART INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

II. Detailed Notes on All Funds and Account Groups (continued):

L. Defined Benefit Pension Plan (continued)

Discount Rate Sensitivity Analysis - The following schedule shows the impact of the net pension liability if the discount rate used was 1 percentage point lower than and 1 percentage point higher than the discount rate that was used (7.00 percent) in measuring the net pension liability.

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
District's proportionate share of the net pension liability	\$ 6,270,106	\$ 3,925,555	\$ 1,982,928

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of resources Related to Pensions - At June 30, 2025, the District reported a liability of \$3,925,555 for its proportionate share of the TRS 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	\$ 3,925,555
State's proportionate share that is associated with the District	6,980,028
Total	\$ 10,905,583

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

At August 31, 2024 the employer's proportion of the collective net pension liability was 0.00642646800% which was a decrease of 0.0002829739% from its proportion measured as of August 31, 2023, which was 0.0067094419%.

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

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

**DALHART INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

II. Detailed Notes on All Funds and Account Groups (continued):

L. Defined Benefit Pension Plan (continued)

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

For the measurement period from September 1, 2023 through August 31, 2024, the District recognized pension expense of \$834,230 and revenue of \$834,230 for support provided by the State in the government-wide statement of activities for the year ended June 30, 2025.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$ 216,371	\$ 30,649
Changes in actuarial assumptions	202,685	27,173
Difference between projected and actual investment earnings	23,862	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	36,807	405,244
Contributions paid to TRS subsequent to the measurement date	326,055	-
Total	\$ 805,780	\$ 463,066

The District recognized \$326,055 as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the measurement year ended August 31, 2025. The 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 Amount	Balance of Deferred Outflows (Deferred Inflows)
2026	\$ (154,529)	\$ 171,188
2027	337,214	(166,026)
2028	(15,022)	(151,004)
2029	(147,355)	(3,649)
2030	(3,649)	-
	\$ 16,659	

**DALHART INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

II. Detailed Notes on All Funds and Account Groups (continued):

M. Health Care Coverage

During the year ended June 30, 2025, the District provided medical benefits coverage (the “Plan”) to its employees through the TRS. The Plan was created and is operated under the provisions of the Texas Active School Employees Uniform Group Benefits Act (H.B. 3343) enacted by the 77th Texas Legislature. H.B. 3343 established a new statewide health coverage program for public school employees and their dependents. The TRS began administering the Plan, known as TRS-ACTIVE CARE, as of September 1, 2002.

The Plan includes employees of most small to mid-size districts, charter schools, education service centers, and certain other employees. Participants in the Plan can choose from several different benefit options, and must meet certain eligibility requirements. Currently, participants must either be an active, contributing TRS member or must be employed for 10 or more hours each week to be eligible for coverage under the Plan. Each member district is billed monthly based upon the number of employees participating in the Plan. For the year ended June 30, 2025, the District contributed \$250 per month per employee to the Plan.

N. Defined Other Post-Employment Benefit Plan

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

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

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

**DALHART INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

II. Detailed Notes on All Funds and Account Groups (continued):

N. Defined Other Post-Employment Benefit Plan (continued)

The information provided in the notes to the financial statements in the 2024 ACFR for TRS-Care provides the following information regarding the net OPEB liability of the Plan as of August 31, 2024:

Net OPEB Liability	
Total OPEB liability	\$ 35,168,178,563
Less: Plan fiduciary net position	(4,816,646,311)
Net OPEB liability	\$ 30,351,532,252
Net position as a percentage of total OPEB liability	13.70%

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

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

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

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

Texas Insurance Code, section 1575.202 establishes the state’s contribution rate which is 1.25 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.

**DALHART INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

II. Detailed Notes on All Funds and Account Groups (continued):

N. Defined Other Post-Employment Benefit Plan (continued)

The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75 percent of each active employee’s pay for fiscal year 2024.

The following table shows contributions to the TRS-Care plan by type of contributor:

Contribution Rates and Amounts		
	2024	2025
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding Remitted by Employers	1.25%	1.25%
Dalhart ISD's 2025 Year Employer Contributions	\$	88,941
Dalhart ISD's 2025 Member Contributions	\$	79,275
Dalhart ISD's 2025 NECE On-behalf Contributions	\$	108,963

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether they participate in the TRS-Care OPEB program). When hiring a TRS retiree, employers are required to pay TRS-Care a monthly surcharge of \$535 per retiree.

Actuarial Assumptions – The actuarial valuation was performed as of August 31, 2023. Update procedures were used to roll forward the total OPEB liability to August 31, 2024. The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex.

Demographic Assumptions

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

Mortality Assumptions

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

Election Rates

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

**DALHART INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

II. Detailed Notes on All Funds and Account Groups (continued):

N. Defined Other Post-Employment Benefit Plan (continued)

Health Care Trend Rates

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

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

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

Additional Actuarial Methods and Assumptions:

Valuation date	August 31, 2023 rolled forward to August 31, 2024
Actuarial cost method	Individual entry age normal
Inflation	2.30%
Single discount rate	3.87% as of August 31, 2024
Aging factors	Based on the Society of Actuaries' 2013 Study "Health Care Costs - From Birth to Death".
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims cost.
Salary increases	2.95% to 8.95%, including inflation
Ad hoc post-employment benefit changes	None

Discount Rate - A single discount rate of 3.87 percent was used to measure the total OPEB liability. This was a decrease of 0.26 percent in the discount rate since the previous year. Because the investments are held in cash and there is no intentional objective to advance fund the benefits, the single discount rate is equal to the prevailing municipal bond rate.

The source of the municipal bond rate is the Bond Buyer's "20-Bond GO Index" as of August 31, 2024, using the Fixed Income Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

**DALHART INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

II. Detailed Notes on All Funds and Account Groups (continued):

N. Defined Other Post-Employment Benefit Plan (continued)

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

Sensitivity of the Net OPEB Liability to the Single Discount Rate Assumptions			
	1% Decrease (2.87%)	Current Single Discount Rate (3.87%)	1% Increase (4.87%)
District's proportionate share of the net OPEB liability	\$ 3,452,205	\$ 2,905,782	\$ 2,464,264

Healthcare Trend Rate Sensitivity Analysis – The following schedule shows the impact of the net OPEB liability if a healthcare trend rate that is 1 percent less than and 1 percent greater than the health trend rates assumed.

Sensitivity of the Net OPEB Liability to the Healthcare Cost Trend Rate Assumptions			
	1% Decrease	Current Single Healthcare Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 2,366,328	\$ 2,905,782	\$ 3,608,744

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs - At June 30, 2025, the District reported a liability of \$2,905,782 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	\$ 2,905,782
State's proportionate share that is associated with the District	3,640,905
Total	\$ <u>6,546,687</u>

**DALHART INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

II. Detailed Notes on All Funds and Account Groups (continued):

N. Defined Other Post-Employment Benefit Plan (continued)

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

At August 31, 2024, the employer’s proportion of the collective OPEB liability was 0.009573757% compared to 0.0097972881% as of August 31, 2023. This is a decrease of 0.0002235314%.

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

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

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

At June 30, 2025, the District reported its proportionate share of the TRS’s deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 556,941	\$ 1,450,143
Changes in actuarial assumptions	371,906	948,123
Difference between projected and actual investment earnings	-	8,137
Changes in proportion and difference between employer contributions and proportionate share of contributions	94,800	1,002,140
Contributions paid to TRS subsequent to the measurement date	74,826	-
Total	\$ 1,098,473	\$ 3,408,543

The District recognized \$74,826 as deferred outflows of resources related to OPEB resulting from the District contributions subsequent to the measurement date, which will be recognized as a reduction of the net OPEB liability in the measurement year ended August 31, 2025.

**DALHART INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

II. Detailed Notes on All Funds and Account Groups (continued):

N. Defined Other Post-Employment Benefit Plan (continued)

The other amounts of the District’s balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	OPEB Expense Amount	Balance of Deferred Outflows (Deferred Inflows)
2026	\$ (579,740)	\$ (1,805,156)
2027	(448,133)	(1,357,023)
2028	(507,208)	(849,815)
2029	(404,469)	(445,346)
2030	(243,431)	(201,915)
Thereafter	(201,915)	-
	\$ (2,384,896)	

For the measurement period from September 1, 2023 through August 31, 2024, the District recognized OPEB expense of (\$473,250) and revenue of (\$473,250) for support provided by the State in the government-wide statement of activities for the year ended June 30, 2025.

