

NEW ISSUE – BOOK-ENTRY-ONLY

RATING: See “RATING” herein.

In the opinion of Gust Rosenfeld P.L.C., Phoenix, Arizona, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance with certain restrictions, conditions and requirements by the District (as defined herein), as mentioned under “TAX EXEMPTION” herein, interest income on the Bonds (as defined herein) is excludable from gross income for federal income tax purposes. Interest income on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended) for the purpose of computing the alternative minimum tax imposed on certain corporations. In the opinion of Bond Counsel, interest income on the Bonds is exempt from Arizona income taxes. See “TAX EXEMPTION,” “ORIGINAL ISSUE DISCOUNT” and “BOND PREMIUM” herein.

\$40,000,000*

**MADISON ELEMENTARY SCHOOL DISTRICT NO. 38
OF MARICOPA COUNTY, ARIZONA
SCHOOL IMPROVEMENT BONDS,
PROJECT OF 2023, SERIES B (2026)**

Dated: Date of Initial Authentication and Delivery

Due: July 1, as shown on the inside front cover page

The School Improvement Bonds, Project of 2023, Series B (2026) (the “Bonds”) of Madison Elementary School District No. 38 of Maricopa County, Arizona (the “District”), will be issued in the form of fully-registered bonds, registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). Beneficial ownership interests in the Bonds may be purchased in amounts of \$5,000 of principal due on a specific maturity date or integral multiples thereof. The Bonds will mature on the dates and in the principal amounts and will bear interest from their dated date to their maturity or prior redemption as set forth on the inside front cover page. Interest on the Bonds will accrue from the date of delivery and will be payable semiannually on January 1 and July 1 of each year commencing on January 1, 2027*, until maturity or prior redemption.

SEE MATURITY SCHEDULE ON INSIDE FRONT COVER PAGE

The District will initially utilize DTC’s “book-entry-only system,” although the District and DTC each reserve the right to discontinue the book-entry-only system at any time. Utilization of the book-entry-only system will affect the method and timing of payment of principal of and interest on the Bonds and the method of transfer of the Bonds. So long as the book-entry-only system is in effect, a single fully-registered Bond, for each maturity of the Bonds, will be registered in the name of Cede & Co., as nominee of DTC, on the registration books maintained by U.S. Bank Trust Company, National Association, the initial bond registrar and paying agent for the Bonds. DTC will be responsible for distributing the principal and interest payments to its direct and indirect participants who will, in turn, be responsible for distribution to the beneficial owners of the Bonds (the “Beneficial Owners”). So long as the book-entry-only system is in effect and Cede & Co. is the registered owner of the Bonds, all references herein (except under the headings “TAX EXEMPTION,” “ORIGINAL ISSUE DISCOUNT” and “BOND PREMIUM”) to owners of the Bonds will refer to Cede & Co. and not the Beneficial Owners. See APPENDIX H – “BOOK-ENTRY-ONLY SYSTEM” herein.

Certain of the Bonds will be subject to redemption prior to their stated maturity dates as described under “THE BONDS – Redemption Provisions” herein*.

Principal of and interest on the Bonds will be payable from a continuing, direct, annual, *ad valorem* tax levied against all taxable property located within the boundaries of the District as more fully described herein. The Bonds will be payable from such tax without limit as to rate or amount. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS” herein.

The Bonds will be offered when, as and if issued by the District and received by the underwriter identified below (the “Underwriter”), subject to the legal opinion of Gust Rosenfeld P.L.C., Phoenix, Arizona, Bond Counsel, as to validity and tax exemption. In addition, certain legal matters will be passed upon for the Underwriter by its counsel, Squire Patton Boggs (US) LLP, Phoenix, Arizona. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about July 7, 2026*.

This cover page contains certain information with respect to the Bonds for convenience of reference only. It is not a summary of the series of which the Bonds are a part. Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the Bonds.

STIFEL

* Subject to change.

\$40,000,000*
MADISON ELEMENTARY SCHOOL DISTRICT NO. 38
OF MARICOPA COUNTY, ARIZONA
SCHOOL IMPROVEMENT BONDS,
PROJECT OF 2023, SERIES B (2026)

MATURITY SCHEDULE*

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	CUSIP® ⁽¹⁾ No. 567184
2030	\$ 1,075,000	%	%	
2031	2,425,000			
2032	1,700,000			
2033	2,075,000			
2034	1,900,000			
2035	15,025,000			
2036	15,800,000			

* *Subject to change.*

⁽¹⁾ *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© 2026 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 District, Bond Counsel, the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers.*

REGARDING THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by Madison Elementary School District No. 38 of Maricopa County, Arizona (the “District”) or Stifel, Nicolaus & Company, Incorporated (the “Underwriter”) 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 foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor will there be any sale of the District’s School Improvement Bonds, Project of 2023, Series B (2026) (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 in this Official Statement, which includes the cover page, inside front cover page and appendices hereto, has been obtained from the District, the Arizona Department of Revenue, the Assessor, Office of Budget and Finance and Treasurer of Maricopa County, Arizona, and other sources that are considered to be accurate and reliable and customarily relied upon in the preparation of similar official statements, but such information has not been independently confirmed or verified by the District or the Underwriter, is not guaranteed as to accuracy or completeness, and is not to be construed as the promise or guarantee of the District or 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.”

None of the District, the Underwriter, counsel to the Underwriter or Bond Counsel (as defined herein) are actuaries. None of them have performed any actuarial or other analysis of the District’s share of the unfunded liabilities of the Arizona State Retirement System.

The presentation of information, including tables of receipts from taxes and other sources, shows recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the District. All information, estimates and assumptions contained herein are based on past experience and on the latest information available and are believed to be reliable, but no representations are made that such information, estimates and assumptions are correct, will continue, will be realized or will be repeated in the future. To the extent that any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty, and no representation is made that any of these statements have been or will be realized. All forecasts, projections, opinions, assumptions or estimates are “forward looking statements” that must be read with an abundance of caution and that may not be realized or may not occur in the future. Information other than that obtained from official records of the District has been identified by source and has not been independently confirmed or verified by the District or the Underwriter and its accuracy cannot be guaranteed. 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 pursuant hereto will, under any circumstances, create any implication that there has been no change in the affairs of the District or any of the other parties or matters described herein since the date hereof.

The Bonds will not be registered under the Securities Act of 1933, as amended, or any state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency will have passed upon the accuracy or adequacy of this Official Statement or approved the Bonds for sale.

A wide variety of information, including financial information, concerning the District is available from publications and websites of the District and others. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded. 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 publications and websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of Rule 15c2-12 of the Securities and Exchange Commission.

The District will undertake to provide continuing disclosure as described in this Official Statement under the heading “CONTINUING DISCLOSURE” and in APPENDIX G – “FORM OF CONTINUING DISCLOSURE CERTIFICATE” all pursuant to Rule 15c2-12 of the Securities and Exchange Commission.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY ALLOW CONCESSIONS OR DISCOUNTS FROM THE INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY STATEMENT	1
THE BONDS	1
Authorization and Purpose	1
Terms of the Bonds – Generally	2
Bond Registrar and Paying Agent	2
Redemption Provisions	2
Registration and Transfer When Book-Entry-Only System Has Been Discontinued	3
SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS	3
General	3
Defeasance	3
Investment of Debt Service Funds	3
STATE CONSTITUTIONAL LIMITATION ON EXPENDITURES	4
SOURCES AND USES OF FUNDS	5
ESTIMATED DEBT SERVICE REQUIREMENTS	6
LITIGATION	6
RATING	7
LEGAL MATTERS	7
TAX EXEMPTION	8
ORIGINAL ISSUE DISCOUNT	8
BOND PREMIUM	9
UNDERWRITING	9
RELATIONSHIP AMONG PARTIES	10
CONTINUING DISCLOSURE	10
GENERAL PURPOSE FINANCIAL STATEMENTS	11
CONCLUDING STATEMENT	11
APPENDIX A: THE DISTRICT – DISTRICT INFORMATION	
APPENDIX B: THE DISTRICT – FINANCIAL INFORMATION	
APPENDIX C: THE DISTRICT – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2025	
APPENDIX D: CITY OF PHOENIX, ARIZONA	
APPENDIX E: MARICOPA COUNTY, ARIZONA	
APPENDIX F: FORM OF APPROVING LEGAL OPINION	
APPENDIX G: FORM OF CONTINUING DISCLOSURE CERTIFICATE	
APPENDIX H: BOOK-ENTRY-ONLY SYSTEM	

OFFICIAL STATEMENT

\$40,000,000*
MADISON ELEMENTARY SCHOOL DISTRICT NO. 38
OF MARICOPA COUNTY, ARIZONA
SCHOOL IMPROVEMENT BONDS,
PROJECT OF 2023, SERIES B (2026)

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page, inside front cover page and appendices hereto, has been prepared at the direction of Madison Elementary School District No. 38 of Maricopa County, Arizona (the “District”), in connection with the issuance of \$40,000,000* aggregate principal amount of bonds designated School Improvement Bonds, Project of 2023, Series B (2026) (the “Bonds”). Certain information concerning the authorization, purpose, terms, conditions of sale and sources of payment of and security for the Bonds is stated in this Official Statement. See APPENDIX A – “THE DISTRICT – DISTRICT INFORMATION” and APPENDIX B – “THE DISTRICT – FINANCIAL INFORMATION” for certain information about the District.

Reference to provisions of State of Arizona (the “State” or “Arizona”) law, whether codified in the Arizona Revised Statutes, or uncodified, or of the Arizona Constitution, are references to those current provisions. Those provisions may be amended, repealed or supplemented.

Neither this Official Statement nor any statement that may have been made orally or in writing in connection herewith is to be considered as, or as part of, a contract with the original purchasers or subsequent owners or beneficial owners of the Bonds.

THE BONDS

Authorization and Purpose

The Bonds will be issued, executed and delivered pursuant to the Arizona Constitution and the laws of the State, including particularly Title 15, Chapter 9, Article 7, Arizona Revised Statutes, a vote of the qualified electors of the District at the election held on November 7, 2023 (the “Election”), and a resolution adopted by the Governing Board of the District (the “Governing Board”) on April 28, 2026 (the “Bond Resolution”).

The Bonds represent the second installment of an aggregate voted principal amount of \$105,000,000 of school improvement bonds authorized at the Election. Proceeds from the sale of the Bonds will be used for (i) constructing, purchasing and renovating school buildings, including possible lease/purchase; (ii) purchasing furniture, equipment and technology; (iii) purchasing new pupil transportation vehicles and (iv) paying the costs incurred in connection with the issuance of the Bonds. After the issuance of the Bonds, the District will have \$30,000,000* remaining authorized but unissued voter authorization for school improvement bonds from the Election.

Bonds payable from the same source as the Bonds are outstanding and additional bonds payable from the same source as the Bonds may be issued in the future pursuant to authority approved at the Election or subsequent elections in and for the District. See TABLES 1 and 14 herein for information concerning the District’s currently outstanding bonds, which are payable from the same source as the Bonds.

* *Subject to change. See footnotes (b) and (c) to TABLE 15 for a description of the treatment of certain proceeds of the Bonds and previously issued bonds for State voter authorization and debt limit purposes.*

Terms of the Bonds – Generally

The Bonds will be dated the date of delivery and will be registered only in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), under the book-entry-only system described herein (the “Book-Entry-Only System”). See APPENDIX H – “BOOK-ENTRY-ONLY SYSTEM.” The Bonds will mature on the dates and in the principal amounts and will bear interest from their dated date at the rates set forth on the inside front cover page of this Official Statement. Beneficial ownership interests in the Bonds may be purchased in amounts of \$5,000 of principal due on a specific maturity date or integral multiples thereof. Interest on the Bonds will be payable semiannually on each January 1 and July 1, commencing January 1, 2027* (each an “Interest Payment Date”), until maturity or prior redemption. The District has chosen the fifteenth (15th) day of the month preceding each Interest Payment Date as the “Record Date” for the Bonds. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

See “TAX EXEMPTION,” “ORIGINAL ISSUE DISCOUNT” and “BOND PREMIUM” herein for a discussion of the treatment of interest income on the Bonds for federal and State income tax purposes.

Bond Registrar and Paying Agent

U.S. Bank Trust Company, National Association will serve as the initial bond registrar, transfer agent and paying agent (the “Bond Registrar and Paying Agent”) for the Bonds. The District may change the Bond Registrar and Paying Agent without notice to or consent of the owners of the Bonds.

Redemption Provisions*

Optional Redemption. The Bonds maturing before or on July 1, 20__ will not be subject to redemption prior to their stated maturity dates. The Bonds maturing on or after July 1, 20__ will be subject to redemption prior to their stated maturity dates, at the option of the District, in whole or in part on July 1, 20__, or on any date thereafter, by the payment of a redemption price equal to the principal amount of each Bond called for redemption, plus interest accrued to the date fixed for redemption but without premium.

Notice of Redemption. So long as the Bonds are held under the Book-Entry-Only System, notices of redemption will be sent to DTC in the manner required by DTC. See APPENDIX H – “BOOK-ENTRY-ONLY SYSTEM.” If the Book-Entry-Only System is discontinued, notice of redemption of any Bond will be mailed to the registered owner of the Bond or Bonds being redeemed at the address shown on the bond register maintained by the Bond Registrar and Paying Agent not more than sixty (60) nor less than thirty (30) days prior to the date set for redemption. Notice of redemption may be sent to any securities depository by mail, facsimile transmission, wire transmission or any other means of transmission of the notice generally accepted by the respective securities depository. Neither the failure of any registered owner of Bonds to receive a notice of redemption nor any defect therein will affect the validity of the proceedings for redemption of Bonds as to which proper notice of redemption was given. Notice of any redemption will also be provided as set forth in APPENDIX G – “FORM OF CONTINUING DISCLOSURE CERTIFICATE,” but no defect in said further notice or record nor any failure to give all or a portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed above.

If monies for the payment of the redemption price and accrued interest are not held in separate accounts by the District, the Treasurer of Maricopa County, Arizona (the “Treasurer”) or the Bond Registrar and Paying Agent prior to sending the notice of redemption, such redemption shall be conditional on such monies being so held on the date set for redemption and if not so held by such date, the redemption shall be cancelled and be of no force and effect.

Effect of Redemption. On the date designated for redemption, the Bonds or portions thereof to be redeemed will become and be due and payable at the redemption price for such Bonds or portions thereof, and, if monies for payment of the redemption price are held in a separate account by the Bond Registrar and Paying Agent, interest on such Bonds or portions thereof to be redeemed will cease to accrue, such Bonds or portions thereof will cease to be entitled to any benefit or security under the Bond Resolution, the owners of such Bonds or portions thereof will have no rights in respect thereof except to receive payment of the redemption price thereof and such Bonds or portions thereof will be deemed paid and no longer outstanding. DTC’s practice is to determine by lot the amount of each Direct Participant’s (as defined in APPENDIX H – “BOOK-ENTRY-ONLY SYSTEM”) proportionate share that is to be redeemed.

* *Subject to change.*

Redemption of Less than All of a Bond. The District may redeem any amount which is included in a Bond that is subject to prior redemption in a denomination equal to or in excess of, but divisible by, \$5,000. In the event of a partial redemption, the Bond will be redeemed in accordance with DTC's procedures. In the event of a partial redemption if the Book-Entry-Only System is discontinued, the registered owner will submit the Bond for partial redemption and the Bond Registrar and Paying Agent will make such partial payment and will cause to be issued a new Bond in a principal amount which reflects the redemption so made, to be authenticated and delivered to the registered owner thereof.

Registration and Transfer When Book-Entry-Only System Has Been Discontinued

If the Book-Entry-Only System is discontinued, the Bonds will be transferred only upon the bond register maintained by the Bond Registrar and Paying Agent and one or more new Bonds, registered in the name of the transferee, of the same principal amount, maturity and rate of interest as the surrendered Bond or Bonds will be authenticated, upon surrender to the Bond Registrar and Paying Agent of the Bond or Bonds to be transferred, together with an appropriate instrument of transfer executed by the transferor if the Bond Registrar and Paying Agent's requirements for transfer are met. The Bond Registrar and Paying Agent may, but is not required to, transfer or exchange any Bonds during the period from the Record Date to and including the respective Interest Payment Date. The Bond Registrar and Paying Agent may, but is not required to, transfer or exchange any Bonds which have been selected for prior redemption. The transferor will be responsible for all transfer fees, taxes, fees and any other costs relating to the transfer of ownership of individual Bonds.

SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS

General

For the purpose of paying the principal of and interest on the Bonds and costs of administration of the Bonds, the District will be required by law to cause to be levied on all the taxable property in the District a continuing, direct, annual, *ad valorem* property tax sufficient to pay all principal, interest, and costs of administration for the Bonds as the same become due. The Bonds will be payable from such tax without limit as to rate or amount. The taxes will be levied, assessed and collected at the same time and in the same manner as other similar taxes are levied, assessed and collected. For information concerning the *ad valorem* property tax levy and collection procedures, see APPENDIX B – "THE DISTRICT – FINANCIAL INFORMATION – PROPERTY TAXES."

Defeasance

Pursuant to the Bond Resolution, payment of all or any part of the Bonds may be provided for by the irrevocable deposit, in trust, of monies or obligations issued or guaranteed by the United States of America ("Defeasance Obligations") or both, which, with the maturing principal of and interest on such Defeasance Obligations, if any, will be sufficient, as evidenced by a certificate or report of an accountant, to pay when due the principal or redemption price of and interest on such Bonds. Any Bonds so provided for will no longer be outstanding under the Bond Resolution or payable from *ad valorem* taxes on taxable property in the District, and the owners of such Bonds shall thereafter be entitled to payment only from the monies and Defeasance Obligations deposited in trust.