O. Medicare Part D – On-Behalf Payments

Federal Government Retiree Drug Subsidy - Medicare Part D allows for the 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 each reporting entity. Payments made on-behalf of the District for the years ended June 30, 2025, 2024, and 2023 were \$70,548, \$54,209, and \$54,331, respectively.

P. Cafeteria Plan

During the year ended June 30, 2025, the District offered a cafeteria plan meeting the requirements of Section 125 of the Internal Revenue Code to all full-time employees. Under the cafeteria plan participants designate a portion of their salary to be contributed to the cafeteria plan to pay for selected unreimbursed expenses. Eligible unreimbursed expenses include medical expenses, child and dependent care costs, health insurance costs, cancer insurance cost and dental expenses. By contributing to the cafeteria plan, employees can receive certain income tax benefits. All employee contributions to the plan are paid to a third-party administrator.

Q. Litigation and Contingencies

At June 30, 2025, the District had no known or threatened pending litigation which would materially affect the District’s financial condition.

**DALHART INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

II. Detailed Notes on All Funds and Account Groups (continued):

R. Revenues from Local and Intermediate Sources

During the year ended June 30, 2025, revenues from local and intermediate sources in the fund financial statements consisted of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Non-Major Governmental Funds	Total
Property taxes	\$ 10,690,468	\$ 4,266,499	\$ -	\$ -	\$ 14,956,967
Penalties and interest	53,812	14,842	-	-	68,654
Interest income	580,943	121,859	1,198,599	11,755	1,913,156
Food sales	-	-	-	199,275	199,275
Gifts, grants and bequests	6,750	-	-	71,004	77,754
Co-curricular student activities	51,667	-	-	-	51,667
Campus activities	-	-	-	333,740	333,740
Appraisal District refund	58,652	-	-	-	58,652
Rent	3,345	-	-	-	3,345
Other	7,816	2,186	-	14,636	24,638
Totals	<u>\$ 11,453,453</u>	<u>\$ 4,405,386</u>	<u>\$ 1,198,599</u>	<u>\$ 630,410</u>	<u>\$ 17,687,848</u>

S. General Fund Federal Source Revenues

Federally financed programs are generally accounted for in the Special Revenue Funds of the District, except for indirect and other costs charged to federal programs which are accounted for in the General Fund as prescribed by the TEA, as well as School Health and Related Services revenues (“SHARS”).

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

Program or Source	Amount
School Health & Related Services	\$ <u>28,706</u>

T. Auto, Liability and Property Program

During the year ended June 30, 2025, the District participated in the following TASB Risk Management Fund’s (the “Fund”) programs: Auto Liability; Auto Physical Damage; Cyber Liability & Security; Property and School Liability. The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop loss coverage for protection against catastrophic and larger than anticipated claims for its Auto, Liability and Property programs. The terms and limits of the stop loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended June 30, 2025, the Fund anticipates the District has no additional liability beyond the contractual obligation for payment of contributions.

**DALHART INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

II. Detailed Notes on All Funds and Account Groups (continued):

T. Auto, Liability and Property Program (continued)

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2024 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

U. Unemployment Compensation Pool

During the year ended June 30, 2025, the District provided unemployment compensation coverage to its employees through participation in the Texas Association of School Board's (TASB) Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. For the year ended June 30, 2025, the Fund anticipates that the District has no additional liability beyond the contractual obligation for payment of contribution.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2024 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

V. Workers Compensation Pool

During the year ended June 30, 2025, the District met its statutory worker's compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory worker's compensation benefits to its members and their injured employees.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2024, the Fund carries a discounted reserve of \$50,247,590 for future development on reported claims and claims that have been incurred but not yet reported.

**DALHART INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

II. Detailed Notes on All Funds and Account Groups (continued):

V. Workers Compensation Pool (continued)

For the year-ended June 30, 2025, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2024 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin

W. Impact of Recently Issued Accounting Pronouncements

Recently Issued and Adopted Accounting Pronouncements

In June 2022, the GASB issued Statement 101, *Compensated Absences* (GASB 101). The primary 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. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier implementation is encouraged. The most significant impact GASB 101 had on the District's financial statements was to restate beginning net position by decreasing it \$890,786 to record the District's liability for compensated absences. See further discussion in Notes II(Z) and II(AA) below.

In December 2023, the GASB issued Statement 102, *Certain Risk Disclosures* (GASB 102). The primary objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier implementation is encouraged. The District implemented this Statement during the year ended June 30, 2025, as discussed in Note II(BB) below.

Recently Issued Accounting Pronouncements

In April 2024, the GASB issued Statement 103, *Financial Reporting Model Improvements* (GASB 103). The primary 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. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier implementation is encouraged. Management is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

**DALHART INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

II. Detailed Notes on All Funds and Account Groups (continued):

W. Impact of Recently Issued Accounting Pronouncements (continued)

Recently Issued Accounting Pronouncements (continued)

In September 2024, the GASB issued Statement 104, *Disclosure of Certain Capital Assets* (GASB 104). The primary objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier implementation is encouraged. Management is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

X. Budget Variances

As noted on Exhibit G-1, the District had two negative budget variances in the General Fund in various functional categories. Additionally, the as noted on Exhibit J-3 the District had three negative budget variances in the Debt Service Fund. Management is aware of the variances and will more closely monitor the budgets in the future in order to try and avoid negative budget variances. The District had no negative budget variances in the Child Nutrition Program budget as shown on Exhibit J-2.

Y. Excess Fund Balance in the District's Food Service Program

The District accounts for the activities of its food service programs in fund 240 for the National School Breakfast and Lunch Program. This fund reported a fund balance of \$847,402 as of June 30, 2025 as reported on the governmental funds balance sheet. The current year's increase in the fund balance for this fund was \$126,241.

The food service program is regulated by the Texas Department of Agriculture ("TDA"). The TDA publishes various guidelines regarding the administration of the program. Section 14, of the TDA's Financial Information Concerning School Nutrition Funds states that a fund balance that exceeds six months of operating expenses is considered to be excessive. In part, this policy was developed to maintain the nonprofit status required for the food service programs. If an excessive balance occurs, the contracting entity must immediately take steps to reduce the balance or have an acceptable plan for using surplus revenues. Since program funds must be used only for program purposes, an excess balance must be reduced by improving the quality of food served or purchasing needed supplies, services, or equipment. The plan must be submitted to the Texas Department of Agriculture for approval and must provide the following descriptions:

- An explanation of how the entity will reduce the fund balance to an allowable level, including specific details that fully account for spending down the excess.
- An explanation that the required reduction in fund balance will be accomplished within a school year.
- An explanation of how the entity will ensure that an excess fund balance will not re-occur.

**DALHART INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

II. Detailed Notes on All Funds and Account Groups (continued):

Y. Excess Fund Balance in the District’s Food Service Program (continued)

The District’s management is currently in the process of finalizing its plan for submission to the TDA for approval. They are planning to purchase food carts, shelving, floor mats, and a new short line at the junior high school. Management is working on obtaining bids and quotes for these items, which will be used to finalize the spending plan proposal that will ultimately be submitted to the TDA for approval.

Z. Compensated Absences

As discussed in Note II(W), GASB Statement No. 101, *Compensated Absences* (GASB 101), is in effect for the District’s financial statements for the year ended June 30, 2025. GASB 101 requires the District to report its liability related to compensated absences on the government-wide Statement of Net Position. A summary of the changes in the liability for compensated absences for the year ended June 30, 2025 is as follows:

	Beginning Balance 7/1/2024	Additions/ (Reductions)	Ending Balance 6/30/2025	Due Within One Year
Compensated Absences	\$ 890,786	\$ 63,744	\$ 954,530	\$ 360,612

The liability for compensated absences is included in the Bonds, Notes, Loans, Leases, etc. liability accounts on the Statement of Net Position.

AA. Prior Period Adjustment

During fiscal year 2025, the District adopted GASB 101. With GASB 101, the District must record the District’s estimated liability related to compensated absences. The adoption of GASB 101 required a prior period adjustment to report the effect of GASB 101 retroactively. The amount of the prior period adjustment was a decrease in beginning net position of \$890,786. The restated beginning net position for governmental activities is \$22,294,184.