Investment of Debt Service Funds

Following collection and deposit of the proceeds of the taxes into a debt service fund of the District held by the Treasurer (the "Debt Service Fund"), the District will instruct the Treasurer, as ex officio Treasurer of the District, to invest the monies credited to the Debt Service Fund in accordance with Title 15, Chapter 9, Article 7, Arizona Revised Statutes. The District is statutorily permitted to invest monies in the Debt Service Fund only in the investments set forth in Section 15-1025, Arizona Revised Statutes, which include, with certain restrictions, bonds issued or guaranteed by the United States of America (the "United States") or any of its agencies or instrumentalities when such obligations are guaranteed as to principal and interest by the United States or by any agency or instrumentality thereof, bonds of the State or any Arizona county, city, town, or school district, certain bonds of any Arizona county, municipality or municipal district utility, certain bonds of any Arizona municipal improvement district, federally insured savings accounts or certificates of deposit, and bonds issued by federal land banks, federal intermediate credit

banks, or banks for cooperatives and certain certificates of deposit (pursuant to Section 35-323.01, Arizona Revised Statutes). All earnings derived from such investments are credited to the Debt Service Fund. The statutes governing investment of monies in the Debt Service Fund are subject to change. The District does not monitor the manner in which the Treasurer invests monies in the Debt Service Fund.

Except to the extent any Bond proceeds are deposited to the Debt Service Fund and except as otherwise described above, neither the proceeds of the sale of the Bonds nor any school property of the District (including that financed with the proceeds of the sale of the Bonds) are security for, or a source of payment of principal of or interest on the Bonds.

STATE CONSTITUTIONAL LIMITATION ON EXPENDITURES

Pursuant to Article 9, Section 21, Arizona Constitution (the “AEL Provision”), Arizona public school districts are subject to an aggregate expenditure limitation (the “Aggregate Expenditure Limitation”), determined annually by the State Economic Estimates Commission. The aggregate expenditure of revenues described in the AEL Provision for all public school districts, determined annually by November 1 of each year by the Arizona Department of Education (“ADE”), may only exceed the Aggregate Expenditure Limitation if authorized by the State legislature (the “Legislature”) for a single fiscal year, by concurrent resolution, upon affirmative vote of two-thirds of the membership of each house of the Legislature (the “Override”) by March 1 of the fiscal year. Certain public school district revenues, including federal grants and budget overrides, are not subject to the Aggregate Expenditure Limitation. In prior fiscal years, public school districts have either not exceeded the Aggregate Expenditure Limitation or have exceeded the Aggregate Expenditure Limitation with Override authorization from the Legislature.

If the Legislature does not pass the Override (if needed) in a fiscal year, public school districts, including the District, would be required to reduce fiscal year budgeted expenditures by April 1 of such year. Each public school district is responsible for the manner in which it would deal with a required pro-rata reduction of relevant aggregate expenditures. Actions like furloughs, a hiring freeze, salary reductions, shifting from in-person to remote instruction and using available fund balances are various options considered by school districts in Arizona. There is a range of outcomes in future fiscal years that could be achieved by the District by taking some or all of the actions described in the immediately preceding sentence (or other, similar actions). Certain actions would allow the District to continue regular operations while other actions could result in significantly reduced operations of the District.

Based on a report of ADE, the Aggregate Expenditure Limitation would have been exceeded by approximately \$1.164 billion (13.83%) in fiscal year 2025/26. On June 27, 2025, the Legislature passed the Override providing public school districts with the authority to spend amounts as budgeted for the current fiscal year (2025/26) and for the next fiscal year (2026/27).

Even with the approval of the Override by the Legislature for fiscal years through 2026/27, it is expected that school districts will continue to exceed the Aggregate Expenditure Limitation in future fiscal years. The Legislature will need to pass separate Overrides in and for such future fiscal years unless, by State voter approval at a General Election to be held in November 2026 or thereafter, the AEL Provision is repealed or amended to permit a more permanent increase in the Aggregate Expenditure Limitation.

As stated elsewhere herein, the Bonds will be payable from a continuing, direct, annual *ad valorem* tax levied against all taxable property within the District, unlimited as to rate and amount. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS.” Although the Legislature's failure to pass an Override in future fiscal years (if needed) could have the budgetary consequences described above, it would not directly affect the levy and collection of property taxes in the District, the security and source of payment for the Bonds. In addition, the Aggregate Expenditure Limitation does not apply to payment of debt service on long-term obligations of the District, including the Bonds. An investment in the Bonds should be made only after due consideration of the foregoing.

SOURCES AND USES OF FUNDS

Sources of Funds

Principal Amount	\$40,000,000.00*
[Net] Original Issue Premium (a)	<hr/>
Total Sources of Funds	<hr/> <hr/>

Uses of Funds

Deposit to Bond Building Fund	
Payment of Costs of Issuance (b)	<hr/>
Total Uses of Funds	<hr/> <hr/>

* *Subject to change.*

- (a) *Net original issue premium consists of original issue premium on the Bonds, less original issue discount on the Bonds.*
- (b) *Will include compensation and costs of the Underwriter (as defined herein) with respect to the Bonds.*

[Remainder of page left intentionally blank]

ESTIMATED DEBT SERVICE REQUIREMENTS

The following table illustrates the (i) annual debt service on the outstanding bonds of the District, (ii) estimated annual debt service on the Bonds and (iii) total estimated annual debt service on all bonds of the District outstanding after the issuance of the Bonds.

TABLE 1

**Schedule of Estimated Annual Debt Service Requirements (a)
Madison Elementary School District No. 38**

Fiscal Year	Bonds Outstanding		The Bonds*		Total Estimated Annual Debt Service Requirements*
	Principal	Interest	Principal	Interest (b)	
2025/26	\$ 13,415,000	\$ 5,973,350		\$ 1,955,556 (c)	\$ 21,343,906
2026/27	14,100,000	5,323,250		2,000,000	21,423,250
2027/28	14,625,000	4,648,250		2,000,000	21,273,250
2028/29	13,105,000	3,954,000		2,000,000	19,059,000
2029/30	12,750,000	3,298,750	\$ 1,075,000	2,000,000	19,123,750
2030/31	12,500,000	2,661,250	2,425,000	1,946,250	19,532,500
2031/32	12,700,000	2,036,250	1,700,000	1,825,000	18,261,250
2032/33	13,185,000	1,401,250	2,075,000	1,740,000	18,401,250
2033/34	14,840,000	742,000	1,900,000	1,636,250	19,118,250
2034/25			15,025,000	1,541,250	16,566,250
2035/26			15,800,000	790,000	
	<u>\$ 121,220,000</u>		<u>\$ 40,000,000</u>		

* Subject to change.

(a) Prepared by Stifel, Nicolaus & Company, Incorporated (the "Underwriter").

(b) Interest on the Bonds is estimated.

(c) The first interest payment on the Bonds will be due on January 1, 2027*. Thereafter, interest payments will be made semiannually on each July 1 and January 1 until maturity or prior redemption.

LITIGATION

No litigation or administrative action or proceeding is pending to restrain or enjoin, or seeking to restrain or enjoin, the issuance and delivery of the Bonds, the levy and collection of taxes to pay the debt service on the Bonds, to contest or question the proceedings and authority under which the Bonds have been authorized and are to be issued, sold, executed or delivered, or the validity of the Bonds. Representatives of the District will deliver a certificate to the same effect at the time of the initial delivery of the Bonds.

RATING

Moody's Ratings ("Moody's") has assigned a rating of "Aaa" to the Bonds. Such rating reflects only the view of Moody's. An explanation of the significance of a rating assigned by Moody's may be obtained at One Front Street, Suite 1900, San Francisco, California 94111. Such rating may be revised or withdrawn entirely at any time by Moody's if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of such rating may have an adverse effect on the market price or marketability of the Bonds. The District will covenant in its continuing disclosure certificate with respect to the Bonds that it will file notice of any formal change in any rating relating to the Bonds. See "CONTINUING DISCLOSURE" and APPENDIX G – "FORM OF CONTINUING DISCLOSURE CERTIFICATE" herein.

LEGAL MATTERS

The Bonds are to be sold with the understanding that the District will furnish the Underwriter with the approving opinion of Gust Rosenfeld P.L.C., Phoenix, Arizona, Bond Counsel ("Bond Counsel") addressing legal matters relating to the validity of the Bonds under Arizona law, and with regard to the tax-exempt status of the interest income thereon (see "TAX EXEMPTION"). The signed legal opinion of Bond Counsel is dated and premised on the law in effect only as of the date of original delivery of the Bonds and will be delivered to the District at the time of original issuance. The fees of Bond Counsel and counsel to the Underwriter are expected to be paid from the proceeds of the sale of the Bonds and are contingent upon delivery of the Bonds.

The proposed text of the legal opinion is set forth as APPENDIX F – "FORM OF APPROVING LEGAL OPINION." The legal opinion to be delivered may vary from the text of APPENDIX F – "FORM OF APPROVING LEGAL OPINION" if necessary to reflect the facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distribution, by recirculation of this Official Statement or otherwise, should not be construed as a representation that Bond Counsel has reviewed or expressed any opinion concerning any matters relating to the Bonds subsequent to the original delivery of the Bonds.

Bond Counsel has reviewed the information in the tax caption on the front cover page as well as the information under the headings "THE BONDS," "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS," "TAX EXEMPTION," "ORIGINAL ISSUE DISCOUNT," "BOND PREMIUM," "RELATIONSHIP AMONG PARTIES" (but only as it applies to Bond Counsel) and "CONTINUING DISCLOSURE" (except as it relates to the District's compliance with prior continuing disclosure undertakings) and in APPENDICES F – "FORM OF APPROVING LEGAL OPINION" and G – "FORM OF CONTINUING DISCLOSURE CERTIFICATE" but otherwise has not participated in the preparation of this Official Statement and will not pass upon its accuracy, completeness or sufficiency. Bond Counsel has neither examined nor attempted to examine nor verify any of the financial or statistical statements or data contained in this Official Statement and will express no opinion with respect thereto.

Certain legal matters will be passed upon for the Underwriter by Squire Patton Boggs (US) LLP, Phoenix, Arizona, counsel to the Underwriter.

From time to time, there are legislative proposals (and interpretations of such proposals by courts of law and other entities and individuals) which, if enacted, could alter or amend the property tax system of the State and numerous matters, both financial and non-financial, impacting the operations of school districts which could have a material impact on the District and could adversely affect the secondary market value and marketability (liquidity) of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to obligations (such as the Bonds) issued prior to enactment.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. The rendering of an opinion also does not guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX EXEMPTION

In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance with certain restrictions, conditions and requirements by the District, interest income on the Bonds is excludable from gross income for federal income tax purposes and is exempt from Arizona income taxes. Interest income on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on certain corporations.

The Code includes requirements that the District must continue to meet after the issuance of the Bonds in order that the interest on the Bonds remains excludable from gross income for federal income tax purposes. The failure of the District to meet these requirements may cause the interest on the Bonds to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds. The opinion of Bond Counsel assumes continuing compliance with such covenants.

Although Bond Counsel will render an opinion that, as of the delivery date of the Bonds, interest income on the Bonds is excludable from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect a Beneficial Owner's (as defined in APPENDIX H – "BOOK-ENTRY-ONLY SYSTEM") federal tax liability. Certain taxpayers may experience other tax consequences. Taxpayers who become Beneficial Owners of the Bonds, including without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain subchapter S corporations, individuals who receive Social Security or Railroad Retirement benefits and taxpayers who have or are deemed to have incurred indebtedness to purchase or carry tax exempt obligations, should consult their tax advisors as to the applicability of such tax consequences to the respective Beneficial Owner. The nature and extent of these other tax consequences will depend upon the Beneficial Owner's particular tax status and the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

From time to time, there are legislative proposals in Congress, which, if enacted or made effective, could alter or amend the federal tax matters referred to above or adversely affect the market value and marketability (liquidity) of the Bonds. Any such change that occurs before initial delivery of the Bonds could cause Bond Counsel to deliver an opinion substantially different from the opinion shown in APPENDIX F – "FORM OF APPROVING LEGAL OPINION." The extent of change in Bond Counsel's opinion cannot be determined at this time. It cannot be predicted whether, when or in what form any such proposal or proposals might be enacted or whether, if enacted, such proposal or proposals would apply to obligations (such as the Bonds) issued prior to the enactment or effective date. Prospective purchasers should consult with their own tax advisors regarding any other pending or proposed federal income tax legislation.

ORIGINAL ISSUE DISCOUNT

The initial public offering prices of the Bonds maturing on July 1, 20__ through and including July 1, 20__ (collectively, the "Discount Bonds"), are less than the respective amounts payable at maturity. As a result, the Discount Bonds will be considered to be issued with original issue discount. The difference between the initial public offering price (assuming it is the first price at which a substantial amount of that maturity of Discount Bonds was sold (the "OID Issue Price")) of the Discount Bonds and the amount payable at maturity of the Discount Bonds will be treated as "original issue discount." With respect to a Beneficial Owner who purchases a Discount Bond in the initial public offering at the OID Issue Price and who holds the Discount Bond to maturity, the full amount of original issue discount will constitute interest income which is not includable in the gross income of the Beneficial Owner of the Discount Bond for federal income tax purposes and Arizona income tax purposes and that Beneficial Owner will not, under present federal income tax law and present Arizona income tax law, realize a taxable capital gain upon payment of the Discount Bond at maturity.

The original issue discount on each of the Discount Bonds is treated for federal income tax purposes and Arizona income tax purposes as accreting daily over the term of such Discount Bond on the basis of a constant interest rate compounded at the end of each six-month period (or shorter period from the date of original issue) ending on January 1 and July 1 (with straight-line interpolation between compounding dates).

The amount of original issue discount accreting each period will be added to the Beneficial Owner's tax basis for the Discount Bond. The adjusted tax basis will be used to determine taxable gain or loss upon disposition of the Discount Bond. An initial Beneficial Owner of a Discount Bond who disposes of the Discount Bond prior to maturity should consult his or her tax advisor as to the amount of the original issue discount accrued over the period held and the amount of taxable gain or loss upon the sale or disposition of the Discount Bond prior to maturity.

The Code contains certain provisions relating to the accretion of original issue discount in the case of subsequent Beneficial Owners of the Discount Bonds. Beneficial Owners who do not purchase the Discount Bonds in the initial offering at the OID Issue Price should consult their own tax advisors with respect to the tax consequences of the ownership of Discount Bonds.

A portion of the original issue discount that accretes in each year to a Beneficial Owner of a Discount Bond may result in certain collateral federal income tax consequences as described in "TAX EXEMPTION" herein.

Beneficial Owners of Discount Bonds in states other than Arizona should consult their own tax advisors with respect to the state and local tax consequences of owning Discount Bonds.

BOND PREMIUM

The initial public offering prices of the Bonds maturing on July 1, 20__ through and including July 1, 20__ (collectively, the "Premium Bonds") are greater than the amount payable on such Premium Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial Beneficial Owner of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial Beneficial Owner must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial Beneficial Owner is determined by using such Beneficial Owner's yield to maturity. Beneficial Owners of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning Premium Bonds.

UNDERWRITING

The Bonds will be purchased by the Underwriter at an aggregate purchase price of \$ _____, pursuant to a bond purchase agreement (the "Purchase Contract") entered into by and between the District and the Underwriter. If the Bonds are sold to produce the yields shown on the inside front cover page hereof, the Underwriter's compensation will be \$ _____. The Purchase Contract provides that the Underwriter will purchase all of the Bonds so offered if any are purchased. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into unit investment trusts) and others at yields lower than the public offering yields stated on the inside front cover page hereof. The initial offering yields set forth on the inside front cover page may be changed, from time to time, by the Underwriter without amendment of the Official Statement.

The Underwriter and its affiliates comprise a full-service financial institution engaged in activities which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. The Underwriter and its affiliates may have provided, and may in the future provide, a variety of these services to the

District and to persons and entities with relationships with the District, for which they received or will receive customary fees and expenses.

In the ordinary course of these business activities, the Underwriter and its affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the District (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the District.

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

RELATIONSHIP AMONG PARTIES

Bond Counsel has previously represented, and is currently representing, the Underwriter with respect to other financings and has acted or is acting as bond counsel with respect to other bonds underwritten by the Underwriter and may do so in the future. Bond Counsel also serves and has served as bond counsel for one or more of the political subdivisions that the District territorially overlaps. Counsel to the Underwriter has previously acted as bond counsel with respect to other bonds underwritten by the Underwriter and may continue to do so in the future if requested.

CONTINUING DISCLOSURE

The District will covenant for the benefit of the owners of the Bonds to provide certain financial information and operating data relating to the District by not later than February 1 in each year commencing February 1, 2027 (the “Annual Reports”), and to provide notices of the occurrence of certain enumerated events (the “Notices of Listed Events”). The Annual Reports, the Notices of Listed Events and any other document or information required to be filed by the District as such will be filed with the Municipal Securities Rulemaking Board (the “MSRB”) through the MSRB’s Electronic Municipal Market Access system (“EMMA”), each as described in APPENDIX G – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” The specific nature of the information to be contained in the Annual Reports and the Notices of Listed Events is also set forth in APPENDIX G – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants will be made in order to assist the Underwriter in complying with the Securities and Exchange Commission’s Rule 15c2-12(b)(5) (the “Rule”). A failure by the District to comply with these covenants must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price. *Pursuant to Arizona Law, the ability of the District to comply with such covenants will be subject to annual appropriation of funds sufficient to provide for the costs of compliance with such covenants.* Should the District not comply with such covenants due to a failure to appropriate for such purpose, the District has covenanted to provide notice of such fact to the MSRB through EMMA. Absence of continuing disclosure, due to non-appropriation or otherwise, could adversely affect the Bonds, specifically their market price and transferability.