BB. Certain Risk Disclosure

GASB issued Statement Number 102, *Certain Risk Disclosures*, (GASB 102) which became effective for the District’s fiscal year ending June 30, 2025. According to the guidelines under this standard, state and local governments may be vulnerable to a variety of risks. Although existing authoritative guidance requires governments to disclose information about their exposure to some risks, information about other risks that are prevalent among state and local governments is not routinely disclosed because it is not explicitly required. 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.

In accordance with GASB 102, the District assessed whether a concentration or constraint make the District vulnerable to the risk of a substantial impact. Additionally, the District assessed whether an event or events associated with a concentration of constraint that could cause substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur with 12 months of the date the financial statement are issued.

**DALHART INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

II. Detailed Notes on All Funds and Account Groups (continued):

BB. Certain Risk Disclosure (continued)

The assessment identified two concentrations of revenue that make the District vulnerable to a risk of substantial impact as follows:

- State revenue allotments from the State of Texas for the year ended June 30, 2025 amounted to \$7,478,673 of the District's revenue recognized on the fund financial statements, which comprise approximately 38% of the total General Fund revenue recognized. Such revenue concentration could pose a risk due to future revenue constraints related to state cutbacks in allotments or mandates imposed for which no additional state revenue is allotted.
- Local property tax revenues of \$15,025,621 comprise approximately 53% of total revenue recognized by the District on the fund financial statements for the year ended June 30, 2025. Such revenue concentration could post a risk on future tax revenue if limitations on rates are imposed by the State of Texas for both maintenance and operations and interest and sinking levies if no other state funding formula allotments are added to offset such events. Tax rate limitations could impact future budgets of the District due to reduce tax revenues which could impact future local funding for operations or debt service.

In addition to the impact of the above concentrations of revenue, the District has also been impacted by recently passed legislation from State of Texas legislation. Under House Bill 2 passed by the State of Texas, among its many provisions was to provide permanent base pay raises for teachers and other school staff, with specific amounts tied to years of experience and the size of the school district. In smaller districts (5,000 or fewer students), experienced teachers receive higher raises (\$4,000 for 3-4 years, \$8,000 for 5+ years), while larger districts offer smaller raises (\$2,500 for 3-4 years, \$5,000 for 5+ years) to teachers with the same experience.

In June 2025, the District's Board of Trustees adopted the budget for the District's fiscal year ending June 30, 2026. The budget approved by the Board of Trustees includes a budget shortfall of \$82,241 in the District's General Fund, which is in part due to the spending requirements under House Bill 2 that was recently passed.

While these assessments performed by the District's management identified concentration risk for the District as well as mandated spending requirements under House Bill 2, the District does not anticipate any specific events that would inhibit the District's revenue streams or budgets for both state allotment revenue or local property tax revenues barring unexpected changes brought about by the Texas legislature and the Texas Education Agency.

CC. Subsequent Events

Management has evaluated subsequent events through October 21, 2025, which is the date on which the financial statements were issued. Management of the District is not aware of any subsequent events requiring disclosure in the notes or adjustment to the financial statements for the year ended June 30, 2025.

REQUIRED SUPPLEMENTARY INFORMATION

DALHART INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 10,577,663	\$ 10,577,663	\$ 11,453,453	\$ 875,790
5800 State Program Revenues	6,731,097	7,121,097	7,965,347	844,250
5900 Federal Program Revenues	-	-	28,706	28,706
5020 Total Revenues	17,308,760	17,698,760	19,447,506	1,748,746
EXPENDITURES:				
Current:				
0011 Instruction	9,228,665	9,400,765	9,053,764	347,001
0012 Instructional Resources and Media Services	227,413	202,413	160,116	42,297
0013 Curriculum and Instructional Staff Development	115,500	68,400	51,685	16,715
0021 Instructional Leadership	350,565	350,565	328,775	21,790
0023 School Leadership	1,073,998	1,073,998	1,031,981	42,017
0031 Guidance, Counseling, and Evaluation Services	452,848	477,848	448,808	29,040
0032 Social Work Services	2,400	2,400	2,035	365
0033 Health Services	171,434	176,434	166,902	9,532
0034 Student (Pupil) Transportation	382,323	487,323	444,346	42,977
0036 Extracurricular Activities	725,160	845,160	801,109	44,051
0041 General Administration	938,667	893,667	875,732	17,935
0051 Facilities Maintenance and Operations	2,576,972	2,676,972	2,633,707	43,265
0052 Security and Monitoring Services	241,265	181,265	138,991	42,274
0053 Data Processing Services	372,292	402,292	391,146	11,146
Debt Service:				
0071 Principal on Long-Term Liabilities	355,000	355,000	355,562	(562)
0072 Interest on Long-Term Liabilities	4,000	4,000	4,351	(351)
0073 Bond Issuance Cost and Fees	1,000	1,000	-	1,000
Capital Outlay:				
0081 Facilities Acquisition and Construction	375,000	375,000	66,031	308,969
Intergovernmental:				
0099 Other Intergovernmental Charges	420,000	430,000	427,968	2,032
6030 Total Expenditures	18,014,502	18,404,502	17,383,009	1,021,493
1200 Net Change in Fund Balances	(705,742)	(705,742)	2,064,497	2,770,239
0100 Fund Balance - July 1 (Beginning)	11,388,465	11,388,465	11,388,465	-
3000 Fund Balance - June 30 (Ending)	\$ 10,682,723	\$ 10,682,723	\$ 13,452,962	\$ 2,770,239

DALHART INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2025

	FY 2025 Plan Year 2024	FY 2024 Plan Year 2023	FY 2023 Plan Year 2022
District's Proportion of the Net Pension Liability (Asset)	0.006426468%	0.006709442%	0.007089032%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 3,925,555	\$ 4,608,739	\$ 4,208,576
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	6,980,028	7,952,061	7,725,957
Total	<u>\$ 10,905,583</u>	<u>\$ 12,560,800</u>	<u>\$ 11,934,533</u>
District's Covered Payroll	\$ 10,394,895	\$ 10,062,609	\$ 10,340,545
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	37.76%	45.80%	40.70%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.51%	73.15%	75.62%

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2024 for year 2025, August 31, 2023 for year 2024, August 31, 2022 for year 2023, August 31, 2021 for year 2022, August 31, 2020 for year 2021, August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, and August 31, 2015 for year 2016.

FY 2022 Plan Year 2021	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015
0.007164258%	0.006949421%	0.008548848%	0.009146338%	0.009597255%	0.009048%	0.0088668%
\$ 1,824,483	\$ 3,721,968	\$ 4,443,959	\$ 5,034,367	\$ 3,068,685	\$ 3,419,094	\$ 3,134,296
3,701,819	7,741,090	6,948,952	7,829,854	4,818,936	5,730,836	5,977,383
<u>\$ 5,526,302</u>	<u>\$ 11,463,058</u>	<u>\$ 11,392,911</u>	<u>\$ 12,864,221</u>	<u>\$ 7,887,621</u>	<u>\$ 9,149,930</u>	<u>\$ 9,111,679</u>
\$ 10,405,209	\$ 10,016,067	\$ 9,727,112	\$ 9,903,390	\$ 10,223,304	\$ 9,463,282	\$ 9,445,411
17.53%	37.16%	45.69%	50.83%	30.02%	36.13%	33.18%
88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%

DALHART INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2025

	2025	2024	2023
Contractually Required Contribution	\$ 383,279	\$ 360,715	\$ 342,403
Contribution in Relation to the Contractually Required Contribution	(383,279)	(360,715)	(342,403)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 10,592,812	\$ 10,387,475	\$ 10,129,576
Contributions as a Percentage of Covered Payroll	3.62%	3.47%	3.38%

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

	2022	2021	2020	2019	2018	2017	2016
\$	328,354	\$ 302,037	\$ 288,664	\$ 298,714	\$ 309,477	\$ 320,256	\$ 279,547
	(328,354)	(302,037)	(288,664)	(298,714)	(309,477)	(320,256)	(279,547)
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$	10,323,961	\$ 10,373,976	\$ 9,948,127	\$ 9,718,468	\$ 9,968,214	\$ 10,053,889	\$ 9,463,282
	3.18%	2.91%	2.90%	3.07%	3.10%	3.19%	2.95%

DALHART INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES GROUP INSURANCE PROGRAM
FOR THE YEAR ENDED JUNE 30, 2025

	FY 2025 Plan Year 2024	FY 2024 Plan Year 2023	FY 2023 Plan Year 2022
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.009573757%	0.009797288%	0.010531925%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 2,905,782	\$ 2,168,954	\$ 2,521,765
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	3,640,905	2,617,176	3,076,157
Total	<u>\$ 6,546,687</u>	<u>\$ 4,786,130</u>	<u>\$ 5,597,922</u>
District's Covered Payroll	\$ 10,394,895	\$ 10,062,609	\$ 10,340,545
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	27.95%	21.55%	24.39%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.70%	14.94%	11.52%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. For example, the amounts for FY 2025 are for the measurement date of August 31, 2024, etc.

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

FY 2022 Plan Year 2021	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
0.011135046%	0.010972939%	0.011680751%	0.012350674%	0.01207268%
\$ 4,295,285	\$ 4,171,309	\$ 5,523,968	\$ 6,166,805	\$ 5,249,956
5,754,725	5,605,240	7,340,121	8,296,767	7,733,853
<u>\$ 10,050,010</u>	<u>\$ 9,776,549</u>	<u>\$ 12,864,089</u>	<u>\$ 14,463,572</u>	<u>\$ 12,983,809</u>
\$ 10,405,209	\$ 10,016,067	\$ 9,727,112	\$ 9,903,390	\$ 10,223,304
41.28%	41.65%	56.79%	62.27%	51.35%
6.18%	4.99%	2.66%	1.57%	0.91%

DALHART INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES GROUP INSURANCE PROGRAM
FOR THE YEAR ENDED JUNE 30, 2025

	2025	2024	2023
Contractually Required Contribution	\$ 88,941	\$ 87,001	\$ 85,089
Contribution in Relation to the Contractually Required Contribution	(88,941)	(87,001)	(85,089)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 10,592,812	\$ 10,387,475	\$ 10,129,576
Contributions as a Percentage of Covered Payroll	0.84%	0.84%	0.84%

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

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

	2022	2021	2020	2019	2018
\$	86,507	\$ 86,685	\$ 83,002	\$ 82,924	\$ 82,152
	(86,507)	(86,685)	(83,002)	(82,924)	(82,152)
\$	-	\$ -	\$ -	\$ -	\$ -
\$	10,323,961	\$ 10,373,976	\$ 9,948,127	\$ 9,718,468	\$ 9,968,214
	0.84%	0.84%	0.83%	0.85%	0.82%

**DALHART INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2025**

Teacher Retirement System of Texas Pension Plan (TRS):

Changes of Assumptions:

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

Changes of Benefit Terms:

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

Texas Public School Retired Employees Group Insurance Program (TRS-Care):

Changes of Assumptions:

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

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

Changes of Benefit Terms:

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

OTHER SUPPLEMENTARY INFORMATION

DALHART INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2025

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula
ASSETS				
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1240 Due from Other Governments	132,766	132,134	81,455	66,378
1260 Due from Other Funds	-	-	-	-
1290 Other Receivables	-	-	-	-
1300 Inventories	-	-	-	-
1000 Total Assets	<u>\$ 132,766</u>	<u>\$ 132,134</u>	<u>\$ 81,455</u>	<u>\$ 66,378</u>
LIABILITIES				
2110 Accounts Payable	\$ -	\$ 50	\$ -	\$ 577
2160 Accrued Wages Payable	32,903	30,606	20,090	21,558
2170 Due to Other Funds	93,859	96,025	58,313	40,797
2200 Accrued Expenditures	6,004	5,453	3,052	3,446
2300 Unearned Revenue	-	-	-	-
2000 Total Liabilities	<u>132,766</u>	<u>132,134</u>	<u>81,455</u>	<u>66,378</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	-	-	-	-
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	-	-
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 132,766</u>	<u>\$ 132,134</u>	<u>\$ 81,455</u>	<u>\$ 66,378</u>

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	289 Other Federal Special Revenue Funds	410 Instructional Materials Allotment	427 Truancy Prevention Grant	428 Safe Cycle 2 Grant	429 Other State Special Revenue Funds
\$ 828,256	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
18,307	13,800	14,008	10,246	18,889	28,315	3,699	350
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
42,229	-	-	-	-	-	-	-
<u>\$ 888,792</u>	<u>\$ 13,800</u>	<u>\$ 14,008</u>	<u>\$ 10,246</u>	<u>\$ 18,889</u>	<u>\$ 28,315</u>	<u>\$ 3,699</u>	<u>\$ 350</u>
\$ 13,488	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	2,018	-	-	13,483	-	-
176	13,800	11,532	10,246	18,889	13,575	3,699	350
-	-	458	-	-	1,257	-	-
27,726	-	-	-	-	-	-	-
41,390	13,800	14,008	10,246	18,889	28,315	3,699	350
42,229	-	-	-	-	-	-	-
805,173	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
847,402	-	-	-	-	-	-	-
<u>\$ 888,792</u>	<u>\$ 13,800</u>	<u>\$ 14,008</u>	<u>\$ 10,246</u>	<u>\$ 18,889</u>	<u>\$ 28,315</u>	<u>\$ 3,699</u>	<u>\$ 350</u>

DALHART INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2025

Data Control Codes	461 Campus Activity Funds	462 Athletic Activity Funds	481 Dalhart Education Foundation	Total Nonmajor Governmental Funds	
ASSETS					
1110	Cash and Cash Equivalents	\$ 28,589	\$ 220,410	\$ -	\$ 1,077,255
1240	Due from Other Governments	-	-	-	520,347
1260	Due from Other Funds	-	10,413	39	10,452
1290	Other Receivables	-	-	9,391	9,391
1300	Inventories	-	-	-	42,229
1000	Total Assets	<u>\$ 28,589</u>	<u>\$ 230,823</u>	<u>\$ 9,430</u>	<u>\$ 1,659,674</u>
LIABILITIES					
2110	Accounts Payable	\$ 4,960	\$ 21,261	\$ -	\$ 40,336
2160	Accrued Wages Payable	-	-	-	120,658
2170	Due to Other Funds	-	-	575	361,836
2200	Accrued Expenditures	-	-	-	19,670
2300	Unearned Revenue	-	-	8,855	36,581
2000	Total Liabilities	<u>4,960</u>	<u>21,261</u>	<u>9,430</u>	<u>579,081</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	42,229
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	805,173
Committed Fund Balance:					
3545	Other Committed Fund Balance	23,629	209,562	-	233,191
3000	Total Fund Balances	<u>23,629</u>	<u>209,562</u>	<u>-</u>	<u>1,080,593</u>
4000	Total Liabilities and Fund Balances	<u>\$ 28,589</u>	<u>\$ 230,823</u>	<u>\$ 9,430</u>	<u>\$ 1,659,674</u>

DALHART INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2025

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	236,000	267,395	169,907	399,183
5020 Total Revenues	236,000	267,395	169,907	399,183
EXPENDITURES:				
Current:				
0011 Instruction	189,753	177,910	60,120	221,926
0013 Curriculum and Instructional Staff Development	-	24,289	-	-
0021 Instructional Leadership	-	63,605	100,924	9,723
0031 Guidance, Counseling, and Evaluation Services	-	1,591	-	165,623
0032 Social Work Services	-	-	8,863	-
0033 Health Services	46,247	-	-	1,911
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
6030 Total Expenditures	236,000	267,395	169,907	399,183
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	-	-	-	-
3000 Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ -	\$ -

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	289 Other Federal Special Revenue Funds	410 Instructional Materials Allotment	427 Truancy Prevention Grant	428 Safe Cycle 2 Grant	429 Other State Special Revenue Funds
\$ 201,359	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9,873	-	-	-	64,004	84,477	3,699	4,350
1,016,969	20,205	68,237	24,030	-	-	-	-
1,228,201	20,205	68,237	24,030	64,004	84,477	3,699	4,350
-	20,205	50,793	24,030	64,004	84,477	-	4,350
-	-	10,729	-	-	-	-	-
-	-	6,715	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,101,960	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	3,699	-
1,101,960	20,205	68,237	24,030	64,004	84,477	3,699	4,350
126,241	-	-	-	-	-	-	-
721,161	-	-	-	-	-	-	-
\$ 847,402	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