The District has implemented procedures to facilitate compliance with the Prior Undertakings, the continuing disclosure undertaking related to the Bonds and future similar continuing disclosure undertakings in all material respects.

GENERAL PURPOSE FINANCIAL STATEMENTS

The annual comprehensive financial report of the District for the fiscal year ended June 30, 2025, a copy of which is included in APPENDIX C – “THE DISTRICT – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2025” of this Official Statement, includes the District’s financial statements for the fiscal year ended June 30, 2025 that were audited by Heinfeld Meech & Co., P.C., a certified public accounting firm, to the extent indicated in its report thereon. **The District has not requested the consent of Heinfeld Meech & Co., P.C. to include its report and Heinfeld Meech & Co., P.C. has performed no procedures subsequent to rendering its report on the financial statements.**

THE FINANCIAL STATEMENTS INCLUDED IN APPENDIX C OF THIS OFFICIAL STATEMENT ARE CURRENT AS OF THEIR DATE ONLY AND MAY NOT REPRESENT THE CURRENT FINANCIAL CONDITION OF THE DISTRICT.

CONCLUDING STATEMENT

To the extent that any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty, and no representation is made that any of these statements have been or will be realized. All forecasts, projections, opinions, assumptions or estimates are “forward looking statements” that must be read with an abundance of caution and that may not be realized or may not occur in the future. All financial and other information in this Official Statement has been derived by the District from official records and other sources and is believed by the District to be accurate and reliable. Information other than that obtained from official records of the District has been identified by source and has not been independently confirmed or verified by the District and its accuracy is not guaranteed. 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.

MADISON ELEMENTARY SCHOOL DISTRICT NO. 38
OF MARICOPA COUNTY, ARIZONA

By: _____
President of the Governing Board

[THIS PAGE INTENTIONALLY LEFT BLANK]

**THE DISTRICT –
DISTRICT INFORMATION**

General Information

The District was organized in 1890 and encompasses an area of approximately 14.5 square miles in the southcentral portion of Maricopa County, Arizona (the “County”) in the City of Phoenix, Arizona (the “City” or “Phoenix”). The District is located approximately three miles north of the downtown of the City, the State capital and county seat of the County. The current population of the District is estimated at 66,150.

Enrollment

The following table illustrates the current and historical average daily membership (“A.D.M.”) of the District’s student population.

**TABLE 2
AVERAGE DAILY MEMBERSHIP
Madison Elementary School District No. 38**

Fiscal Year	A.D.M. (a)
2025/26	5,226
2024/25	5,291
2023/24	5,298
2022/23	5,259
2021/22	5,326

(a) *A.D.M. means average daily membership and is computed by taking the average number of students enrolled over the first 100 days of the school year, with students that are concurrently enrolled in Local Education Agencies being counted on a fractional basis for purposes of determining the District’s A.D.M.*

Source: The Arizona Department of Education and the District.

Facilities

The District currently operates the following schools:

TABLE 3
SCHOOL FACILITIES
Madison Elementary School District No. 38

<u>Facility</u>	<u>Grade Range</u>
Madison Camelview Elementary School	Pre-K – 4
Madison Heights Elementary School	Pre-K – 4
Madison Rose Lane Elementary School	Pre-K – 4
Madison Simis Elementary School	Pre-K – 4
Madison Traditional Academy	Pre-K – 8
Madison Meadows Middle School	5 – 8
Madison No. 1 Middle School	5 – 8
Madison Park Middle School	5 – 8

Pre-K = Preschool

Administration and Governance

The District has 34 principals and administrators, 376 certified employees and 487 classified support personnel. This provides the District with a student-teacher ratio of approximately 17.8:1.

The District is governed by a five-member Governing Board and administered by one Superintendent. The members of the Governing Board of the District are elected at large from the District for four-year terms on a staggered basis. The present members of the Governing Board of the District are:

TABLE 4
GOVERNING BOARD
Madison Elementary School District No. 38

- Mitra Khazai, *President*
- Brett Hunt, *Vice President*
- Karen Gresham, *Member*
- Scott Holcomb, *Member*
- Christine M. Thompson, *Member*

Information Related to Potential Community Reinvestment Act Credit

The Community Reinvestment Act (the “CRA”) is federal legislation that is intended to encourage depository institutions to help meet the credit needs of low and moderate income neighborhoods. Performance for purposes of the CRA is evaluated in a number of ways including credits for investment (including by purchasing municipal bonds) in areas that provide free or reduced-price school meals through the National School Lunch Program to eligible students who participate in certain federal assistance programs (including the Supplemental Nutrition Assistance Program).

The table below shows schools of the District where at least 50% of the students are eligible for free or reduced-price school meals through the National School Lunch Program. Such eligibility information is the most recent available for the District, is not current and therefore must be considered with an abundance of caution.

TABLE 5

**NATIONAL SCHOOL LUNCH PROGRAM
Madison Elementary School District No. 38**

Facility	Eligibility Percent (a)
Madison Camelview Elementary School	60%
Madison Park Middle School	53

No representation is made as to the status of any investment in the Bonds as it might affect performance by any depository institution under the CRA.

(a) *Based on claim data for the month of October as reported by school food authorities. School year 2025/26 eligibility data published as of January 6, 2026.*

Source: *Free and Reduced-Price Percentage Report School Year 2025/26, Arizona Department of Education Health and Nutrition Services.*

[THIS PAGE INTENTIONALLY LEFT BLANK]

**THE DISTRICT –
FINANCIAL INFORMATION**

PROPERTY TAXES

As described under the heading “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS,” the District will be required by law to cause to be levied on all the taxable property in the District a continuing, direct, annual, *ad valorem* property tax sufficient to pay all principal, interest, and costs of administration for the Bonds as the same become due. The State’s *ad valorem* property tax levy and collection procedures are summarized under this heading “PROPERTY TAXES.”

Taxable Property

Real property and improvements and personal property are either valued by the Assessor of the County or the Arizona Department of Revenue (the “Department of Revenue”). Property valued by the Assessor of the County is referred to as “locally assessed” property and generally encompasses residential, agricultural and traditional commercial and industrial property. Property valued by the Department of Revenue is referred to as “centrally valued” property and generally includes large mine and utility entities.

Locally assessed property is assigned two values: Full Cash Value and Limited Property Value (both as defined herein). Centrally valued property is assigned one value: Full Cash Value.

Full Cash Value

In the context of a specific property parcel, full cash value (“Full Cash Value”) is statutorily defined to mean “the value determined as prescribed by statute” or if a statutory method is not prescribed it is “synonymous with market value, which means the estimate of value that is derived annually by using standard appraisal methods and techniques,” which generally include the market approach, the cost approach and the income approach. In valuing locally assessed property, the Assessor of the County generally uses a cost approach to value commercial/industrial property and a market approach to value residential property. In valuing centrally valued property, the Department of Revenue begins generally with information provided by taxpayers and then applies procedures provided by State law. State law allows taxpayers to appeal such Full Cash Values by providing evidence of a lower value, which may be based upon another valuation approach. Full Cash Value is used as the ceiling for determining Limited Property Value. Unlike Limited Property Value, increases in Full Cash Value are not limited.

Limited Property Value

In the context of a specific property parcel, limited property value (“Limited Property Value”) is a property value determined pursuant to the Arizona Constitution and Arizona Revised Statutes. Except as described in the next sentence, for locally assessed property in existence in the prior year, Limited Property Value is limited to the lesser of Full Cash Value or an amount 5% greater than Limited Property Value determined for the prior year for such specific property parcel. In the following circumstances, Limited Property Value is established at a level or percentage of Full Cash Value that is comparable to that of other properties of the same or a similar use or classification: property that was erroneously totally or partially omitted from the property tax rolls in the preceding tax year, except as a result of the matters described in this sentence; property for which a change in use has occurred since the preceding tax year and property that has been modified by construction, destruction, or demolition since the preceding valuation year such that the total value of the modification is equal to or greater than fifteen percent of the Full Cash Value. (Limited Property Value of property that has been split, subdivided or consolidated varies depending on when the change occurred.) A separate Limited Property Value is not provided for centrally valued property.

Full Cash Value and Limited Property Value for Taxing Jurisdictions

The Full Cash Value in the context of a taxing jurisdiction is the sum of the Full Cash Value associated with each parcel of property in the jurisdiction. Full Cash Value of the jurisdiction is the basis for determining constitutional and statutory debt limits for certain political subdivisions in Arizona, including the District.

The Limited Property Value in the context of a taxing jurisdiction is the sum of the Limited Property Value associated with each parcel of locally assessed property within the jurisdiction plus the sum of the Full Cash Value associated with each parcel of centrally valued property within the jurisdiction. Limited Property Value of the jurisdiction is used as the basis for levying both primary and secondary taxes. See “Primary Taxes” and “Secondary Taxes” below.

Property Classification and Assessment Ratios

All property, both real and personal, is assigned a classification (defined by property use) and related assessment ratio that is multiplied by the Limited Property Value or Full Cash Value of the property, as applicable, to obtain the “Limited Assessed Property Value” and the “Full Cash Assessed Value,” respectively.

The assessment ratios for each property classification are set forth by tax year in the following table.

TABLE 6

Property Tax Assessment Ratios (Tax Year)

Property Classification (a)	2022	2023	2024	2025	2026
Mining, utilities, commercial and industrial (b)	17.5%	17%	16.5%	16%	15.5%
Agricultural and vacant land	15	15	15	15	15
Owner occupied residential	10	10	10	10	10
Leased or rented residential	10	10	10	10	10
Railroad, private car company and airline flight property (c)	15	14	14	13	13

- (a) *Additional classes of property exist, but seldom amount to a significant portion of a municipal body’s total valuation.*
- (b) *The assessment ratio for this property classification will decrease to 15% for tax year 2027 and each tax year thereafter.*
- (c) *This percentage is determined annually pursuant to Section 42-15005, Arizona Revised Statutes.*

Source: *State and County Abstract of the Assessment Roll*, Arizona Department of Revenue.

Primary Taxes

Per State statute, taxes levied for the maintenance and operation of counties, cities, towns, school districts, community college districts and the State are “primary taxes.” Primary taxes are levied against Net Limited Assessed Property Value (as defined herein). “Net Limited Assessed Property Value” is determined by excluding the value of property exempt from taxation from Limited Assessed Property Value of locally assessed property and from Full Cash Assessed Value of centrally valued property and combining the resulting two amounts.

The primary taxes levied by each county, city, town and community college district are constitutionally limited to a maximum increase of 2% over the maximum allowable prior year’s levy limit plus any taxes on property not subject to taxation in the preceding year (e.g., new construction and property brought into the jurisdiction because of annexation). The 2% limitation does not apply to primary taxes levied on behalf of school districts.

The combined taxes on owner occupied residential property only, for purposes other than voter-approved bond indebtedness and overrides and certain special district assessments, are constitutionally limited to 1% of the Limited Property Value of such property. This constitutional limitation on the combined tax levies for owner occupied residential property is implemented by reducing the school district's taxes. To offset the effects of reduced school district property taxes, the State compensates the school district by providing additional State aid.

Secondary Taxes

Per State statute, taxes levied for payment of bonds like the Bonds, voter-approved budget overrides, the maintenance and operation of special purpose districts such as sanitary, fire, road improvement, water conservation and career technical education districts, and taxes levied by school districts for qualified desegregation expenditures are "secondary taxes." Like primary taxes, secondary taxes are also levied against Net Limited Assessed Property Value. There is no constitutional or statutory limitation on annual levies for voter-approved bond indebtedness and overrides and certain special district assessments.

Calculating Debt Limitations

Net Full Cash Assessed Value is determined by excluding the value of property exempt from taxation from Full Cash Assessed Value of both locally assessed and centrally valued property and combining the resulting two amounts. Net Full Cash Assessed Value is the basis for determining bonded debt limitations for certain political subdivisions in Arizona, including the District.

Tax Procedures

The State tax year has been defined as the calendar year, notwithstanding the fact that tax procedures begin prior to January 1 of the tax year and continue through May of the succeeding calendar year.

On or before the third Monday in August each year the Board of Supervisors of the County prepares the tax roll setting forth certain valuations by taxing district of all property in the County subject to taxation. The tax roll is then forwarded to the Treasurer. (The Assessor of the County is required to have completed the assessment roll by December 20th of the year prior to the levy. This roll identifies the valuation and classification of each parcel located within the County for the tax year.)

Property owners may file an appeal with the Assessor of the County to request a review of the Assessor of the County's determination of the Full Cash Value and legal classification of their property. Once the appeals process is complete, the Assessor of the County, if necessary, corrects the tax roll based upon the appeal decisions and sends the corrected values to each taxing jurisdiction (cities, school districts, including the District, community colleges and special districts such as fire and health).

With the various budgetary procedures having been completed by the governmental entities, the appropriate tax rate for each jurisdiction is then levied upon each non-exempt parcel of property in order to determine the total tax owed by each property owner. Any subsequent decrease in the value of the tax roll due to appeals through the process described above or other reasons reduces the amount of taxes received by each jurisdiction.

On occasion, it may be determined that a taxpayer or class of taxpayers is due a property tax refund associated with a successful appeal. These refunds may be for a single year or several years and may range widely in amount. Generally, these refunds are paid by the treasurer of the appropriate county with amounts received from the underlying taxing jurisdictions which, in most cases, may levy an additional property tax in the following year to account for that underlying taxing jurisdiction's portion of the taxpayer refund. Importantly, in most cases, taxpayer refunds of this type are not the ultimate burden of the underlying taxing jurisdiction, as the underlying taxing jurisdictions levied a tax in an amount which was based on the approved (i.e., pre-appeal) property tax levy. Refunds do not change the amount of revenue the underlying taxing jurisdictions are eligible to receive for the affected fiscal years, but such refunds do change the distribution of the burden of the property taxes among the taxpayers. This is reconciled by the underlying taxing jurisdictions levying for the refunded amounts in a subsequent year.

The property tax lien on real property attaches on January 1 of the year the tax is levied. Such lien is prior and superior to all other liens and encumbrances on the property subject to such tax except liens or encumbrances held by the State or liens for taxes accruing in any other years. Set forth below is a record of property taxes levied and collected in the District for a portion of the current fiscal year and all of the previous five fiscal years.

TABLE 7

**Property Taxes Levied and Collected (a)
Madison Elementary School District No. 38**

Fiscal Year	District Tax Rate	Adopted District Tax Levy	Adjusted District Tax Levy as of June 30th	Collected to June 30th of Initial Fiscal Year		Adjusted District Tax Levy as of 10/31/2025	Cumulative Collections to October 31, 2025	
				Amount	% of Adj. Levy		Amount	% of Adj. Levy
2025/26	\$ 3.8092	\$ 51,076,817	(b)	(b)	(b)	\$51,057,434	\$ 35,818,480	70.15 %
2024/25	3.7631	49,254,604	\$ 49,064,104	\$ 47,801,529	97.43 %	49,059,438	47,606,221	97.04
2023/24	3.7643	48,746,868	48,310,026	46,895,243	97.07	47,941,178	47,654,123	99.40
2022/23	3.8132	47,390,993	47,291,383	46,123,879	97.53	46,838,011	46,994,276	100.00
2021/22	3.8624	46,175,620	46,077,162	44,823,787	97.28	45,766,683	45,763,430	99.99
2020/21	4.0823	46,152,471	46,051,768	44,786,293	97.25	45,795,374	45,226,585	98.76

(a) *Taxes are collected by the Treasurer. Taxes are levied by the Board of Supervisors of the County as required by Arizona Revised Statutes. Delinquent taxes are subject to an interest and penalty charge of 16% per annum, which is prorated at a monthly rate of 1.33%. Interest and penalty collections for delinquent taxes are not included in the collection figures above, but are deposited in the County’s General Fund. Interest and penalties with respect to the first half tax collections (delinquent November 1) are waived if the full year’s taxes are paid by December 31.*

In November 2022, voters in the District authorized the District to continue to exceed its district additional assistance budget limit for capital outlay purposes by an amount not to exceed the lesser of \$4,600,000 per year or 10% of the District’s revenue control limit for the respective year. The authorization will begin in fiscal year 2023/24 and extends through fiscal year 2029/30. Capital outlay override amounts are to be used to fund capital improvements over and above those funded by the State. If voters do not authorize the District to continue to exceed its prescribed district additional assistance by fiscal year 2029/30, then the District will not have the ability to exceed its statutorily prescribed capital outlay budget limit and will have to decrease its budgeted expenditures in fiscal years following 2029/30.

In November 2023, voters in the District authorized the District to continue to exceed its statutorily prescribed maintenance and operation budgets limit by an amount not to exceed 15% of the prescribed limit. The authorization extends for seven years, beginning in fiscal year 2024/25, and in the sixth (fiscal year 2029/30) and seventh (fiscal year 2030/31) years, the amount by which the prescribed budget limit may be exceeded would be limited to 10% and 5%, respectively. If voters do not authorize the District to continue to exceed its statutorily prescribed maintenance and operation budget by fiscal year 2028/29, the District will need to decrease its budgeted expenditures in fiscal years following 2028/29. Tax rates for corresponding years include amounts available for the override.

(b) *2025/26 taxes in course of collection:
First installment due 10-01-25, delinquent 11-01-25;
Second installment due 03-01-26, delinquent 05-01-26.*

Source: The Office of Budget and Finance of the County.

SRP In Lieu Contribution

SPECIAL NOTE: The assessed value of property owned by the Salt River Project Agricultural Improvement and Power District (“SRP”) is not included in the assessed value of the District in the prior table or in any other valuation information set forth in this Official Statement. Because of SRP’s quasi-governmental nature, property owned by SRP is exempt from property taxation.

However, SRP may elect each year to make voluntary contributions in lieu of property taxes with respect to certain of its electrical facilities (the “SRP Electric Plant”). If SRP elects to make the in lieu contribution for the year, the Full Cash Value of the portion of the SRP Electric Plant located within the District and the in lieu contribution amount is determined in the same manner as the Full Cash Value and property taxes owed is determined for similar non-governmental public utility property, with certain special deductions.

If SRP elected not to make such contributions, the District would be required to contribute funds from other sources or levy an increased tax rate on all other taxable property to provide sufficient amounts to pay debt service on the Bonds. If after electing to make the in lieu contribution, SRP then failed to make the in lieu contribution when due, the Treasurer and the District have no recourse against the property of SRP and there may be a delay in the payment of that portion of the debt service on the Bonds that would have been paid by SRP’s in lieu contribution.

Since 1964, when the in lieu contribution was originally authorized by the Arizona Revised Statutes, SRP has always elected to make the in lieu contribution. The fiscal year 2025/26 Net Limited Assessed Property Value equivalent of SRP within the District is \$3,702,786, which represents approximately 0.27% of the combined fiscal year 2025/26 Net Limited Assessed Property Value in the District. The estimated fiscal year 2026/27 Net Limited Assessed Property Value equivalent of SRP within the District is \$3,445,000, which represents approximately 0.25% of the combined estimated fiscal year 2026/27 Net Limited Assessed Property Value in the District.

Delinquent Tax Procedures

The property taxes due the District are billed, along with State and other taxes, each September and are due and payable in two installments on October 1 and March 1 and become delinquent on November 1 and May 1, respectively. Delinquent taxes are subject to an interest penalty of 16% per annum prorated monthly as of the first day of each subsequent month. (Delinquent interest is waived if a taxpayer, delinquent as to the November 1 payment, pays the entire year’s tax bill by December 31.) After the close of the tax collection period, the Treasurer prepares a delinquent property tax list and the property so listed is subject to a tax lien sale in February of the succeeding year. In the event that there is no purchaser for the tax lien at the sale, the tax lien is assigned to the State, and the property is reoffered for sale from time to time until such time as it is sold, subject to redemption, for an amount sufficient to cover all delinquent taxes.

After three years from the sale of the tax lien, the tax lien certificate holder may bring an action in a court of competent jurisdiction to foreclose the right of redemption and, if the delinquent taxes plus accrued interest are not paid by the owner of record or any entity having a right to redeem, a judgment is entered ordering the Treasurer to deliver a treasurer’s deed to the certificate holder as prescribed by law.

Chapter 176, Laws of Arizona 2024 (commonly referred to by its original bill number as “SB 1431”) revises the redemption and foreclosure process for tax lien certificate holders whereby a delinquent taxpayer may request an entry of judgment directing the sale of the property for excess proceeds. If a delinquent taxpayer requests an excess proceeds sale, and an entry of judgment is granted to direct such excess proceeds sale, a tax lien certificate holder’s potential financial return on the subject tax lien eligible for foreclosure may decrease relative to the tax lien certificate holder’s potential financial return on such tax lien prior to the enactment of SB 1431. Therefore, in connection with the new excess proceeds sale process instituted by SB 1431, it is reasonable to conclude that “tax sale investors” may be less willing to purchase tax liens. The effective date of SB 1431 was September 14, 2024. None of the District, the Underwriter or the counsel or agents of either of them, are able to determine or predict what impact, if any, SB 1431 will have on property tax collections in the District.

In the event of bankruptcy of a taxpayer pursuant to the United States Bankruptcy Code (the “Bankruptcy Code”), the law is currently unsettled as to whether a lien can attach against the taxpayer’s property for property taxes levied

during the pendency of bankruptcy. Such taxes might constitute an unsecured and possibly non-interest bearing administrative expense payable only to the extent that the secured creditors of a taxpayer are oversecured, and then possibly only on the prorated basis with other allowed administrative claims. It cannot be determined, therefore, what adverse impact bankruptcy might have on the ability to collect *ad valorem* taxes on property of a taxpayer within the District. Proceeds to pay such taxes come only from the taxpayer or from a sale of the tax lien on delinquent property.

When an owner of land or property within the District (a “debtor”) files or is forced into bankruptcy, any act to obtain possession of the debtor’s estate, any act to create or perfect any lien against the property of the debtor or any act to collect, assess or recover a claim against the debtor that arose before the commencement of the bankruptcy is stayed pursuant to the Bankruptcy Code. While the automatic stay of a bankruptcy court may not prevent the sale of tax liens against the real property of a bankrupt taxpayer, the judicial or administrative foreclosure of a tax lien against the real property of a debtor would be subject to the stay of bankruptcy court. It is reasonable to conclude that “tax sale investors” may be reluctant to purchase tax liens under such circumstances, and, therefore, the timeliness of the payment of post-bankruptcy petition tax collections becomes uncertain.

It cannot be determined what impact any deterioration of the financial conditions of any taxpayer, whether or not protection under the Bankruptcy Code is sought, may have on payment of or the secondary market for the Bonds. None of the District, the Underwriter or their respective agents or consultants has undertaken any independent investigation of the operations and financial condition of any taxpayer, nor have they assumed responsibility for the same.

In the event the County is expressly enjoined or prohibited by law from collecting taxes due from any taxpayer, such as may result from the bankruptcy of a taxpayer, any resulting deficiency could be collected in subsequent tax years by adjusting the District’s tax rate charged to non-bankrupt taxpayers during such subsequent tax years.

[Remainder of page left intentionally blank]

ASSESSED VALUATIONS AND TAX RATES

TABLE 8

**Direct and Overlapping Net Limited Assessed Property Values and Tax Rates
Per \$100 Net Limited Assessed Property Valuation**

<u>Overlapping Jurisdiction</u>	<u>2025/26 Net Limited Assessed Property Value</u>	<u>2025/26 Combined Primary and Secondary Tax Rate per \$100 Net Limited Assessed Property Value</u>
State of Arizona	\$ 92,368,086,849	None
Maricopa County	60,724,517,168	\$1.1591
Maricopa County Community College District	60,724,517,168	1.0828
Maricopa County Fire District Assistance Tax	60,724,517,168	0.0076
Maricopa County Special Health Care District	60,724,517,168	0.2914
Maricopa County Library District	60,724,517,168	0.0462
Maricopa County Flood Control District (a)	56,554,825,877	0.1428
Central Arizona Water Conservation District (b)	60,724,517,168	0.1400
City of Phoenix	17,772,778,262	2.0799
Phoenix Union High School District No. 210	6,986,210,640	4.2688
Madison Elementary School District No. 38	1,345,277,662	3.8092

(a) *The assessed value of the Maricopa County Flood Control District does not include the personal property assessed valuation of the County.*

(b) *Value shown covers only the County portion of such district. (See footnote (b) following TABLE 17.)*

Source: *Property Tax Rates and Assessed Values*, Arizona Tax Research Association and Assessor and Office of Budget and Finance of the County.

[Remainder of page left intentionally blank]

TABLE 9

**Net Limited Assessed Property Value by Property Classification
Madison Elementary School District No. 38**

Class	2025/26	2024/25	2023/24	2022/23	2021/22
Commercial, industrial, utilities and mines	\$ 460,323,459	\$ 478,821,803	\$ 491,267,404	\$ 482,739,346	\$ 478,878,592
Agricultural and vacant	11,115,095	10,609,879	10,908,268	10,684,888	10,171,858
Residential (owner occupied)	560,619,186	545,155,582	522,778,234	499,721,604	472,359,762
Residential (rental)	306,885,048	277,368,925	259,345,129	241,199,874	226,059,995
Historical property	6,319,399	6,004,480	5,179,570	4,956,615	4,677,508
Certain government property improvements	15,475	14,738	-	13,367	12,731
Totals (a)	<u>\$1,345,277,662</u>	<u>\$1,317,975,406</u>	<u>\$1,289,478,606</u>	<u>\$1,239,315,694</u>	<u>\$1,192,160,446</u>

(a) Totals may not add up due to rounding.

Source: State and County Abstract of the Assessment Roll, Arizona Department of Revenue and Office of Budget and Finance of the County.

TABLE 10

**Net Limited Assessed Property Value of Major Taxpayers
Madison Elementary School District No. 38**

Major Taxpayer (a)	2025/26 Net Limited Assessed Property Value	As % of 2025/26 Net Limited Assessed Property Value
Esplanade Owner LLC	\$ 20,416,000	1.52 %
HP AZB Investments LP	19,797,932	1.47
Biltmore Center Owner LLC	13,945,946	1.04
Biltmore Shopping Center Partners	13,540,321	1.01
FR Camelback Colonnade, LLC	13,390,264	1.00
Solar Farms LLC	11,943,118	0.89
Arizona Public Service Company	10,705,128	0.80
BOF III AZ Camelback Center LLC	8,982,929	0.67
Town & Country Camelback LLC	8,961,279	0.67
Biltmore Multifamily Partners LLC	8,746,082	0.65
	<u>\$ 130,428,999</u>	<u>9.70 %</u>

(a) Some of such taxpayers or their parent corporations are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information (collectively, the "Filings") may be inspected, copied and obtained at prescribed rates at the Commission's public reference facilities at 100 F Street, N.E., Washington, D.C. 20549-2736. In addition, the Filings may also be inspected at the offices of the New York Stock Exchange at 20 Broad Street, New York, New York 10005. The Filings may also be obtained through the Internet on the Commission's EDGAR database at <http://www.sec.gov>. No representatives of the District, the Underwriter, Bond Counsel or counsel to the Underwriter have examined the information set forth in the Filings for accuracy or completeness, nor do they assume responsibility for the same.

Source: The Assessor of the County.

TABLE 11

Comparative Net Limited Assessed Property Values

Fiscal Year	Madison Elementary School District No. 38	Phoenix Union High School District No. 210	City of Phoenix	Maricopa County	State of Arizona
2025/26	\$1,345,277,662	\$6,986,210,640	\$ 17,772,778,262	\$ 60,724,517,168	\$ 92,368,086,849
2024/25	1,317,975,406	6,827,276,367	17,190,475,853	58,328,686,358	88,425,611,337
2023/24	1,289,478,606	6,473,623,351	16,265,332,852	54,722,310,149	83,026,514,349
2022/23	1,239,315,694	6,194,275,587	15,490,531,934	51,575,018,185	78,415,651,030
2021/22	1,192,160,446	5,945,159,184	14,800,877,416	48,724,126,672	74,200,360,570

Source: *Property Tax Rates and Assessed Values*, Arizona Tax Research Association.

TABLE 12

**Estimated Net Full Cash Value History
Madison Elementary School District No. 38**

Fiscal Year	Estimated Net Full Cash Value (a)
2025/26	\$21,102,616,136
2024/25	21,962,253,394
2023/24	18,498,562,637
2022/23	14,780,655,689
2021/22	14,043,382,761

(a) *Estimated Net Full Cash Value is the total market value of the property within the District less the estimated Full Cash Value of property exempt from taxation within the District.*

Source: *State and County Abstract of the Assessment Roll*, Arizona Department of Revenue.

DIRECT AND OVERLAPPING BONDED INDEBTEDNESS

TABLE 13

**Current Year Statistics (For Fiscal Year 2025/26)
Madison Elementary School District No. 38**

Total General Obligation Bonds Outstanding and to be Outstanding	\$ 161,220,000* (a)
Net Limited Assessed Property Value	1,345,277,662
Net Full Cash Assessed Value	2,445,200,773
Estimated Net Full Cash Value	21,102,616,136

The District's preliminary fiscal year 2026/27 Net Limited Assessed Property Value is estimated at \$1,394,887,363, an increase of approximately 3.7% from the fiscal year 2025/26 Net Limited Assessed Property Value. The District's preliminary fiscal year 2026/27 Net Full Cash Assessed Value is estimated at \$2,446,342,887, an increase of approximately 0.1% from the fiscal year 2025/26 Net Full Cash Assessed Value. The District's preliminary fiscal year 2026/27 Estimated Net Full Cash Value is estimated at \$21,384,586,634, an increase of approximately 1.3% from the fiscal year 2025/26 Estimated Net Full Cash Value. The values are subject to adjustment until approved by the Board of Supervisors of the County before or on August 17, 2026.

* Subject to change.

(a) Includes the Bonds. See footnotes (b) and (c) to TABLE 15 for a description of the treatment of certain proceeds of the Bonds and previously issued school improvement bonds for State voter authorization and debt limit purposes.

Source: State and County Abstract of the Assessment Roll, Arizona Department of Revenue and Assessor and Office of Budget and Finance of the County.

TABLE 14

**Direct General Obligation Bonded Debt Outstanding and to be Outstanding
Madison Elementary School District No. 38**

Issue Series	Original Amount	Purpose	Final Maturity Date (July 1)	Balance Outstanding and to be Outstanding (a)
2017B	\$ 30,500,000	School improvements	2027	\$ 6,650,000
2019C	22,400,000	School improvements	2027	12,650,000
2020A	27,705,000	School improvements	2029	21,780,000
2020	9,520,000	Refunding	2026	2,065,000
2023B	48,340,000	School improvements	2034	47,840,000
2024A	30,635,000	School improvements	2034	<u>30,235,000</u>
Total General Obligation Bonded Debt Outstanding				\$ 121,220,000
Plus: The Bonds				<u>40,000,000*</u>
Total General Obligation Bonded Debt Outstanding and to be Outstanding				<u><u>\$ 161,220,000*</u></u>

* Subject to change.

(a) Includes the Bonds. See footnotes (b) and (c) to TABLE 15 for a description of the treatment of certain proceeds of the Bonds and previously issued school improvement bonds for State voter authorization and debt limit purposes.

**Constitutional / Statutory Debt Limit / Unused Borrowing Capacity after Bond Issuance
Madison Elementary School District No. 38**

TABLE 15

2025/26 Arizona Constitutional Debt Limitation (15% of Net Full Cash Assessed Value)	\$ 366,780,115
Less: Bonds Outstanding and to be Outstanding (a)	(161,220,000) *
Less: Original Issue Premium of the Bonds (b)	() *
Less: Unamortized Original Issue Premium of Prior Bonds (c)	(19,645,565)
Unused Constitutional Borrowing Capacity	<u>\$ 185,914,550 *</u>

* *Subject to change.*

(a) *Includes the Bonds.*

(b) *This amount represents premium on the Bonds, which has been or will be deposited into the Bond Building Fund for project cost use, and such amount reduces in equal amount the borrowing capacity of the District under State statutes and the Arizona Constitution and the principal amount of school improvement bonds authorized at the Election (as described under the heading "THE BONDS – Authorization and Purpose"). Such capacity (but not authorization) will be recaptured as premium is amortized.*

(c) *This amount represents certain of the unamortized premium on the District's outstanding bonds issued after August 2016, which amount is treated as described in footnote (b) above.*

TABLE 16

2025/26 Statutory Limitation on Bonds [Greater of 10% of the Net Full Cash Assessed Value (\$244,520,077) or \$1,500 per student (\$7,936,500)]	\$ 244,520,077
Less: Class B Bonds Outstanding and to be Outstanding (a)	(161,220,000) *
Less: Original Issue Premium of the Bonds (b)	() *
Less: Unamortized Original Issue Premium of Prior Bonds (c)	(19,645,565)
Unused Statutory Borrowing Capacity	<u>\$ 63,654,512 *</u>

* *Subject to change.*

(a) *"Class B" bonds are school district general obligation bonds, like the Bonds, approved by a vote of qualified electors of a school district at an election held from and after December 13, 1998, and subject to the statutory debt limitation indicated in this table. Includes the Bonds.*

(b) *See footnote (b) to TABLE 15 for a description of the treatment of certain proceeds of the Bonds for State voter authorization and debt limit purposes.*

(c) *See footnote (c) to TABLE 15 above.*

TABLE 17

**Direct and Overlapping General Obligation Bonded Debt
Madison Elementary School District No. 38**

Overlapping Jurisdiction	General Obligation Bonded Debt (b)	Proportion Applicable to the District (a)	
		Approximate Percent	Net Debt Amount
State of Arizona	None	1.46%	None
Maricopa County	None	2.22	None
Maricopa County Community College District	\$ 26,675,000	2.22	\$ 592,185
Maricopa County Special Health Care District	512,560,000	2.22	11,378,832
City of Phoenix	679,210,000	7.46	50,669,066
Phoenix Union High School District No. 210	455,605,000	19.26	87,749,523
Madison Elementary School District No. 38 (c)	161,220,000*	100.00	161,220,000*
Net Direct and Overlapping General Obligation Bonded Debt			<u>\$ 311,609,606*</u>

(a) *Proportion applicable to the District is computed on the ratio of Net Limited Assessed Property Value for 2025/26.*

(b) *Includes total stated principal amount of general obligation bonds outstanding. Does not include outstanding principal amount of certificates of participation, revenue obligations or loan obligations outstanding for the jurisdictions listed above. Does not include outstanding principal amounts of various County and city improvement districts, as the bonds of these districts are presently being paid from special assessments against property within the various improvement districts.*

Does not include presently authorized but unissued general obligation bonds of such jurisdictions which may be issued in the future as indicated in the following table. Additional bonds may also be authorized by voters within overlapping jurisdictions pursuant to future elections.