DALHART INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2025

Data Control Codes	461 Campus Activity Funds	462 Athletic Activity Funds	481 Dalhart Education Foundation	Total Nonmajor Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 14,636	\$ 387,516	\$ 26,899	\$ 630,410
5800 State Program Revenues	-	-	-	166,403
5900 Federal Program Revenues	-	-	-	2,201,926
5020 Total Revenues	14,636	387,516	26,899	2,998,739
EXPENDITURES:				
Current:				
0011 Instruction	13,239	-	26,899	937,706
0013 Curriculum and Instructional Staff Development	-	-	-	35,018
0021 Instructional Leadership	-	-	-	180,967
0031 Guidance, Counseling, and Evaluation Services	-	-	-	167,214
0032 Social Work Services	-	-	-	8,863
0033 Health Services	-	-	-	48,158
0035 Food Services	-	-	-	1,101,960
0036 Extracurricular Activities	-	365,644	-	365,644
0052 Security and Monitoring Services	824	-	-	4,523
6030 Total Expenditures	14,063	365,644	26,899	2,850,053
1200 Net Change in Fund Balance	573	21,872	-	148,686
0100 Fund Balance - July 1 (Beginning)	23,056	187,690	-	931,907
3000 Fund Balance - June 30 (Ending)	\$ 23,629	\$ 209,562	-	\$ 1,080,593

REQUIRED TEA SCHEDULES

DALHART INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FOR THE YEAR ENDED JUNE 30, 2025

Last 10 Years Ended	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2016 and prior years	Various	Various	\$ Various
2017	1.020000	0.095800	1,041,446,137
2018	1.040000	0.084520	1,377,590,392
2019	1.040000	0.084500	1,405,481,912
2020	0.970000	0.113000	1,456,401,686
2021	0.938300	0.077740	1,311,987,255
2022	0.936300	0.074765	1,364,573,358
2023	0.875700	0.071490	1,443,176,752
2024	0.712000	0.280000	1,512,022,212
2025 (School year under audit)	0.701300	0.280000	1,569,570,451
1000 TOTALS			
8000 Total Taxes Refunded Under Section 26.1115, Tax Code			

(10) Beginning Balance 7/1/2024	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2025	(99) Taxes Refunded Under Section 26.1115c
\$ 4,691	\$ -	\$ -	\$ -	\$ -	\$ 4,691	
1,258	-	-	-	-	1,258	
3,218	-	-	-	-	3,218	
4,528	-	110	9	-	4,409	
3,276	-	399	46	-	2,831	
5,201	-	898	74	(159)	4,070	
7,445	-	1,995	159	(197)	5,094	
12,217	-	8,431	688	3,232	6,330	
107,097	-	44,911	17,662	(28,267)	16,257	
	15,126,967	10,633,724	4,247,861	(55,537)	189,845	
<u>\$ 148,931</u>	<u>\$ 15,126,967</u>	<u>\$ 10,690,468</u>	<u>\$ 4,266,499</u>	<u>\$ (80,928)</u>	<u>\$ 238,003</u>	

\$ 52,532

DALHART INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED JUNE 30, 2025

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 188,266	\$ 188,266	\$ 201,359	\$ 13,093
5800 State Program Revenues	3,570	3,570	9,873	6,303
5900 Federal Program Revenues	957,160	957,160	1,016,969	59,809
5020 Total Revenues	1,148,996	1,148,996	1,228,201	79,205
EXPENDITURES:				
Current:				
0035 Food Services	1,248,996	1,358,996	1,101,960	257,036
6030 Total Expenditures	1,248,996	1,358,996	1,101,960	257,036
1200 Net Change in Fund Balances	(100,000)	(210,000)	126,241	336,241
0100 Fund Balance - July 1 (Beginning)	721,161	721,161	721,161	-
3000 Fund Balance - June 30 (Ending)	\$ 621,161	\$ 511,161	\$ 847,402	\$ 336,241

DALHART INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2025

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 3,967,255	\$ 3,967,255	\$ 4,405,386	\$ 438,131
5800 State Program Revenues	-	-	379,619	379,619
5020 Total Revenues	<u>3,967,255</u>	<u>3,967,255</u>	<u>4,785,005</u>	<u>817,750</u>
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Liabilities	2,351,655	2,351,655	2,685,000	(333,345)
0072 Interest on Long-Term Liabilities	1,613,100	1,613,100	1,646,096	(32,996)
0073 Bond Issuance Cost and Fees	2,500	2,500	13,300	(10,800)
6030 Total Expenditures	<u>3,967,255</u>	<u>3,967,255</u>	<u>4,344,396</u>	<u>(377,141)</u>
1200 Net Change in Fund Balances	-	-	440,609	440,609
0100 Fund Balance - July 1 (Beginning)	<u>1,719,013</u>	<u>1,719,013</u>	<u>1,719,013</u>	<u>-</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 1,719,013</u>	<u>\$ 1,719,013</u>	<u>\$ 2,159,622</u>	<u>\$ 440,609</u>

DALHART INDEPENDENT SCHOOL DISTRICT
 USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAMS
 FOR THE YEAR ENDED JUNE 30, 2025

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.	1,945,174
AP4	Actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 24,26,28,29,30)	1,304,989

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.	411,106
AP8	Actual direct program expenditures for bilingual education programs during the district's fiscal year. (PIC 25)	233,425

OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION

**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**

Independent Auditor's Report

**Board of Trustees
Dalhart Independent School District
Dalhart, Texas**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dalhart Independent School District (the "District") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 21, 2025.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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 have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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*.

**Board of Trustees
Dalhart Independent School District
Page two**

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 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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown, Graham & Company, P.C.

Amarillo, Texas
October 21, 2025

**DALHART INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025**

I. Summary of Auditor's Results:

- a. The type of report issued on the financial statements of the Dalhart Independent School District was an unmodified opinion.
- b. No internal control findings required to be reported in this schedule were disclosed in the audit of the financial statements.
- c. No noncompliance which is material to the financial statements of the auditee was disclosed.

II. Findings Related to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.

The audit disclosed no findings required to be reports.

**DALHART INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2025**

Financial Statement Findings

Finding 2024-001 – Material Weakness - Material Audit Adjustments

Condition: During our audit we noted that various accounts on the general ledger needed to be adjusted. The adjusting entries we proposed during our audit of the District, not all of which were material individually, were deemed in the aggregate to be material to the District’s financial statements.

Initial Fiscal Year Finding Occurred: 2020

Current Status: We noted that the District began contracting with the Texas School Finance Center and terminated the relationship with the previous contracted school business services professional that had been the cause of much of the prior year’s material weakness comment. We noted that while audit adjustments were still required, the magnitude of adjustments needed by the outside auditor has been greatly reduced and were considered to be immaterial individually and in the aggregate. This finding is considered resolved as of June 30, 2025.

Finding 2024-002 – Significant Deficiency – Verification of Eligibility for Free or Reduced Price Meals

Condition: During our audit we noted that all nine families selected for eligibility verification did not provide verification information to the District to confirm their household income which is what determines their eligibility for free or reduced price meals. We noted the District had updated the household income data within the NutriKids software pertaining to information received from the eligibility verification process; however, the students’ status was inadvertently not changed from free or reduced to paid in the NutriKids program due to the final step in the process not being completed by District personnel, which involved changing the status of the student’s information to the paid status in the software. This resulted in each student remaining listed as free or reduced within the NutriKids software for the 23-24 school year. There was one family that submitted a new application with verification of income subsequent to this process and that student’s status was properly updated at that time.

Current Status: During the audit of the District for the year ended June 30, 2025, we noted all student meal status changes indicated by the verification results were properly reflected in the NutriKids system. For all student files selected for testwork, the classification of each student affected by the verification results were proper for all claims submitted after the verification process was complete. This finding is considered resolved as of June 30, 2025.

**DALHART INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2025**

There were no control deficiencies, significant deficiencies, material weaknesses, findings or questioned costs for the year ended June 30, 2025. Therefore, there is nothing to report on this schedule.