Overlapping Jurisdiction	General Obligation Bonds Authorized but Unissued
Maricopa County Special Health Care District	\$898,000,000
City of Phoenix	402,355,000
Phoenix Union High School District No. 210	155,000,000
Madison Elementary School District No. 38 (d)	30,000,000*

* *Subject to change.*

Also does not include the obligation of the Central Arizona Water Conservation District (the “CAWCD”) to the United States Department of the Interior (the “Department of the Interior”), for repayment of certain capital costs for construction of the Central Arizona Project (“CAP”), a major reclamation project that has been substantially completed by the Department of the Interior. The obligation is evidenced by a master contract between CAWCD and the Department of the Interior. In April 2003, the United States and CAWCD agreed to settle litigation over the amount of the construction cost repayment obligation, the amount of the respective obligations for payment of the operation, maintenance and replacement costs and the application of certain revenues and credits against such obligations and costs. Under the agreement, CAWCD’s obligation for substantially all of the CAP features that have been constructed so far will be set at \$1.646 billion, which amount assumes (but does not mandate) that the United States will acquire a total of 667,724 acre feet of CAP water for federal purposes. The United States will complete unfinished CAP construction work related to the water supply system and regulatory storage stages of CAP at no additional cost to CAWCD. Of the \$1.646 billion repayment obligation, 73% will be interest bearing and the remaining 27% will be non-interest bearing. These percentages will be fixed for the entire 50-year repayment period, which commenced October 1, 1993. CAWCD is a multi-county water conservation district having boundaries coterminous with the exterior boundaries of Arizona’s Maricopa, Pima and Pinal Counties. It was formed for the express purpose of paying administrative costs and expenses of the CAP and to assist in the repayment to the United States of the CAP capital costs. Repayment will be made from a combination of power revenues, subcontract revenues (i.e., agreements with municipal, industrial and agricultural water users for delivery of CAP water) and a tax levy against all taxable property within CAWCD’s boundaries. At the date of this Official Statement, the tax levy is limited to 14 cents per \$100 of Net Limited Assessed Property Value, of which 14 cents is being levied. (See Sections 48-3715 and 48-3715.02, Arizona Revised Statutes.) There can be no assurance that such levy limit will not be increased or removed at any time during the life of the contract.

(c) Includes the Bonds.

(d) Reflects reduction in authorization from the Election in connection with the issuance of the Bonds.

Source: The various entities, *State and County Abstract of the Assessment Roll*, Arizona Department of Revenue and the Assessor, Office of Budget and Finance and Treasurer.

TABLE 18

**Direct and Overlapping General Obligation Bonded Debt Ratios
Madison Elementary School District No. 38**

	Per Capita Bonded Debt Population Estimated @ 66,150	As % of District’s 2025/26 Net Limited Assessed Property Value	As % of District’s 2025/26 Estimated Net Full Cash Value
Net Direct General Obligation Bonded Debt (a)*	\$2,437.19	11.98%	0.76%
Net Direct and Overlapping General Obligation Debt (a)*	4,710.65	23.16	1.48

* Subject to change.

(a) Includes the Bonds.

Source: *State and County Abstract of the Assessment Roll*, Arizona Department of Revenue, *Property Tax Rates and Assessed Values*, Arizona Tax Research Association, Assessor and Office of Budget and Finance of the County and the U.S. Census Bureau, Small Area Income and Poverty Estimates (SAIPE) Program (data released in January 2026).

Other Obligations
Madison Elementary School District No. 38

The District has no capital payment obligations outstanding.

DISTRICT EMPLOYEE RETIREMENT SYSTEM

Retirement Plan

The District's employees are covered by the Arizona State Retirement System (the "System"), a cost-sharing, multiple-employer defined benefit plan. The annual contribution rates are prescribed to be the rate actuarially determined by the System's actuary, with minimum employer and employee rate requirements of not less than 2.00%. For fiscal year 2026/27, the District's and its employees' contribution has been calculated by the actuary to be 11.98% (11.87% Retirement Pension and Health Insurance Benefit, 0.11% Long Term Disability Income Plan) of payroll amounts. For fiscal year 2025/26, the District's and its employees' contribution is 12.00% (11.86% Retirement Pension and Health Insurance Benefit, 0.14% Long Term Disability Income Plan) of payroll amounts. For fiscal year 2024/25, the District's and its employees' contribution was 12.27% (12.12% Retirement Pension and Health Insurance Benefit, 0.15% Long Term Disability Income Plan) of payroll amounts. See Note 14 in APPENDIX C – "THE DISTRICT – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2025" for further discussion of the District and its employees' obligations to the System as of June 30, 2025.

The Governmental Accounting Standards Board ("GASB") adopted GASB Statement Number 68, *Accounting and Financial Reporting for Pensions* ("GASB 68"), which, beginning with fiscal years starting after June 15, 2014, requires cost-sharing employers to report their "proportionate share" of the plan's net pension liability in their government-wide financial statements. GASB 68 also requires that the cost-sharing employer's pension expense component include its proportionate share of the System's pension expense, the net effect of annual changes in the employer's proportionate share and the annual differences between the employer's actual contributions and its proportionate share. Both the District and each covered employee contribute to the System. At June 30, 2024, the District reported a liability of \$47,359,655 for its proportionate share of the net pension liability under the System. The pension liability was measured as of June 30, 2023. See Note 14 in APPENDIX C – "THE DISTRICT – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2025" for further discussion.

Other Post-Employment Benefits

During the year ended June 30, 2018, the District implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"). The District is required to report the actuarially accrued cost of post-employment benefits, other than pension benefits ("OPEB"), such as health and life insurance for current and future retirees. GASB 75 addresses reporting by governments that provide OPEB by measuring and recognizing net assets or liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to OPEB provided through defined benefit OPEB plan. Please refer to APPENDIX C of the Official Statement which includes the District's audited financial statements and specifically "NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES."

The District currently does not offer any OPEB. The District's employees, their spouses and survivors may be eligible for certain retiree health care benefits under health care programs provided by the State. Employees on long-term disability and their spouses also may qualify for retiree health care benefits through the State. Such individuals may obtain the health care benefits offered by the State by paying 100% of the applicable health care insurance premium, net of any subsidy provided by the State. The benefits are available to all retired participants in the State's health care program. The District does not currently make payments for OPEB costs for such retirees.

REVENUES AND EXPENDITURES

The following information of the District was derived from the annual expenditure budget of the District for fiscal year 2025/26 and the audited financial statements of the District for fiscal years 2020/21 through and including 2024/25. (State law no longer requires school districts to file revenue budgets.) Budgeted figures for fiscal year 2025/26 are on a cash basis and are presented in the format required by State law. Budgeted figures for fiscal year 2025/26 are “forward looking” statements that may not be realized during the course of the fiscal year as presented herein and thus must be viewed with an abundance of caution. Audited figures for fiscal years 2020/21 through and including 2024/25 are on a modified accrual basis. The presentation which follows has not been independently subject to any audit procedures.

The following information should be read in conjunction with the audited financial statements of the District. **See APPENDIX C for the District’s most recent audited general purpose financial statements, which are for fiscal year ended June 30, 2025.** Such audited financial statements are the most recent available for the District, are not current and therefore must be considered with an abundance of caution. **The District has not requested the consent of Heinfeld Meech & Co., P.C. to include its report and Heinfeld Meech & Co., P.C. has performed no procedures subsequent to rendering its report on the financial statements.**

TABLE 19

**General Fund
Madison Elementary School District No. 38**

	Budgeted	Audited				
	2025/26	2024/25	2023/24	2022/23	2021/22	2020/21
FUND BALANCE AT BEGINNING OF YEAR	\$ 29,634,786	\$ 30,747,237	\$ 25,763,471	\$ 22,415,498	\$ 20,068,707	
REVENUES						
Property taxes	\$ 28,025,777	\$ 27,939,488	\$ 27,603,996	\$ 27,170,654	\$ 26,906,562	
Intergovernmental	-	-	19,818,092	15,960,694	14,215,528	
State aid and grants	22,160,771	21,422,057	-	-	-	
Federal aid, grants and reimbursements	558,980	572,975	-	-	-	
Charges for services	-	-	16,140	714,854	3,724	
Contributions and donations	-	-	188,812	73,453	132,326	
Investment earnings	-	-	374,024	172,852	128,274	
Other local	2,470,813	1,637,482	-	-	-	
Other	-	-	749,416	53,952	657,485	
TOTAL REVENUES	\$ 53,216,341	\$ 51,572,002	\$ 48,750,480	\$ 44,146,459	\$ 42,043,899	
ADJUSTMENTS						
Transfer in	\$ 500,577	\$ 634,748	\$ 699,083	\$ 745,873	\$ 240,955	
Increase (decrease) in reserve for inventory	-	-	15,515	(7,260)	10,872	
Insurance recoveries	-	10,428	-	-	-	
Reclassification of funds	-	-	-	(523,068)	-	
TOTAL FUNDS AVAILABLE FOR EXPENDITURES	\$ 83,351,704	\$ 82,964,415	\$ 75,228,549	\$ 66,777,502	\$ 62,364,433	
EXPENDITURES						
Current						
Instruction	\$ 23,447,657	\$ 22,735,856	\$ 22,488,514	\$ 20,840,575	\$21,665,307	\$ 19,506,639
Support services:						
Students and instructional staff	7,332,520	7,789,241	7,777,533	6,962,757	6,247,000	5,868,748
General and school administration	4,903,809	10,034,833	8,759,527	3,984,125	3,302,128	3,535,898
Business and other support services	2,653,748	-	-	3,293,263	2,781,031	2,893,953
Operation & maintenance of plant services	5,384,946	6,870,491	7,191,548	6,681,052	5,211,735	6,235,635
Student transportation	2,518,419	2,665,702	2,285,746	2,191,667	1,520,572	1,613,198
Operation of non-instructional services	104,243	204,198	407,864	360,301	161,987	222,130
Capital outlay	-	4,513,748	4,418,897	167,572	124,271	72,734
K-3 reading program	438,542	-	-	-	-	-
TOTAL EXPENDITURES	\$ 46,783,884	\$ 54,814,069	\$ 53,329,629	\$ 44,481,312	\$ 41,014,031	\$ 39,948,935
FUND BALANCE AT END OF YEAR	\$ 28,537,635	\$ 29,634,786	\$ 30,747,237	\$ 25,763,471	\$ 22,415,498	

TABLE 20

**Debt Service Fund
Madison Elementary School District No. 38**

	Budgeted	Audited				
	2025/26	2024/25	2023/24	2022/23	2021/22	2020/21
FUND BALANCE AT BEGINNING OF YEAR		\$ 2,052,237	\$ 1,894,311	\$ 949,644	\$ 1,584,776	\$ 1,975,408
REVENUES						
Property taxes		\$ 17,424,726	\$ 17,483,503	\$ 16,906,936	\$ 16,285,330	\$ 16,577,540
Intergovernmental		-	-	-	91,820	-
Investment earnings		-	-	423,431	343,118	445,677
Other local		98,324	59,225	-	-	8,269
TOTAL REVENUES		\$ 17,523,050	\$ 17,542,728	\$ 17,330,367	\$ 16,720,268	\$ 17,031,486
ADJUSTMENTS						
Transfers in		\$ 1,706,247	\$ 1,057,664	\$ -	\$ -	\$ -
TOTAL FUNDS AVAILABLE FOR EXPENDITURES		\$ 21,281,534	\$ 20,494,703	\$ 18,280,011	\$ 18,305,044	\$ 19,006,894
EXPENDITURES						
Debt service:	\$18,300,000					
Principal retirement		\$ 12,970,000	\$ 12,710,000	\$ 12,745,000	\$ 13,205,000	\$ 12,730,000
Interest and fiscal charges		6,269,219	5,732,466	3,640,700	4,150,400	4,692,118
TOTAL EXPENDITURES	\$18,300,000	\$ 19,239,219	\$ 18,442,466	\$ 16,385,700	\$ 17,355,400	\$ 17,422,118
FUND BALANCE AT END OF YEAR		\$ 2,042,315	\$ 2,052,237	\$ 1,894,311	\$ 949,644	\$ 1,584,776

[THIS PAGE INTENTIONALLY LEFT BLANK]

THE DISTRICT

AUDITED ANNUAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

The following audited financial statements are for the fiscal year ended June 30, 2025. These are the most recent audited financial statements available to the District. THESE FINANCIAL STATEMENTS ARE NOT CURRENT AND MAY NOT REPRESENT THE CURRENT FINANCIAL CONDITION OF THE DISTRICT. See "REVENUES AND EXPENDITURES" in APPENDIX B.

Such audited financial statements are the most recent available for the District, are not current and therefore must be considered with an abundance of caution. **The District has not requested the consent of Heinfeld Meech & Co., P.C. to include its report and Heinfeld Meech & Co., P.C. has performed no procedures subsequent to rendering its report on the financial statements.**

[THIS PAGE INTENTIONALLY LEFT BLANK]

Independent Auditor's Report

Governing Board
Madison Elementary School District No. 38

Report on Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Madison Elementary School District No. 38 (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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Madison Elementary School District No. 38, as of June 30, 2025, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Madison Elementary School District No. 38 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, the District implemented the provisions of GASB Statement No. 101, *Compensated Absences*, for the year ended June 30, 2025. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Combining and Individual Fund Financial Statements and Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining and Individual Fund Financial Statements and Schedules information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2026, on our consideration of Madison Elementary School District No. 38'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 Madison Elementary School District No. 38'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 Madison Elementary School District No. 38's internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
January 20, 2026

(This page intentionally left blank)

Management's Discussion and Analysis (MD&A)
(Required Supplementary Information)

(This page intentionally left blank)

Madison Elementary School District No. 38
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2025

As management of the Madison Elementary School District No. 38 (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2025. The management's discussion and analysis is presented as required supplementary information to supplement the basic financial statements. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Financial Highlights

- The District's total net position of governmental activities increased \$706,433 which represents a one percent increase from the prior fiscal year. Overall, revenues decreased \$1.0 million, or one percent, and expenses decreased \$433,652, or less than one percent.
- General revenues accounted for \$75.4 million in revenue, or 80 percent of all current fiscal year revenues. Program specific revenue in the form of charges for services and grants and contributions accounted for \$18.6 million or 20 percent of total current fiscal year revenues.
- The District had approximately \$93.2 million in expenses related to governmental activities, a decrease of less than one percent from the prior fiscal year.
- Among major funds, the General Fund had \$53.2 million current fiscal year revenues, which primarily consisted of state aid and property taxes, and \$54.8 million in expenditures. The General Fund's fund balance decrease from \$29.6 million at the prior fiscal year end to \$28.5 million at the end of the current fiscal year was primarily due to a decrease in both local revenue and state aid and grants.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The accrual basis of accounting is used for the government-wide financial statements.

The statement of net position presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

Madison Elementary School District No. 38
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2025

Overview of Financial Statements

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues. The governmental activities of the District include instruction, support services, operation and maintenance of plant services, student transportation services, operation of non-instructional services, and interest on long-term debt.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are reported as governmental funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements use the modified accrual basis of accounting and focus on near-term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Federal and State Grants, Other Special Revenue, Debt Service, and Bond Building Funds, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements and schedules.

Madison Elementary School District No. 38
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2025

Overview of Financial Statements

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process and pension plan. The District adopts an annual expenditure budget for all governmental funds. A schedule of revenues, expenditures and changes in fund balances – budget and actual has been provided for the General Fund and major Special Revenue Funds as required supplementary information. Schedules for the pension plan have been provided as required supplementary information.

Government-Wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$94.3 million at the current fiscal year end.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related outstanding debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. In addition, a portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted and may be used to meet the District's ongoing obligations to its citizens and creditors.

**Madison Elementary School District No. 38
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2025**

Government-Wide Financial Analysis

The following table presents a summary of the District's net position for the fiscal years ended June 30, 2025 and June 30, 2024.

	As of June 30, 2025	As of June 30, 2024
Current and other assets	\$ 117,448,407	\$ 94,460,126
Capital assets, net	183,452,952	186,120,603
Total assets	<u>300,901,359</u>	<u>280,580,729</u>
Deferred outflows	<u>10,996,821</u>	<u>6,236,386</u>
Current liabilities	11,396,293	12,688,749
Long-term liabilities	<u>201,304,932</u>	<u>175,674,143</u>
Total liabilities	<u>212,701,225</u>	<u>188,362,892</u>
Deferred inflows	<u>4,905,526</u>	<u>4,869,227</u>
Net position:		
Net investment in capital assets	83,328,023	79,070,389
Restricted	16,012,350	18,102,791
Unrestricted	<u>(5,048,944)</u>	<u>(3,588,184)</u>
Total net position	<u>\$ 94,291,429</u>	<u>\$ 93,584,996</u>

At the end of the current fiscal year, the District reported deficit unrestricted net position as a result of the District's proportionate share of the state's pension plan's unfunded liability. Positive net position was reported in the other two categories. The same situation held true in the prior year.

The District's financial position is the product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. The following are significant current year transactions that had an impact on the Statement of Net Position.

- The issuance of \$30.6 million of school improvement bonds and \$4.6 million of bond premium.
- The principal retirement of \$12.7 million of bonds and \$3.0 million of bond premium.
- The disposal of \$12.2 million of buildings and improvements and \$8.6 million in accumulated depreciation after the Madison Park Middle School campus was rebuilt.
- The addition of \$8.1 million in capital assets through school reconstruction and purchases of vehicles, furniture and equipment.
- The increase of \$4.4 million in pension liabilities.

**Madison Elementary School District No. 38
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2025**

Government-Wide Financial Analysis

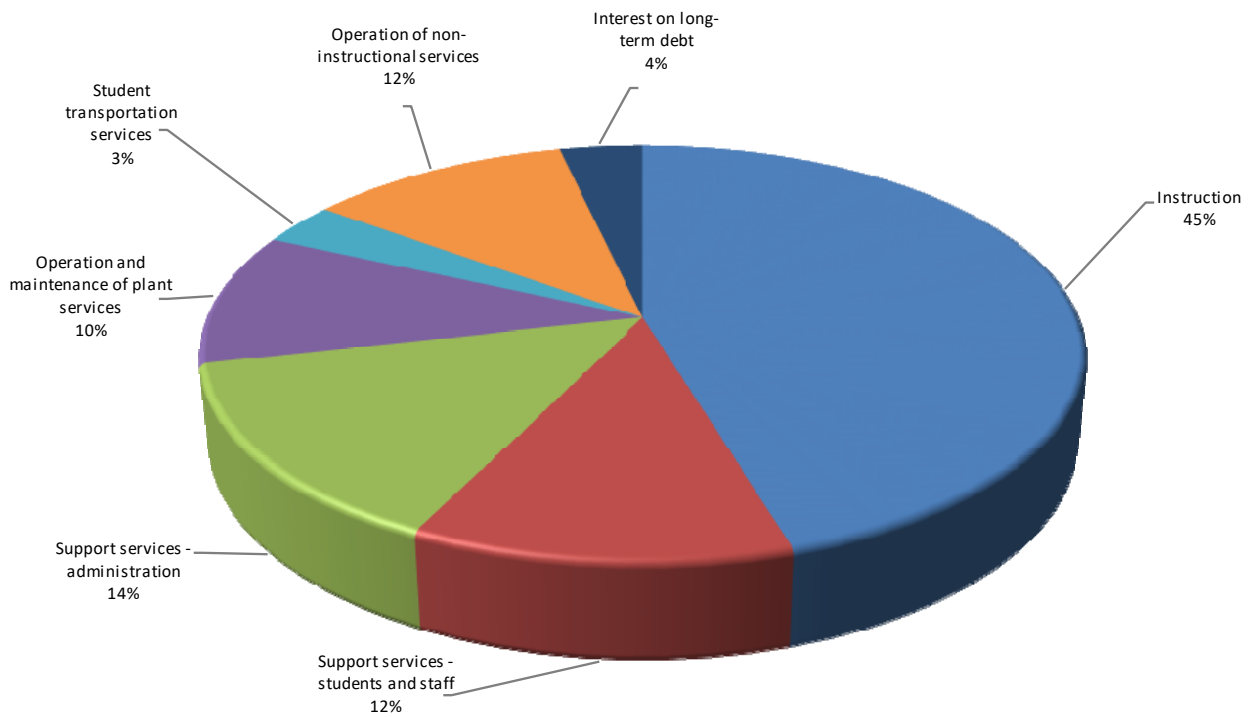
Changes in net position. The District's total revenues for the current fiscal year were \$93.9 million. The total cost of all programs and services was \$93.2 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2025 and June 30, 2024.

	<u>Fiscal Year Ended June 30, 2025</u>	<u>Fiscal Year Ended June 30, 2024</u>
Revenues:		
Program revenues:		
Charges for services	\$ 11,574,387	\$ 10,423,184
Operating grants and contributions	6,843,956	7,579,010
Capital grants and contributions	146,674	1,622,512
General revenues:		
Property taxes	45,159,181	45,355,609
Investment income	3,018,409	2,217,189
Unrestricted state aid	26,641,838	27,199,941
Unrestricted federal aid	558,980	572,975
Total revenues	<u>93,943,425</u>	<u>94,970,420</u>
Expenses:		
Instruction	42,254,454	44,099,118
Support services - students and staff	11,159,894	11,395,237
Support services - administration	13,292,919	11,211,189
Operation and maintenance of plant services	9,539,059	9,717,388
Student transportation services	3,070,608	2,706,583
Operation of non-instructional services	10,592,313	10,188,656
Interest on long-term debt	3,327,745	4,352,473
Total expenses	<u>93,236,992</u>	<u>93,670,644</u>
Changes in net position	706,433	1,299,776
Net position, beginning	<u>93,584,996</u>	<u>92,285,220</u>
Net position, ending	<u>\$ 94,291,429</u>	<u>\$ 93,584,996</u>

**Madison Elementary School District No. 38
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2025**

Government-Wide Financial Analysis

Expenses - Fiscal Year 2025



The following are significant current year transactions that have had an impact on the change in net position.

- Capital grants and contributions decreased \$1.5 million as a result of the closing out of COVID-19 related funding.
- Instruction expenses decreased \$1.8 million due to a decrease in instructional equipment purchases that fell under the capitalization threshold.
- Support services – administration expenses increased \$2.1 million due to increased employee health insurance costs.

Madison Elementary School District No. 38
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2025

Financial Analysis of The District's Funds

The General Fund comprises 31 percent of the total fund balance. Approximately \$28.2 million, or 99 percent of the General Fund's fund balance is unassigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance of \$1.1 million to \$28.5 million as of fiscal year end was a result of a decrease in both local revenue and state aid and grants. General Fund revenues decreased \$1.6 million as a result of a decrease in both local revenue and state aid and grants. General Fund expenditures increased \$1.5 million as a result of increased employee health insurance costs.

The fund balance in the Federal and State Grants Fund increased \$575,872 to \$108,311 as of fiscal year end as a result of expenditures previously funded by COVID-19 funding shifting to the General Fund.

Expenditures within the Other Special Revenue Fund of \$9.9 million exceeded revenues of \$9.5 million, leading to a decrease in fund balance of \$373,006. Community education operations and expenditures remained consistent with previous years.

The fund balance in the Debt Service Fund decreased \$9,922 to \$2.0 million as of fiscal year end, or less than one percent. Revenues and transfers in of \$19.2 million were sufficient to fulfill debt service requirements of \$19.2 million during the year.

The fund balance in the Bond Building Fund increased \$26.5 million to \$48.3 million as of fiscal year end as a result of the issuance of \$30.6 million of school improvement bonds and \$4.6 million of bond premium, paired with a \$13.2 million decrease in capital outlay expenditures due to the timing of various school site rebuild projects.

Budgetary Highlights

Over the course of the year, the District revised the General Fund annual expenditure budget. The difference between the original budget and the final amended budget was a \$420,287 decrease, or less than one percent.

Significant variances for the final amended budget and actual revenues resulted from the District not being required by the State of Arizona to prepare a revenue budget. A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund is provided in this report as required supplementary information.

Madison Elementary School District No. 38
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2025

Financial Analysis of The District's Funds

The General Fund comprises 31 percent of the total fund balance. Approximately \$28.2 million, or 99 percent of the General Fund's fund balance is unassigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance of \$1.1 million to \$28.5 million as of fiscal year end was a result of a decrease in both local revenue and state aid and grants. General Fund revenues decreased \$1.6 million as a result of a decrease in both local revenue and state aid and grants. General Fund expenditures increased \$1.5 million as a result of increased employee health insurance costs.

The fund balance in the Federal and State Grants Fund increased \$575,872 to \$108,311 as of fiscal year end as a result of expenditures previously funded by COVID-19 funding shifting to the General Fund.

Expenditures within the Other Special Revenue Fund of \$9.9 million exceeded revenues of \$9.5 million, leading to a decrease in fund balance of \$373,006. Community education operations and expenditures remained consistent with previous years.

The fund balance in the Debt Service Fund decreased \$9,922 to \$2.0 million as of fiscal year end, or less than one percent. Revenues and transfers in of \$19.2 million were sufficient to fulfill debt service requirements of \$19.2 million during the year.

The fund balance in the Bond Building Fund increased \$26.5 million to \$48.3 million as of fiscal year end as a result of the issuance of \$30.6 million of school improvement bonds and \$4.6 million of bond premium, paired with a \$13.2 million decrease in capital outlay expenditures due to the timing of various school site rebuild projects.

Budgetary Highlights

Over the course of the year, the District revised the General Fund annual expenditure budget. The difference between the original budget and the final amended budget was a \$420,287 decrease, or less than one percent.

Significant variances for the final amended budget and actual revenues resulted from the District not being required by the State of Arizona to prepare a revenue budget. A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund is provided in this report as required supplementary information.

**Madison Elementary School District No. 38
Management’s Discussion and Analysis (MD&A)
Year Ended June 30, 2025**

Capital Assets and Debt Administration

Capital Assets. At year end, the District had invested \$266.0 million in capital assets, including school buildings, athletic facilities, buses and other vehicles, computers, and other equipment. This amount represents a net decrease prior to depreciation of \$5.9 million from the prior fiscal year primarily due to the timing of various school site rebuild projects, impacting construction in progress figures. Total depreciation expense for the current fiscal year was \$7.1 million.

The following schedule presents a summary of capital asset balances for the fiscal years ended June 30, 2025 and June 30, 2024.

	As of June 30, 2025	As of June 30, 2024
Capital assets - non-depreciable	\$ 9,107,328	\$ 51,390,351
Capital assets - depreciable, net	174,345,624	134,730,252
Total	\$ 183,452,952	\$ 186,120,603

The estimated cost to complete current construction projects is \$79.6 million.

Additional information on the District’s capital assets can be found in Note 6.

Debt Administration. At year end, the District had \$148.5 million in long-term debt outstanding, \$13.0 million due within one year. Long-term debt increased by \$19.5 million due to the issuance of \$30.6 million of school improvement bonds and \$4.6 million of bond premium, paired with regularly scheduled principal and interest payments on the bonded debt.

The District’s general obligation bonds are subject to two limits; the Constitutional debt limit (total debt limit) on all general obligation bonds (up to 15 percent of the total net full cash assessed valuation) and the statutory debt limit on Class B bonds (the greater of 10 percent of the net full cash assessed valuation or \$1,500 per student). The current total debt limitation for the District is \$382.4 million and the Class B debt limit is \$255.0 million, which are more than the District’s total outstanding general obligation and Class B debt, respectively.

Additional information on the District’s long-term debt can be found in Notes 8 and 9.

Economic Factors and Next Year’s Budget and Rates

Many factors were considered by the District’s administration during the process of developing the fiscal year 2025-26 budget. Among them:

- Fiscal year 2024-25 budget balance carry forward (estimated \$1.5 million).
- District student population (estimated 5,292).
- Staff salary increase – three percent average increase.

**Madison Elementary School District No. 38
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2025**

Economic Factors and Next Year's Budget and Rates

Also considered in the development of the budget is the local economy and inflation of the surrounding area.

Budgeted expenditures in the General Fund increased \$1.3 million to \$48.8 million in fiscal year 2025-26 due to a planned budget carryforward. State aid and property taxes are expected to be the primary funding sources. No new programs were added to the 2025-26 budget.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Business and Finance Department; Madison Elementary District No. 38; 5601 North 16th Street; Phoenix, Arizona 85016-2903.

Basic Financial Statements

(This page intentionally left blank)

Government-Wide Financial Statements

Madison Elementary School District No. 38
Statement of Net Position
June 30, 2025

	Governmental Activities
Assets	
Current assets:	
Cash and investments	\$ 108,083,225
Deposits	71,506
Property taxes receivable	675,500
Accounts receivable	512,187
Due from governmental entities	6,095,760
Inventory	106,950
Leases receivable	159,476
Total current assets	115,704,604
Noncurrent assets:	
Net other post employment benefit plan assets	1,743,803
Capital assets not being depreciated	9,107,328
Capital assets, net accumulated depreciation	174,345,624
Total noncurrent assets	185,196,755
Total assets	300,901,359
 Deferred outflows of resources	
Pension plan items	10,872,667
Other postemployment benefit plan items	124,154
Total deferred outflows of resources	10,996,821
 Liabilities	
Current liabilities:	
Accounts payable	5,534,391
Accrued payroll and employee benefits	2,119,270
Unearned revenues	490,800
Compensated absences payable	1,274,396
Bonds payable	12,970,000
Accrued interest payable	3,251,832
Total current liabilities	25,640,689
Noncurrent liabilities:	
Non-current portion of long-term obligations	187,060,536
Total noncurrent liabilities	187,060,536
Total liabilities	212,701,225
 Deferred inflows of resources	
Pension plan items	4,100,480
Other postemployment benefit plan items	631,877
Leases	173,169
Total deferred inflows of resources	4,905,526
 Net position	
Net investment in capital assets	83,328,023
Restricted for:	
Instruction	7,404,886
Food service	1,031,818
Non-instructional purposes	3,500,471
Debt service	2,052,335
Capital outlay	279,037
Other post employment benefit plan items	1,743,803
Unrestricted	(5,048,944)
Total net position	\$ 94,291,429

Madison Elementary School District No. 38
Statement of Activities
For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Instruction	\$ 42,254,454	\$ 68,285	\$ 2,166,328	\$ 106,402	\$ (39,913,439)
Support services - students and staff	11,159,894	39,972	2,278,913		(8,841,009)
Support services - administration	13,292,919	845,358	179,112		(12,268,449)
Operation and maintenance of plant services	9,539,059	1,094,070	148,423	39,749	(8,256,817)
Student transportation services	3,070,608		147		(3,070,461)
Operation of non-instructional services	10,592,313	9,526,702	2,071,033	523	1,005,945
Interest on long-term debt	3,327,745				(3,327,745)
Total governmental activities	<u>\$ 93,236,992</u>	<u>\$ 11,574,387</u>	<u>\$ 6,843,956</u>	<u>\$ 146,674</u>	<u>(74,671,975)</u>
General revenues					
Property taxes					45,159,181
Investment income					3,018,409
Unrestricted state aid					26,641,838
Unrestricted federal aid					558,980
Total general revenues					<u>75,378,408</u>
Changes in net position					706,433
Net position, beginning of year					<u>93,584,996</u>
Net position, end of year					<u>\$ 94,291,429</u>

(This page intentionally left blank)

Fund Financial Statements

Madison Elementary School District No. 38

Balance Sheet
Governmental Funds
June 30, 2025

	General	Federal and State Grants	Other Special Revenue	Debt Service
Assets				
Cash and investments	\$ 24,952,078	\$	\$ 4,974,679	\$ 18,017,828
Property taxes receivable	419,161			256,339
Accounts receivable	488,527		11,471	
Due from governmental entities	5,038,363	679,070		
Due from other funds	235,455			
Inventory	53,342			
Deposits				
Leases receivable			159,476	
Total assets	<u>\$ 31,186,926</u>	<u>\$ 679,070</u>	<u>\$ 5,145,626</u>	<u>\$ 18,274,167</u>
Liabilities				
Accounts payable	\$ 1,001,256	\$ 39,206	\$ 69,094	\$
Due to other funds		235,455		
Accrued payroll and employee benefits	1,621,878	137,339	199,068	
Unearned revenues		21,248	182,979	
Bonds payable				12,970,000
Bond interest payable				3,251,832
Total liabilities	<u>2,623,134</u>	<u>433,248</u>	<u>451,141</u>	<u>16,221,832</u>
Deferred inflows of resources				
Unavailable revenues - property taxes	26,157			10,020
Unavailable revenues - intergovernmental		137,511		
Leases			173,169	
Total deferred inflows of resources	<u>26,157</u>	<u>137,511</u>	<u>173,169</u>	<u>10,020</u>
Fund balances				
Nonspendable	53,342			
Restricted	255,718	108,311	4,521,316	2,042,315
Unassigned	28,228,575			
Total fund balances	<u>28,537,635</u>	<u>108,311</u>	<u>4,521,316</u>	<u>2,042,315</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 31,186,926</u>	<u>\$ 679,070</u>	<u>\$ 5,145,626</u>	<u>\$ 18,274,167</u>

Bond Building	Non-Major Governmental Funds	Total Governmental Funds
\$ 52,725,023	\$ 7,413,617	\$ 108,083,225
		675,500
	12,189	512,187
	378,327	6,095,760
		235,455
	53,608	106,950
	71,506	71,506
		159,476
<u>\$ 52,725,023</u>	<u>\$ 7,929,247</u>	<u>\$ 115,940,059</u>
\$ 4,392,220	\$ 32,615	\$ 5,534,391
		235,455
	160,985	2,119,270
	286,573	490,800
		12,970,000
		3,251,832
<u>4,392,220</u>	<u>480,173</u>	<u>24,601,748</u>
		36,177
		137,511
		173,169
		346,857
	53,608	106,950
48,332,803	7,395,466	62,655,929
		28,228,575
<u>48,332,803</u>	<u>7,449,074</u>	<u>90,991,454</u>
<u>\$ 52,725,023</u>	<u>\$ 7,929,247</u>	<u>\$ 115,940,059</u>

(This page intentionally left blank)

Madison Elementary School District No. 38
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2025

Total fund balances - governmental funds **\$ 90,991,454**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Governmental capital assets	\$ 266,020,794	
Less accumulated depreciation	<u>(82,567,842)</u>	
		183,452,952

Some receivables are not available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the funds.

Property taxes	36,177	
Intergovernmental	<u>137,511</u>	
		173,688

Deferred outflows and inflows of resources related to pensions/OPEB are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions/OPEB	10,996,821	
Deferred inflows of resources related to pensions/OPEB	<u>(4,732,357)</u>	
		6,264,464

The net OPEB assets are not a current financial resource and, therefore, are not reported in the funds.