DALHART INDEPENDENT SCHOOL DISTRICT

COMPLIANCE REPORT

**FOR THE YEAR ENDED
JUNE 30, 2025**

**DALHART INDEPENDENT SCHOOL DISTRICT
COMPLIANCE REPORT
FOR THE YEAR ENDED JUNE 30, 2025
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CERTIFICATE OF BOARD

DALHART INDEPENDENT SCHOOL DISTRICT
Name of School District

DALLAM
County

056-901
Co-Dist. Number

We, the undersigned, certify that the attached independent auditors reports and the related schedules and notes attached pertaining to the District's federal awards of the above-named school district were reviewed and (check one) X approved ___ disapproved for the year ended June 30, 2025, at a meeting of the Board of Trustees of such school district on the 19th day of January, 2026



Signature of Board Secretary



Signature of Board President

**OVERALL COMPLIANCE AND INTERNAL
CONTROLS SECTION**

**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***

Independent Auditor's Report

**Board of Trustees
Dalhart Independent School District
Dalhart, Texas**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dalhart Independent School District (the "District") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 21, 2025.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 have not been identified.

**Board of Trustees
Dalhart Independent School District
Page two**

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown, Graham & Company, P.C.

Amarillo, Texas
January 19, 2026

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

Independent Auditor's Report

**Board of Trustees
Dalhart Independent School District
Dalhart, Texas**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Dalhart 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, 2025. 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, 2025.

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.

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 the 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 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.

**Board of Trustees
Dalhart Independent School District
Page three**

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.

Brown, Graham & Company, P.C.

Amarillo, Texas
January 19, 2026

REPORT ON SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS**Independent Auditor's Report**

**Board of Trustees
Dalhart Independent School District
Dalhart, Texas**

Report on the Audit of the Schedule of Expenditures of Federal Awards***Opinion***

We have audited the schedule of expenditures of federal awards of the Dalhart Independent School District (the "District") for the year ended June 30, 2025, and the related notes to the schedule of expenditures of federal awards.

In our opinion, the accompanying schedule of expenditures of federal awards presents fairly, in all material respects, the expenditures of federal awards of the District for the year ended June 30, 2025, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 the Schedule 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 opinion.

Responsibilities of Management for the Schedule

Management is responsible for the preparation and fair presentation of the schedule 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 the schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the schedule as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the schedule.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the schedule, 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 schedule.
- 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 schedule.

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.

Brown, Graham & Company, P.C.

Amarillo, Texas
January 19, 2026

**DALHART INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025**

Section I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified Opinion

Internal control over financial reporting:

Are any material weaknesses identified?	_____ Yes	___X___ No
Are any significant deficiencies identified?	_____ Yes	___X___ None reported
Is any noncompliance material to the financial statements identified?	_____ Yes	___X___ No

Federal Awards

Internal control over major federal programs:

Are any material weaknesses identified?	_____ Yes	___X___ No
Are any significant deficiencies identified?	_____ Yes	___X___ None reported
Type of auditor's report issued on compliance for major federal programs: Unmodified Opinion		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ Yes	___X___ No
Identification of major federal programs:		
Assistance Listing Number(s):	Name of federal program or cluster:	
#10.553	School Breakfast Program	
#10.555	National School Lunch Program	
Dollar threshold used to distinguish between type A and type B programs:	_____ \$750,000 _____	
Auditee qualified as a low-risk auditee?	_____ Yes	___X___ No

Section II: Financial Statement Findings

There were no financial statement findings for the year ended June 30, 2025.

Section III: Federal Awards Findings

There were no federal award findings for the year ended June 30, 2025.

**DALHART INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2025**

Financial Statement Findings

Finding 2024-001 – Material Weakness - Material Audit Adjustments

Condition: During our audit we noted that various accounts on the general ledger needed to be adjusted. The adjusting entries we proposed during our audit of the District, not all of which were material individually, were deemed in the aggregate to be material to the District’s financial statements.

Initial Fiscal Year Finding Occurred: 2020

Current Status: We noted that the District began contracting with the Texas School Finance Center and terminated the relationship with the previous contracted school business services professional that had been the cause of much of the prior year’s material weakness comment. We noted that while audit adjustments were still required, the magnitude of adjustments needed by the outside auditor has been greatly reduced and were considered to be immaterial individually and in the aggregate. This finding is considered resolved as of June 30, 2025.

Finding 2024-002 – Significant Deficiency – Verification of Eligibility for Free or Reduced Price Meals

Condition: During our audit we noted that all nine families selected for eligibility verification did not provide verification information to the District to confirm their household income which is what determines their eligibility for free or reduced price meals. We noted the District had updated the household income data within the NutriKids software pertaining to information received from the eligibility verification process; however, the students’ status was inadvertently not changed from free or reduced to paid in the NutriKids program due to the final step in the process not being completed by District personnel, which involved changing the status of the student’s information to the paid status in the software. This resulted in each student remaining listed as free or reduced within the NutriKids software for the 23-24 school year. There was one family that submitted a new application with verification of income subsequent to this process and that student’s status was properly updated at that time.

Current Status: During the audit of the District for the year ended June 30, 2025, we noted all student meal status changes indicated by the verification results were properly reflected in the NutriKids system. For all student files selected for testwork, the classification of each student affected by the verification results were proper for all claims submitted after the verification process was complete. This finding is considered resolved as of June 30, 2025.

Federal Award Finding

Finding 2024-002 – Significant Deficiency – Verification of Eligibility for Free or Reduced Price Meals

See detailed information for finding 2024-002 listed above in the financial statement findings section.

**DALHART INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2025**

There were no control deficiencies, significant deficiencies, material weaknesses, findings or questioned costs for the year ended June 30, 2025. Therefore, there is nothing to report on this schedule.

DALHART INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through Region XVI Education Service Center</u>			
ESEA, Title I, Part C - Migratory Children	84.011	25-61501188950	\$ 169,907
Total Passed Through Region XVI Education Service Center			<u>169,907</u>
<u>Passed Through Texas Education Agency</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	25-610101056901	267,395
IDEA - Part B, Formula	84.027A	24-6610010569016000	399,183
Career and Technical - Basic Grant	84.048A	25-420006056901	20,205
ESEA, Title II, Part A, Teacher Principal Training	84.367A	25-694501056901	68,237
ESEA, Title IV, Part A, Subpart 1	84.424A	25-680101056901	21,303
LEP Summer School	84.369A	69552402	2,727
Total Passed Through Texas Education Agency			<u>779,050</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>948,957</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Region XVI Education Service Center</u>			
Head Start	93.600	06CH011606-04-01	236,000
Head Start Meal Reimbursements (recorded in Fund 240)	93.600	06CH011606-04-01	23,272
Total Assistance Listing Number 93.600			<u>259,272</u>
Total Passed Through Region XVI Education Service Center			<u>259,272</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>259,272</u>
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the Texas Department of Agriculture</u>			
*School Breakfast Program	10.553	71402501	268,941
*National School Lunch Program - Cash Assistance	10.555	71302501	673,454
*National School Lunch Prog. - Non-Cash Assistance	10.555	71302501	51,302
Total Assistance Listing Number 10.555			<u>724,756</u>
Total Child Nutrition Cluster			<u>993,697</u>
Total Passed Through the Texas Department of Agriculture			<u>993,697</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>993,697</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,201,926</u>
*Clustered Programs			

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

DALHART INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

1. For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for in Special Revenue Funds which are a Governmental Fund type. With this measurement focus, only current assets, current liabilities, deferred inflows of resources, deferred outflows of resources and fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

3. According to the Resource Guide, funds received from the School Health and Related Services (SHARS) program represent reimbursements to the District for school health based services which are not already provided to special education students enrolled in the Medicaid Program, and, consequently, these revenues in the amount of \$28,706 are not to be considered federal financial assistance for inclusion in the Schedule of Expenditures of Federal Awards (“SEFA”). These revenues are reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds in the General Fund column.
4. The District does not draw for indirect administrative expenditures, and has not elected to use the 10% de-minimus cost rate.

APPENDIX D

FORM OF BOND COUNSEL'S OPINION

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.

**DALHART INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX REFUNDING BONDS, SERIES 2026**

IN THE AGGREGATE PRINCIPAL AMOUNT OF \$6,755,000 ¹

AS BOND COUNSEL for the Dalhart 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.