1,743,803

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated absences payable	(5,487,545)	
Bonds payable	(135,487,732)	
Net pension liability	<u>(47,359,655)</u>	
		<u>(188,334,932)</u>

Net position of governmental activities **\$ 94,291,429**

Madison Elementary School District No. 38
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2025

	General	Federal and State Grants	Other Special Revenue	Debt Service
Revenues				
Other local	\$ 2,470,813	\$ 22,268	\$ 9,545,270	\$ 98,324
Property taxes	28,025,777			17,424,726
State aid and grants	22,160,771	946,478		
Federal aid, grants and reimbursements	<u>558,980</u>	<u>3,469,530</u>		
Total revenues	<u>53,216,341</u>	<u>4,438,276</u>	<u>9,545,270</u>	<u>17,523,050</u>
Expenditures				
Current:				
Instruction	22,735,856	1,133,703	772,884	
Support services - students and staff	7,789,241	2,159,958	298,024	
Support services - administration	10,034,833	169,763	1,221,808	
Operation and maintenance of plant services	6,870,491	119,350	1,166,502	
Student transportation services	2,665,702	139	75,696	
Operation of non-instructional services	204,198		6,377,400	
Capital outlay	4,513,748	99,241	5,962	
Debt service:				
Principal retirement				12,970,000
Interest and fiscal charges				6,269,219
Bond issuance costs				
Total expenditures	<u>54,814,069</u>	<u>3,682,154</u>	<u>9,918,276</u>	<u>19,239,219</u>
Excess (deficiency) of revenues over expenditures	<u>(1,597,728)</u>	<u>756,122</u>	<u>(373,006)</u>	<u>(1,716,169)</u>
Other financing sources (uses)				
Transfers in	500,577			1,706,247
Transfers out		(180,250)		
Issuance of school improvement bonds				
Premium on sale of bonds				
Total other financing sources (uses)	<u>500,577</u>	<u>(180,250)</u>		<u>1,706,247</u>
Changes in fund balances	<u>(1,097,151)</u>	<u>575,872</u>	<u>(373,006)</u>	<u>(9,922)</u>
Fund balances, beginning of year	<u>29,634,786</u>	<u>(467,561)</u>	<u>4,894,322</u>	<u>2,052,237</u>
Fund balances, end of year	<u>\$ 28,537,635</u>	<u>\$ 108,311</u>	<u>\$ 4,521,316</u>	<u>\$ 2,042,315</u>

<u>Bond Building</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,706,247	\$ 1,811,624	\$ 15,654,546
		45,450,503
	5,323,320	28,430,569
	<u>2,049,508</u>	<u>6,078,018</u>
<u>1,706,247</u>	<u>9,184,452</u>	<u>95,613,636</u>
	4,775,789	29,418,232
	76,862	10,324,085
	7,878	11,434,282
	89,879	8,246,222
		2,741,537
	3,998,257	10,579,855
8,412,632	135,837	13,167,420
		12,970,000
		6,269,219
<u>313,557</u>		<u>313,557</u>
<u>8,726,189</u>	<u>9,084,502</u>	<u>105,464,409</u>
<u>(7,019,942)</u>	<u>99,950</u>	<u>(9,850,773)</u>
		2,206,824
(1,706,247)	(320,327)	(2,206,824)
30,635,000		30,635,000
<u>4,627,382</u>		<u>4,627,382</u>
<u>33,556,135</u>	<u>(320,327)</u>	<u>35,262,382</u>
<u>26,536,193</u>	<u>(220,377)</u>	<u>25,411,609</u>
<u>21,796,610</u>	<u>7,669,451</u>	<u>65,579,845</u>
<u>\$ 48,332,803</u>	<u>\$ 7,449,074</u>	<u>\$ 90,991,454</u>

Madison Elementary School District No. 38
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2025

Changes in fund balances - total governmental funds **\$ 25,411,609**

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report the portion of capital outlay for capitalized assets as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capitalized assets	\$ 8,122,224	
Less current year depreciation	<u>(7,114,461)</u>	
		1,007,763

Issuance of school improvement bond provides current financial resources to governmental funds, but the issuance increases long-term liabilities in the Statement of Net Position. (35,262,382)

Some revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	(291,322)	
Intergovernmental	<u>(1,378,889)</u>	
		(1,670,211)

Repayments of bond principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 12,970,000

Governmental funds report pension/OPEB contributions as expenditures. However, they are reported as deferred outflows of resources in the Statement of Net Position. The change in the net pension/OPEB liability/asset, adjusted for deferred items, is reported as pension/OPEB expense in the Statement of Activities.

Current year pension/OPEB contributions	5,018,054	
Pension/OPEB expense	<u>(4,260,540)</u>	
		757,514

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Deferred bond items on issuance of refunding debt	(76,964)	
Loss on disposal of assets	(3,675,414)	
Amortization of deferred bond items	3,018,438	
Compensated absences	<u>(1,773,920)</u>	
		<u>(2,507,860)</u>

Changes in net position in governmental activities **\$ 706,433**

Madison Elementary School District No. 38
Notes to Financial Statements
June 30, 2025

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Madison Elementary School District No. 38 (District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

During the year ended June 30, 2025, the District implemented the provisions of GASB Statement No. 101, *Compensated Absences*. This Statement updates the recognition and measurement guidance for compensated absences. Liabilities are recognized for leave that has not been used, as well as leave that has been used but not yet paid in cash or settled through noncash means. The District's analysis of compensated absences in effect at the beginning of the year resulted in no changes to beginning balances reported in the financial statements due to the implementation of this standard.

The more significant of the District's accounting policies are described below.

A. Reporting Entity

The Governing Board is organized under Section 15-321 of the Arizona Revised Statutes (A.R.S.). Management of the District is independent of other state or local governments. The County Treasurer collects taxes for the District, but exercises no control over its expenditures/expenses.

The membership of the Governing Board consists of five members elected by the public. Under existing statutes, the Governing Board's duties and powers include, but are not limited to, the acquisition, maintenance and disposition of school property; the development and adoption of a school program; and the establishment, organization and operation of schools.

The Board also has broad financial responsibilities, including the approval of the annual budget, and the establishment of a system of accounting and budgetary controls.

The financial reporting entity consists of a primary government and its component units. A component unit is a legally separate entity that must be included in the reporting entity in conformity with generally accepted accounting principles. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds of those organizational entities for which its elected governing board is financially accountable. The District's major operations include education, student transportation, construction and maintenance of District facilities, and food services.

Madison Elementary School District No. 38
Notes to Financial Statements
June 30, 2025

Note 1 – Summary of Significant Accounting Policies

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. For the most part, the effect of internal activity has been removed from these statements. These statements are to distinguish between the governmental and business-type activities of the District. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District does not have any business-type activities or fiduciary activities.

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

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

Government-Wide Financial Statements – The government-wide financial statements are reported using 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 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 grantor or provider have been met. As a general rule, the effect of internal activity has been eliminated from the government-wide financial statements; however, the effects of interfund services provided and used between functions are reported as expenses and program revenues at amounts approximating their external exchange value.

Fund Financial Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Madison Elementary School District No. 38
Notes to Financial Statements
June 30, 2025

Note 1 – Summary of Significant Accounting Policies

However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. As permitted by generally accepted accounting principles the District applies the “early recognition” option for debt service payments. Property tax resources are provided in the Debt Service Fund during the current year for the payment of debt service principal and interest due early in the following year (less than one month). Therefore, the expenditures and related liabilities have been recognized in the current period. Capital asset acquisitions are reported as expenditures in governmental funds. Issuances of long-term debt and acquisitions under lease contracts and subscription-based information technology arrangements are reported as other financing sources.

Property taxes, state aid, federal aid, tuition and investment income associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Food services and miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Unearned revenues arise when resources are received by the District before it has legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

Delinquent property taxes and other receivables that will not be collected within the available period have been reported as unavailable revenues on the governmental fund financial statements.

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

The District reports the following major governmental funds:

General Fund – The General Fund is the District’s primary operating fund. It accounts for all resources used to finance District maintenance and operation except those required to be accounted for in other funds. The General Fund includes the District’s Maintenance and Operation Fund and the Unrestricted Capital Outlay Fund, as well as other funds that do not meet the criteria for separate reporting in the financial statements.

Federal and State Grants Fund – The Federal and State Grants Fund accounts for financial assistance received for federal and state grants and projects.

Other Special Revenue Fund – The Other Special Revenue Fund accounts for the revenues and expenditures of other special revenue activities, including the following: civic center, community school, extracurricular activities fees tax credit, fingerprinting, textbooks, and student activities.

Madison Elementary School District No. 38
Notes to Financial Statements
June 30, 2025

Note 1 – Summary of Significant Accounting Policies

Debt Service Fund – The Debt Service Fund accounts for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs.

Bond Building Fund –The Bond Building Fund accounts for proceeds from District bond issues that are expended on the acquisition or lease of sites; construction or renovation of school buildings; supplying school buildings with furniture, equipment, and technology; improving school grounds; or purchasing pupil transportation vehicles.

D. Cash and Investments

A.R.S. require the District to deposit all cash with the County Treasurer, except as discussed below. Cash with the County Treasurer is pooled for investment purposes, except for cash of the Debt Service and Bond Building Funds that may be invested separately. Interest earned from investments purchased with pooled monies is allocated to each of the District’s funds based on their average balances. As required by statute, interest earnings of the Bond Building Fund are recorded initially in that fund, but then transferred to the Debt Service Fund. All investments are stated at fair value.

Statute authorizes the District to separately invest monies of the Bond Building and Debt Service Funds in the State Treasurer’s investment pools; obligations issued and guaranteed by the United States or any of its agencies or instrumentalities; specified state and local government bonds and notes; and interest bearing savings accounts or certificates of deposit.

Statute authorizes the District to deposit monies of the Auxiliary Operations and Student Activities Funds in bank accounts. Monies in these funds may also be invested. In addition, statute authorizes the District to maintain various bank accounts such as clearing accounts to temporarily deposit receipts before they are transmitted to the County Treasurer; revolving accounts to pay minor disbursements; and withholdings accounts for taxes and employee insurance programs. Some of these bank accounts may be interest bearing.

Statute does not include any requirements for credit risk, concentration of credit risk, interest rate risk, or foreign currency risk. Arizona statute requires a pooled collateral program for public deposits and a Statewide Collateral Pool Administrator (Administrator) in the State Treasurer’s Office. The purpose of the pooled collateral program is to ensure that governmental entities’ public deposits placed in participating depositories are secured with collateral of 102 percent of the public deposits, less any applicable federal depository insurance. An eligible depository may not retain or accept any public deposit unless it has deposited the required collateral with a qualified escrow agent or the Administrator. The Administrator manages the pooled collateral program, including reporting on each depository’s compliance with the program.

Madison Elementary School District No. 38
Notes to Financial Statements
June 30, 2025

Note 1 – Summary of Significant Accounting Policies

E. Investment Income

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments. Investment income is included in other local revenue in the governmental fund financial statements.

F. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Interfund balances between governmental funds are eliminated on the Statement of Net Position.

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

G. Property Tax Calendar

The County Treasurer is responsible for collecting property taxes for all governmental entities within the county. The county levies real and personal property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

Pursuant to A.R.S., a lien against assessed real and personal property attaches on the first day of January preceding assessment and levy; however according to case law, an enforceable legal claim to the asset does not arise.

H. Inventory

Food service inventories are valued at cost using the first-in/first-out (FIFO) method while general supplies inventories are valued using the average cost method. Inventories consist of expendable supplies held for consumption. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

The United States Department of Agriculture (USDA) commodity portion of the food services inventory consists of food donated by the USDA. It is valued at estimated market prices paid by the USDA.

Madison Elementary School District No. 38
Notes to Financial Statements
June 30, 2025

Note 1 – Summary of Significant Accounting Policies

I. Prepaid Items

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

J. Capital Assets

Capital assets, which include land and improvements; buildings and improvements; vehicles, furniture, and equipment; construction in progress; and intangible right-to-use assets, are reported in the government-wide financial statements.

Capital assets are defined by the District as assets with an initial, individual cost in excess of \$5,000 and an estimated useful life of more than one year. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition 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 the life of the asset are not capitalized.

Capital assets are depreciated using the straight-line method over the estimated useful life of the asset. Intangible right-to-use assets are amortized over the shorter of the lease/subscription term or the underlying asset's useful life. Amortization of right-to-use assets is included with depreciation expense. The estimated useful lives and amortization periods are as follows:

Land improvements	5 – 20 years
Buildings and improvements	7 – 50 years
Vehicles, furniture and equipment	4 – 20 years

K. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Madison Elementary School District No. 38
Notes to Financial Statements
June 30, 2025

Note 1 – Summary of Significant Accounting Policies

L. Compensated Absences

The District's employee vacation and sick leave policies generally provide for granting vacation and sick leave with pay in varying amounts. Only benefits considered more likely than not to be used or paid are recognized in the financial statements. The liability for vacation and sick leave is reported in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations and retirements.

M. Leases

As lessor, the District recognizes all lease receivables. If there is no stated rate in the lease contract (or if the stated rate is not the rate the District charges the lessee) and the implicit rate cannot be determined, the District uses an interest rate based on the applicable federal treasury rate as the discount rate to measure lease receivables.

N. Pensions and Other Postemployment Benefits

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

O. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Deferred amounts on refunding result from the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

Madison Elementary School District No. 38
Notes to Financial Statements
June 30, 2025

Note 1 – Summary of Significant Accounting Policies

P. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses in governmental funds.

Q. Net Position Flow Assumption

In the government-wide financial statements, the District applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted amounts are available.

R. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2 – Fund Balance Classifications

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

Nonspendable. The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact.

Restricted. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

Committed. The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action of the Governing Board. Those committed amounts cannot be used for any other purpose unless the Governing Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The District does not have a formal policy or procedures for the utilization of committed fund balance, accordingly, no committed fund balance amounts are reported.

Madison Elementary School District No. 38
Notes to Financial Statements
June 30, 2025

Note 2 – Fund Balance Classifications

Assigned. Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Governing Board or a management official delegated that authority by the formal Governing Board action. The District does not have a formal policy or procedures for the utilization of assigned fund balance, accordingly, no assigned fund balance amounts are reported.

Unassigned. Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

The table below provides detail of the major components of the District’s fund balance classifications at year end.

	General	Federal and State Grants	Other Special Revenue	Debt Service	Bond Building	Non-Major Governmental Funds
Fund Balances:						
Nonspendable:						
Inventory	\$ 53,342					\$ 53,608
Restricted:						
Debt service				2,042,315		
Capital projects	255,718					279,037
Bond building projects					48,332,803	
Voter approved initiatives						6,138,219
Federal and state projects		108,311				
Food service						978,210
Civic center			1,946,764			
Community schools			1,552,502			
Extracurricular activities			884,803			
Student activities			108,946			
Other purposes			28,301			
Unassigned	<u>28,228,575</u>					
Total fund balances	<u>\$ 28,537,635</u>	<u>\$ 108,311</u>	<u>\$ 4,521,316</u>	<u>\$ 2,042,315</u>	<u>\$ 48,332,803</u>	<u>\$ 7,449,074</u>

Madison Elementary School District No. 38
Notes to Financial Statements
June 30, 2025

Note 3 – Stewardship, Compliance and Accountability

Excess Expenditures Over Budget – At year end, the District had expenditures in a fund that exceeded the budget, however, this does not constitute a violation of any legal provisions.

Note 4 – Cash and Investments

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of bank failure the District’s deposits may not be returned to the District. The District does not have a deposit policy for custodial credit risk. At year end, the carrying amount of the District’s deposits was \$2,851,404 and the bank balance was \$3,598,822. At year end, \$3,348,822 of the District’s deposits were covered by collateral held by the pledging financial institution’s trust department or agent but not in the District’s name. In addition, the District holds \$71,506 on deposit with others.

Fair Value Measurements. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are quoted prices in active markets for identical assets
- Level 2 inputs are significant other observable inputs
- Level 3 inputs are significant unobservable inputs

The County Treasurer’s pool is an external investment pool with no regulatory oversight. The pool is not required to register (and is not registered) with the Securities and Exchange Commission. The fair value of each participant’s position in the County Treasurer investment pool approximates the value of the participant’s shares in the pool and the participants’ shares are not identified with specific investments. Participants in the pool are not required to categorize the value of shares in accordance with the fair value hierarchy.

At year end, the District’s investments consisted of the following:

	Average Maturities	Fair Value
County Treasurer’s investment pool	452 days	\$ 105,231,821

Interest Rate Risk. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The District has no investment policy that would further limit its investment choices. As of year end, the District’s investment in the County Treasurer’s investment pool did not receive a credit quality rating from a national rating agency.

Custodial Credit Risk - Investments. The District’s investment in the County Treasurer’s investment pool represents a proportionate interest in the pool’s portfolio; however, the District’s portion is not identified with specific investments and is not subject to custodial credit risk.

Madison Elementary School District No. 38
Notes to Financial Statements
June 30, 2025

Note 5 – Receivables

Receivable balances, net of allowance for uncollectibles, have been disaggregated by type and presented separately in the financial statements with the exception of due from governmental entities. Due from governmental entities, net of allowance for uncollectibles, as of year end for the District’s individual major funds and non-major governmental funds in the aggregate were as follows:

	General	Federal and State Grants	Non-Major Governmental Funds
Due from other governmental entities:			
Due from federal government	\$ 221,400	\$ 601,440	\$ 184,971
Due from state government	4,816,963	77,630	193,356
Net due from governmental entities	\$ 5,038,363	\$ 679,070	\$ 378,327

Note 6 – Leases Receivable

The District acts as lessor in telecommunications ground lease agreements under the provisions of contracts classified as leases. The related receivables under the lease agreements have been recorded at the present value of their future minimum lease payments as of the inception date. Lease revenue of \$53,526 and related interest revenue of \$529 are recorded as other local revenue in the Other Special Revenue Fund.