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 refinanced and the

¹ Preliminary, subject to pricing.



investment and expenditure of the proceeds and certain other amounts used to pay or to secure the payment of debt service on the Bonds, the report of Public Finance Partners LLC as to the sufficiency of the deposit of cash and maturing investments in the escrow fund, 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.

APPENDIX E

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 concluded on June 2, 2025. The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor’s discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Governor called a first special session, which began on July 21, 2025, and ended on August 15, 2025. The Governor called a second special session, which began on August 15, 2025, and ended on September 4, 2025 (the regular session together with the special sessions may hereinafter be referred to as the “89th Legislative Session”). The TEA, the State Board of Education (the “SBOE”), and the Texas Permanent School Fund Corporation (the “PSF Corporation”) are in the process of monitoring the implementation of legislation signed by the Governor and make no representation regarding any actions taken by the Legislature in the 89th Legislative Session that may materially impact themselves, the Guarantee Program, the Act, and Texas school finance in general.

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, 2025, as filed with the MSRB in accordance with the PSF undertaking and agreement made in accordance with Rule 15c2-12 (“Rule 15c2-12”) of the United States Securities and Exchange Commission (the “SEC”), as described below, is hereby incorporated by reference into this disclosure. Information included herein for the year ended August 31, 2025, is derived from the audited financial statements of the PSF, which are included in the Annual Report as it is filed and posted. Reference is made to the Annual Report for the complete Message and MD&A for the year ended August 31, 2025, and for a description of the financial results of the PSF for the year ended August 31, 2025, the most recent year for which audited financial information regarding the Fund is available. The 2025 Annual Report speaks only as of its date and the PSF Corporation has not obligated itself to update the 2025 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 as required by Section 13(f), 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, generally, to four-year terms of office. The PSF Corporation is a special-purpose governmental corporation and instrumentality of the State entitled to sovereign immunity, and is governed by a nine-member board of directors (the “PSFC Board”), which consists of five members of the SBOE, the Land Commissioner, and three appointed members who have substantial background and expertise in investments and asset management, with one member being appointed by the Land Commissioner and the other two appointed by the Governor with confirmation by the Senate.

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

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

PSFC Boards's roles and responsibilities in managing and administering the Fund, see the IPS and Board meeting materials (available on the PSF Corporation's website).

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

By law, the Education Commissioner is appointed by the Governor, with Senate confirmation, and assists the SBOE, but the Education Commissioner can neither be hired nor dismissed by the SBOE. The PSF Corporation has internal and external legal 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 appropriated 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>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>	<u>2025</u>
PSF(CORP) Distribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$2,076	\$2,156	\$2,156
PSF(SBOE) Distribution	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	215	212	247	306	347	341	432	440	430	428

¹ In millions of dollars. Source: Annual Report for year ended August 31, 2025.

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

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

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

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

<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 to the ASF authorized 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 and allows for the use of derivatives and other leverage. The IPS provides that the Fund's investment objectives are as follows:

- Generate continuous distributions for the benefit of public schools in Texas;
- Maintain purchasing power, after spending, inflation, and student population growth, in order to maintain intergenerational equity with respect to distributions;
- Provide a maximum level of return consistent with prudent risk levels, while maintaining sufficient liquidity needed to support distributions and BGP obligations; and
- Strive to 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, effective January 1, 2026 (which is subject to change from time to time):

Asset Class	Target Allocation	Range¹
Cash Equivalent	3.0%	n/a
Core Bonds	9.0%	+/- 5.0%
Non-Core Bonds (High Yield)	3.0%	+/- 5.0%
Non-Core Bonds (Bank Loans)	3.0%	+/- 5.0%
Large Cap U.S. Equity	15.0%	+/- 5.0%
Small/Mid-Cap U.S. Equity	3.0%	+/- 5.0%
Non-U.S. Developed Equity	8.0%	+/- 5.0%
Absolute Return	6.0%	+/- 5.0%
Private Debt (Liquid Substitute)	9.5%	+/- 5.0%
Private Equity (Liquid Substitute)	20.0%	+/- 10.0%
Real Estate	10.5%	+/- 5.0%
Natural Resources	4.0%	+/- 5.0%
Infrastructure	6.0%	+/- 5.0%

¹ Range reflect threshold approved by the Board. Subtracted results will not go below zero.

The table below sets forth the comparative investments of the PSF for the fiscal years ending August 31, 2024 and 2025, as set forth in the Annual Report for the 2025 fiscal year. As of January 1, 2023, the assets of the PSF(SBOE) and the PSF(SLB) were generally combined (referred to herein as the PSF(CORP)) for investment management and accounting purposes.

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Comparative Investment Schedule – PSF(CORP)

Fair Value (in millions) August 31, 2025 and 2024

ASSET CLASS	August 31, 2025	August 31, 2024	Amount of Increase (Decrease)	Percent Change
EQUITY				
Domestic Small Cap	\$3,732.4	\$ 3,651.3	\$81.1	2.2%
Domestic Large Cap	<u>7,860.0</u>	<u>8,084.6</u>	<u>(224.6)</u>	<u>-2.7%</u>
Total Domestic Equity	11,592.4	11,735.9	(143.5)	-1.2%
International Equity	<u>5,093.7</u>	<u>4,131.1</u>	<u>962.6</u>	<u>23.3%</u>
TOTAL EQUITY	16,686.1	15,867.0	819.1	5.2%
FIXED INCOME				
Domestic Fixed Income	-	-	-	-
US Treasuries	-	-	-	-
Core Bonds	5,464.4	8,151.6	(2,687.2)	-33.0%
Bank Loans	3,908.4	2,564.1	1,344.3	52.4%
High Yield Bonds	1,569.2	2,699.5	(1,130.3)	-41.9%
Emerging Market Debt	-	-	-	-
TOTAL FIXED INCOME	10,942.0	13,415.2	(2,473.2)	-18.4%
ALTERNATIVE INVESTMENTS				
Absolute Return	3,247.4	3,106.0	141.4	4.6%
Real Estate	6,300.8	6,101.0	199.8	3.3%
Private Equity	12,170.5	8,958.8	3,211.7	35.9%
Emerging Manager Program	-	-	-	-
Real Return	-	-	-	-
Private Credit	3,884.3	2,257.9	1,626.4	72.0%
Real Assets	<u>5,525.2</u>	<u>4,648.1</u>	<u>877.1</u>	<u>18.9%</u>
TOT ALT INVESTMENTS	31,128.2	25,071.8	6,056.4	24.2%
UNALLOCATED CASH	<u>1,335.0</u>	<u>2,583.2</u>	<u>(1,248.2)</u>	<u>-48.3%</u>
TOTAL PSF(CORP) INVESTMENTS	\$ 60,091.3	\$ 56,937.2	\$ 3,154.1	5.5%

Source: Annual Report for year ended August 31, 2025.

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The table below sets forth the investments of the PSF(SLB) for the year ended August 31, 2025.

Investment Schedule - PSF(SLB)¹

	<u>Fair Value (in millions) August 31, 2025</u>
	As of <u>8-31-25</u>
Investment Type	
Investments in Real Assets	
Sovereign Lands	\$ 279.84
Discretionary Internal Investments	989.22
Other Lands	153.17
Minerals ^{(2), (3)}	<u>4,872.77</u> ⁽⁶⁾
Total Investments ⁽⁴⁾	<u>\$6,294.99</u>
Cash in State Treasury ⁽⁵⁾	575.70
Total Investments & Cash in State Treasury	\$ 6,870.70

¹ Unaudited figures from Table 5 in the FY 2025 Unaudited Annual Financial Report of the Texas General Land Office and Veterans Land Board.

² Historical Cost of investments at August 31, 2025 was: Sovereign Lands \$838,676.44; Discretionary Internal Investments \$830,739,719.64; Other Lands \$37,306,005.32; and Minerals \$13,437,552.03.

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 investment or 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 2026 fiscal year, the ratio is 8.17%. At February 23, 2026, there were 182 active open-enrollment charter schools in the State and there were 1,027 charter school campuses authorized under such charters, though as of such date, 41 of such campuses are not currently serving students for various reasons; therefore, there are 986 charter school campuses actively serving students in Texas. Section 12.101, Texas Education Code, limits the number of charters that the Education Commissioner may grant to a total number of 305 charters. While legislation limits the number of charters that may be granted, it does not limit the number of campuses that may operate under a particular charter. For information regarding the capacity of the Guarantee Program, see “Capacity Limits for the Guarantee Program.” The Act provides that the Education Commissioner may not approve the guarantee of refunding or refinanced bonds under the Charter District Bond Guarantee Program in a total amount that exceeds one-half of the total amount available for the guarantee of charter district bonds under the Charter District Bond Guarantee Program.

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

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

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

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

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

CDBGP Rules. Such financial investigation must establish that an applying charter district has a historical debt service coverage ratio, based on annual debt service, of at least 1.1 for the most recently completed fiscal year, and a projected debt service coverage ratio, based on projected revenues and expenses and maximum annual debt service, of at least 1.2. The failure of an open-enrollment charter holder to comply with the Act or the applicable regulations, including by making any material misrepresentations in the charter holder's application for charter district designation or guarantee under the Charter District Bond Guarantee Program, constitutes a material violation of the open-enrollment charter holder's charter.

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

Capacity Limits for the Guarantee Program

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

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

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

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

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

The IRS Notice changed the IRS Limit from a static limit to a dynamic limit for the Guarantee Program based upon the cost value of Fund assets, multiplied by five. As of December 31, 2025 the cost value of the Guarantee Program was \$51,913,224,643 (unaudited), thereby producing an IRS Limit of \$259,566,123,215 in principal amount of guaranteed bonds outstanding.

As of December 31, 2025, the estimated State Capacity Limit is \$181,696,286,251, 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 December 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 December 31, 2025, the Charter District Reserve Fund contained \$153,914,605, which represented approximately 2.61% 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 Ratings, 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⁾
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	47,047,688,784	62,766,382,537
2025 ⁽²⁾	50,832,583,937	66,549,781,438

⁽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, 2025, mineral assets, sovereign lands, other lands, and discretionary internal investments, had book values of approximately \$13.4 million, \$0.8 million, \$37.3 million, and

\$830.7 million, respectively, and market values of approximately \$4,872.7 million, \$279.8 million, \$153.1 million, and \$989.2 million, respectively.

Permanent School Fund Guaranteed Bonds	
<u>At 8/31</u>	<u>Principal Amount⁽¹⁾</u>
2021	95,259,161,922
2022	103,239,495,929
2023	115,730,826,682
2024	125,815,981,603
2025	143,940,955,098 ⁽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, 2025 (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 \$230,761,751,555, of which \$86,820,796,457 represents interest to be paid. As shown in the table above, at August 31, 2025, there were \$143,940,955,098 in principal amount of bonds guaranteed under the Guarantee Program. Using the State Capacity Limit of \$181,696,286,251 (the State Capacity Limit is currently the Capacity Limit), net of the Capacity Reserve, as of December 31, 2025, 7.86% of the Guarantee Program's capacity was available to the Charter District Bond Guarantee Program. As of December 31, 2025, the amount of outstanding bond guarantees represented 79.16% of the Capacity Limit (which is currently the State Capacity Limit). December 31, 2025 values are based on unaudited data, which is subject to adjustment.

Permanent School Fund Guaranteed Bonds by Category⁽¹⁾

<u>Fiscal Year Ended 8/31</u>	<u>School District Bonds</u>		<u>Charter District Bonds</u>		<u>Totals</u>	
	<u>No. of Issues</u>	<u>Principal Amount (\$)</u>	<u>No. of Issues</u>	<u>Principal Amount (\$)</u>	<u>No. of Issues</u>	<u>Principal Amount (\$)</u>
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	3,330	121,046,871,603	103	4,769,110,000	3,433	125,815,981,603
2025 ⁽²⁾	3,444	138,140,381,098	113	5,800,574,000	3,557	143,940,955,098

⁽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 December 31, 2025 (based on unaudited data, which is subject to adjustment), there were \$143,822,038,077 in principal amount of bonds guaranteed under the Guarantee Program, representing 3,456 school district issues, aggregating \$137,938,824,077 in principal amount and 114 charter district issues, aggregating \$5,883,214,000 in principal amount. At December 31, 2025 the projected guarantee capacity available was \$32,174,623,697 (based on unaudited data, which is subject to adjustment).

Discussion and Analysis Pertaining to Fiscal Year Ended August 31, 2025

The following discussion is derived from the Annual Report for the year ended August 31, 2025, 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 2025, the PSF(CORP) net position was \$60.6 billion. During the year, the PSF(CORP) continued updating and implementing the long-term strategic asset allocation, diversifying the investment mix to strengthen the Fund. The asset allocation aims to pursue the objectives of the Fund at an acceptable risk level. 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, 2025, net of fees, were 8.20%, 7.95%, and 7.40%, 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, 2025.

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 2025 Annual Report which is included by reference herein.

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* The Private Credit asset class was renamed Private Debt, beginning in October 2024.

PSF Returns Fiscal Year Ended 8-31-2025¹

<u>Portfolio</u>	<u>Return</u>	<u>Benchmark Return²</u>
Total PSF(CORP) Portfolio	8.20	7.78
Domestic Large Cap Equities	14.50	15.88
Domestic Small/Mid Cap Equities	7.64	5.80
International Equities	16.16	14.89
Private Credit	6.87	9.26
Core Bonds	4.02	3.14
Absolute Return	14.98	6.90
Real Estate	0.14	0.97
Private Equity	8.17	8.61
High Yield	8.18	8.26
Natural Resources	2.31	0.39
Infrastructure	15.06	8.79
Bank Loans	7.76	7.36
Short Term Investment Portfolio	6.06	4.51

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, 2025.

² Benchmarks are as set forth in the Annual Report for year ended August 31, 2025.

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 2025 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 2025, \$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, 2025, 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 und different bases of accounting.

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

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

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

Event Notices

The TEA and the PSF Corporation will also provide timely notices of certain events to the MSRB. Such notices will be provided not more than ten business days after the occurrence of the event. The TEA or the PSF Corporation will provide notice of any of the following events with respect to the Guarantee Program: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if such event is material within the meaning of the federal securities laws; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Guarantee Program, or other material events affecting the tax status of the Guarantee Program; (7) modifications to rights of

holders of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (8) bond calls, if such event is material within the meaning of the federal securities laws, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (11) rating changes of the Guarantee Program; (12) bankruptcy, insolvency, receivership, or similar event of the Guarantee Program (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Guarantee Program in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Guarantee Program, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Guarantee Program); (13) the consummation of a merger, consolidation, or acquisition involving the Guarantee Program or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if such event is material within the meaning of the federal securities laws; (14) the appointment of a successor or additional trustee with respect to the Guarantee Program or the change of name of a trustee, if such event is material within the meaning of the federal securities laws; (15) the incurrence of a financial obligation of the Guarantee Program, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Guarantee Program, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Guarantee Program, any of which reflect financial difficulties. (Neither the Act nor any other law, regulation or instrument pertaining to the Guarantee Program make any provision with respect to the Guarantee Program for bond calls, debt service reserves, credit enhancement, liquidity enhancement, early redemption, or the appointment of a trustee with respect to the Guarantee Program.) In addition, the TEA or the PSF Corporation will provide timely notice of any failure by the TEA or the PSF Corporation to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information

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

Limitations and Amendments

The TEA and the PSF Corporation have agreed to update information and to provide notices of material events only as described above. The TEA and the PSF Corporation have not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The TEA and the PSF Corporation make no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell bonds at any future date. The TEA and the PSF Corporation disclaim any contractual or tort

liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the TEA and the PSF Corporation to comply with its agreement.

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

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

Compliance with Prior Undertakings

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

SEC Exemptive Relief

On February 9, 1996, the TEA received a letter from the Chief Counsel of the SEC that pertains to the availability of the "small issuer exemption" set forth in paragraph (d)(2) of Rule 15c2-12. The letter provides that Texas school districts which offer municipal securities that are guaranteed

under the Guarantee Program may undertake to comply with the provisions of paragraph (d)(2) of Rule 15c2-12 if their offerings otherwise qualify for such exemption, notwithstanding the guarantee of the school district securities under the Guarantee Program. Among other requirements established by Rule 15c2-12, a school district offering may qualify for the small issuer exemption if, upon issuance of the proposed series of securities, the school district will have no more than \$10 million of outstanding municipal securities.