Madison Elementary School District No. 38
Notes to Financial Statements
June 30, 2025

Note 7 – Capital Assets

A summary of capital asset activity for the current fiscal year follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 3,420,264	\$	\$	\$ 3,420,264
Construction in progress	<u>47,970,087</u>	<u>7,286,428</u>	<u>49,569,451</u>	<u>5,687,064</u>
Total capital assets, not being depreciated	<u>51,390,351</u>	<u>7,286,428</u>	<u>49,569,451</u>	<u>9,107,328</u>
Capital assets, being depreciated:				
Land improvements	16,408,865	1,631,197	681,514	17,358,548
Buildings and improvements	190,140,157	48,140,788	12,162,909	226,118,036
Vehicles, furniture and equipment	<u>14,002,225</u>	<u>633,262</u>	<u>1,198,605</u>	<u>13,436,882</u>
Total capital assets being depreciated	<u>220,551,247</u>	<u>50,405,247</u>	<u>14,043,028</u>	<u>256,913,466</u>
Less accumulated depreciation for:				
Land improvements	(11,518,295)	(518,518)	(555,975)	(11,480,838)
Buildings and improvements	(61,985,812)	(5,760,325)	(8,625,733)	(59,120,404)
Vehicles, furniture and equipment	<u>(12,316,888)</u>	<u>(835,618)</u>	<u>(1,185,906)</u>	<u>(11,966,600)</u>
Total accumulated depreciation	<u>(85,820,995)</u>	<u>(7,114,461)</u>	<u>(10,367,614)</u>	<u>(82,567,842)</u>
Total capital assets being depreciated, net	<u>134,730,252</u>	<u>43,290,786</u>	<u>3,675,414</u>	<u>174,345,624</u>
Governmental activities capital assets, net	<u>\$ 186,120,603</u>	<u>\$ 50,577,214</u>	<u>\$ 53,244,865</u>	<u>\$ 183,452,952</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 4,991,946
Support services – students and staff	92,654
Support services – administration	905,564
Operation and maintenance of plant services	797,390
Student transportation services	306,152
Operation of non-instructional services	<u>20,755</u>
Total depreciation expense – governmental activities	<u>\$ 7,114,461</u>

Construction Commitments – At year end, the District had contractual commitments related to the reconstruction of Rose Lane Elementary School and the gymnasium at Madison Meadows Middle School. At year end, the District had spent \$5.7 million on the projects and had estimated remaining contractual commitments of \$79.6 million. These projects are being funded with bond proceeds.

Madison Elementary School District No. 38
Notes to Financial Statements
June 30, 2025

Note 8 – Short Term Debt – Revolving Line of Credit

The District has a revolving line of credit to provide cash flow during the year to mitigate the impact of timing differences of expenditures and the receipt of state aid and property tax revenues. At year end, the District had \$5.0 million in unused line of credit.

Note 9 – General Obligation Bonds Payable

Bonds payable at year end consisted of the following outstanding general obligation bonds. Of the total amount originally authorized, \$70.0 million remains unissued. The bonds are both callable and noncallable with interest payable semiannually. Property taxes from the Debt Service Fund are used to pay bonded debt. The District’s legal debt limit is \$382.4 million and the available margin is \$227.4 million.

Purpose	Original Amount Issued	Interest Rates	Remaining Maturities	Outstanding Principal June 30, 2025	Due Within One Year
Governmental activities:					
School Improvement Bond, Project of 2014, Series A (2015)	\$ 34,000,000	3.00-3.25%	7/1/25	\$ 4,035,000	\$ 4,035,000
Refunding Bonds, Series 2015	19,700,000	3.25-5.00%	7/1/25	830,000	830,000
School Improvement Bond, Project of 2014, Series B (2017)	30,500,000	5.00%	7/1/25-27	10,650,000	4,000,000
School Improvement Bond, Project of 2014, Series C (2019)	22,400,000	2.25-5.00%	7/1/25-27	13,700,000	1,050,000
Refunding Bonds, Series 2020	9,520,000	4.00%	7/1/25-26	4,070,000	2,005,000
School Improvement Bond, Project of 2019, Series A (2020)	27,705,000	3.00-5.00%	7/1/25-29	22,430,000	650,000
School Improvement Bond, Project of 2019, Series B (2023)	48,340,000	3.00-5.00%	7/1/27-34	47,840,000	
School Improvement Bond, Project of 2023, Series A (2024)	30,635,000	4.75%	7/1/25-34	<u>30,635,000</u>	<u>400,000</u>
Total				<u>\$ 134,190,000</u>	<u>\$ 12,970,000</u>

Madison Elementary School District No. 38
Notes to Financial Statements
June 30, 2025

Note 9 – General Obligation Bonds Payable

Annual debt service requirements to maturity on general obligation bonds at year end are summarized as follows:

Year ending June 30:	Governmental Activities	
	Principal	Interest
2026	\$ 12,970,000	\$ 6,238,507
2027	13,415,000	5,648,300
2028	14,100,000	4,985,750
2029	14,625,000	4,301,125
2030	13,105,000	3,626,375
2031-35	65,975,000	8,490,125
Total	\$ 134,190,000	\$ 33,290,182

Note 10 – Changes in Long-Term Liabilities

Long-term liability activity for the current fiscal year was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 116,265,000	\$ 30,635,000	\$ 12,710,000	\$ 134,190,000	\$ 12,970,000
Premium	12,658,788	4,627,382	3,018,438	14,267,732	
Total bonds payable	128,923,788	35,262,382	15,728,438	148,457,732	12,970,000
Net OPEB liability	34,540		34,540		
Net pension liability	43,002,190	4,357,465		47,359,655	
Compensated absences payable	3,713,625	1,773,920		5,487,545	1,274,396
Total long-term liabilities	\$ 175,674,143	\$ 41,393,767	\$ 15,762,978	\$ 201,304,932	\$ 14,244,396

Note 11 – Interfund Receivables, Payables, and Transfers

At year end, interfund balances were as follows:

Due to/from other funds – At year end, the Federal and State Grants Fund had a negative cash balance in the Treasurer’s pooled cash accounts of \$235,455. Negative cash on deposit with the County Treasurer was reduced by interfund borrowing with the General Fund. All interfund balances are expected to be paid within one year.

Madison Elementary School District No. 38
Notes to Financial Statements
June 30, 2025

Note 11 – Interfund Receivables, Payables, and Transfers

Interfund transfers:

Transfers out	Transfers in		
	General	Debt Service	Total
Federal and State Grants	\$ 180,250	\$	\$ 180,250
Bond Building		1,706,247	1,706,247
Non-Major Governmental Funds	320,327		320,327
Total	<u>\$ 500,577</u>	<u>\$ 1,706,247</u>	<u>\$ 2,206,824</u>

Transfers between funds were used to (1) move investment income and premium earned in the Bond Building Fund that is required by statute to be expended in the Debt Service Fund, and (2) to move federal grant funds restricted for indirect costs.

Note 12 – Contingent Liabilities

Compliance – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures/expenses that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

Note 13 – Risk Management

The District was unable to obtain general property and liability insurance at a cost it considered to be economically justifiable. Therefore, the District joined the Arizona School Risk Retention Trust, Inc. (ASRRT). ASRRT is a public entity risk pool currently operating as a common risk management and insurance program for school districts and community colleges in the State. The District pays an annual premium to ASRRT for its general insurance coverage. The agreement provides that ASRRT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of specified amounts.

The District’s employees have health and accident insurance coverage with the Arizona School Board Association Insurance Trust (ASBAIT). ASBAIT is a public entity risk pool currently operating as a common risk management and insurance program for school districts in the State. The District pays a monthly premium to ASBAIT for employees’ health and accident insurance coverage. The agreement provides that ASBAIT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of specified amounts.

Madison Elementary School District No. 38
Notes to Financial Statements
June 30, 2025

Note 13 – Risk Management

The District joined the Arizona School Alliance for Workers’ Compensation, Inc. (Alliance) together with other school districts in the state for risks of loss related to workers’ compensation claims. The Alliance is a public entity risk pool currently operating as a common risk management and insurance program for school districts in the State. The District pays premiums to the Alliance for its employee workers’ compensation coverage. The agreement provides that the Alliance will be self-sustaining through members’ premiums and will reinsure through commercial companies for claims in excess of specified amounts for each insured event.

The District continues to carry commercial insurance for all other risks of loss, including dental, vision and short term disability.

Note 14 – Pensions

Plan Description. District employees participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. ASRS is a component unit of the State of Arizona. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on the ASRS website at www.azasrs.gov.

Aggregate Amounts. At June 30,2025, the District reported the following aggregate amounts related to pensions and OPEB for all plans to which it contributes:

	Pension	OPEB	Total
Net assets	\$	\$ (1,743,803)	\$ (1,743,803)
Net liability	47,359,655		47,359,655
Deferred outflows of resources	10,872,667	124,154	10,996,821
Deferred inflows of resources	4,100,480	631,877	4,732,357
Expense	4,520,466	(259,926)	4,260,540
Contributions	4,989,073	28,981	5,018,054

The ASRS OPEB plans are not further disclosed because of their relative insignificance to the District’s financial statements.

Madison Elementary School District No. 38
Notes to Financial Statements
June 30, 2025

Note 14 – Pensions

Benefits Provided. The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Retirement Initial Membership Date:	
	Before July 1, 2011	On or After July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years, age 62 5 years, age 50* Any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* Any years, age 65
Final average salary is based on	Highest 36 months of last 120 months	Highest 60 months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

*With actuarially reduced benefits

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earnings. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member’s death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member’s account balance that includes the member’s contributions and employer’s contributions, plus interest earned.

Contributions. In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 12.27 percent (12.12 percent for retirement and 0.15 percent for long-term disability) of the members’ annual covered payroll, and the District was required by statute to contribute at the actuarially determined rate of 12.27 percent (12.05 percent for retirement, 0.07 percent for health insurance premium benefit, and 0.15 percent for long-term disability) of the active members’ annual covered payroll. The District’s contributions to the pension plan for the year ended June 30, 2025 were \$4,989,073.

[THIS PAGE INTENTIONALLY LEFT BLANK]

CITY OF PHOENIX, ARIZONA

The following information regarding the City is provided for background information only. No attempt has been made to determine what part, if any, of the data presented is applicable to the District; consequently, no representation is made as to the relevance of the data to the District or the Bonds. THE BONDS WILL NOT BE OBLIGATIONS OF THE CITY. The Bonds will be direct obligations of the District, payable solely from ad valorem taxes levied against all taxable property in the District as described under the heading “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS.”

General

The City is the fifth largest city in the United States and encompasses an area of approximately 520 square miles. The City is the population center for the State and serves as the State’s capital.

The following table illustrates respective population statistics for the City.

POPULATION STATISTICS

	<u>City of Phoenix</u>
2025 Estimate (a)	1,709,489
2020 Census	1,608,139
2010 Census	1,445,632
2000 Census	1,321,045
1990 Census	983,392
1980 Census	789,704

(a) Estimate as of July 2025 (data released in December 2025).

Source: Arizona Office of Economic Opportunity and the U.S. Census Bureau.

Municipal Government and Organization

The City was founded in 1870 and incorporated in 1881. The City operates under a Council-Manager form of government as provided in its Charter. The Phoenix City Council consists of the Mayor and eight Council members elected on a non-partisan ballot. The Mayor is elected at large and Council members are elected by voters in each of eight separate districts they represent. The Phoenix City Council appoints advisory boards, commissions, committees, municipal court judges and the city manager. The Phoenix City Manager is responsible for executing Council policies and managing the day-to-day operations of the City.

The City’s government provides numerous services including police and fire protection, city courts, parks, recreation facilities, libraries, sanitation, sewer, water, transportation (including streets and public transit), airports, neighborhood improvement and housing, community and economic development and convention and cultural services.

Employment

Principal economic activities for the metropolitan Phoenix area include manufacturing, service industries, construction, commerce and tourism. The following table is a partial list of major employers within the Greater Phoenix metropolitan area which includes the City, the cities of Mesa, Glendale, Scottsdale, Chandler, Tempe, Peoria, Surprise, Avondale, Goodyear, Litchfield Park, Buckeye and Tolleson; and the towns of Carefree, Cave Creek, Gilbert, Guadalupe, Fountain Hills, Paradise Valley, Queen Creek, Wickenburg and Youngtown.

MAJOR EMPLOYERS Greater Phoenix Metropolitan Area

Employer	Description	Approximate Number of Employees
Banner Health	Healthcare	48,869
Amazon.com Inc.	Retail	40,000
State of Arizona	Government	39,733
Walmart Inc.	Retail	37,979
Arizona State University	Education	35,754
University of Arizona	Education	22,391
Fry's Food Stores	Retail	20,000
HonorHealth	Healthcare	16,969
Dignity Health Arizona	Healthcare	14,676
City of Phoenix	Government	14,452

Source: The City of Phoenix, Arizona Annual Comprehensive Financial Report for the fiscal year ended June 30, 2025.

The table below illustrates the unemployment rate averages for Phoenix.

UNEMPLOYMENT RATE AVERAGES

Calendar Year	City of Phoenix (a)
2026 (b)	4.1%
2025	3.6
2024	3.1
2023	3.5
2022	3.4
2021	5.0

(a) Each year, historical estimates from the Local Area Unemployment Statistics (LAUS) program are revised to reflect new population controls from the Census Bureau, updated input data, and re-estimation. The data for model-based areas also incorporate new seasonal adjustment, and the unadjusted estimates are controlled to new census division and U.S. totals. Sub-state area data subsequently are revised to incorporate updated inputs, re-estimation, and controlling to new statewide totals.

(b) Data through April 2026.

Source: Arizona Office of Unemployment and Population Statistics, in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.

Commerce

The following table illustrates historical transaction privilege (sales) tax collections for Phoenix.

TRANSACTION PRIVILEGE (SALES) TAX COLLECTIONS
City of Phoenix, Arizona
(\$000s omitted)

<u>Fiscal Year</u>	<u>Amount</u>
2025/26 (a)	\$1,344,800
2024/25	1,413,393
2023/24	1,425,912
2022/23	1,375,437
2021/22	1,262,902
2020/21	1,055,055

(a) *Data through April 2026.*

Source: Arizona Department of Revenue.

[THIS PAGE INTENTIONALLY LEFT BLANK]

MARICOPA COUNTY, ARIZONA

The following information regarding the County, is provided for background information only. No attempt has been made to determine what part, if any, of the data presented is applicable to the District; consequently, no representation is made as to the relevance of the data to the District or the Bonds. THE BONDS WILL NOT BE OBLIGATIONS OF THE COUNTY. The Bonds will be direct obligations of the District, payable solely from ad valorem taxes levied against all taxable property in the District as described under the heading "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS."

General

The County was named after the Maricopa Indian tribe and was formed as the fifth county of Arizona in 1871. The principal geographic features of the County consist of the expansive river valleys of the Salt and Gila Rivers and a number of rugged mountain ranges scattered throughout the County.

The County encompasses approximately 9,222 square miles, 98 square miles of which is water.

**LAND OWNERSHIP
Maricopa County, Arizona**

<u>Control/Ownership</u>	<u>Percent of Land in County</u>
U.S. Forest Service and Bureau of Land Management	39%
State of Arizona	11
Indian Reservation	5
Individual or Corporation	29
Other Public Lands	16
Total	<u>100%</u>

Source: *Arizona County Profiles*, Arizona Commerce Authority.

Municipal Government and Organization

The governmental and administrative affairs of the County are carried out by a Board of Supervisors (the "Board") comprised of five members who each serve four-year terms. The Board appoints a Chief Administrative Officer who is responsible for carrying out Board policies and administering County operations.

Located within the County are the cities of Avondale, Buckeye, Chandler, Glendale, Goodyear, Litchfield Park, Mesa, Peoria, Phoenix, Scottsdale, Surprise, Tempe and Tolleson; the towns of Carefree, Cave Creek, Fountain Hills, Guadalupe, Gilbert, Paradise Valley, Wickenburg and Youngtown and the unincorporated retirement communities of Sun City and Sun City West, along with several smaller communities.

The following table illustrates respective population statistics for the principal communities of the County, the County and the State.

POPULATION STATISTICS

Year	City of Phoenix	City of Mesa	City of Chandler	City of Glendale	City of Scottsdale	City of Tempe	Maricopa County	State of Arizona
2025 Estimate (a)	1,709,489	529,391	288,299	265,599	251,000	196,001	4,787,790	7,718,747
2020 Census	1,608,139	504,258	275,987	248,325	241,361	180,587	4,420,568	7,151,502
2010 Census	1,445,632	439,041	236,123	226,721	217,385	161,719	3,817,117	6,392,017
2000 Census	1,321,045	396,375	176,581	218,812	202,705	158,625	3,072,149	5,130,632
1990 Census	983,392	288,104	89,862	147,864	130,075	141,993	2,122,101	3,665,339
1980 Census	789,704	152,404	29,673	97,172	88,622	106,920	1,509,175	2,716,546

(a) Estimate as of July 2025 (data released in December 2025).

Source: Arizona Office of Economic Opportunity, prepared in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.

Economy

The County’s economy is based on high technology manufacturing, light manufacturing and commercial activities (including construction and trade), tourism, government and agriculture. The table below illustrates the employment structure of the County.

**NON-AGRICULTURAL EMPLOYMENT STRUCTURE
Maricopa County, Arizona**

	2026 Percent of Total (a)
Mining and construction	7.3%
Manufacturing	5.8
Trade, transportation and utilities	19.2
Information	1.7
Financial activities	8.6
Professional and business services	15.8
Educational and health services	17.6
Leisure and hospitality	10.8
Services and miscellaneous	3.2
Government	10.0
Total	100.0%

(a) Data through April 2026.

Source: Arizona Office of Economic Opportunity, prepared in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.

LABOR FORCE AND NONFARM EMPLOYMENT
Maricopa County, Arizona

	<u>2026 (a)</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Mining and construction	175,300	176,700	177,800	168,200	152,400	139,100
Manufacturing	139,900	140,500	142,600	142,300	140,400	133,700
Trade, transportation, and utilities	459,600	463,000	456,800	454,700	447,400	427,100
Information	40,200	39,900	39,500	42,200	42,800	39,700
Financial activities	205,700	210,800	206,700	209,200	214,600	214,300
Professional and business services	378,700	375,700	379,000	385,200	383,500	367,400
Educational and health services	420,600	408,400	398,800	379,600	359,100	339,100
Leisure and hospitality	258,700	257,700	254,300	245,800	229,900	206,200
Other services	77,000	75,200	75,400	74,900	71,400	66,800
Government	239,100	230,800	231,300	225,900	218,500	216,500
	<u>2,394,800</u>	<u>2,378,700</u>	<u>2,362,200</u>	<u>2,328,000</u>	<u>2,260,000</u>	<u>2,149,900</u>

(a) Data through April 2026.

Source: Arizona Office of Economic Opportunity, prepared in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.

The following table illustrates the unemployment rate averages for the County, the State and the United States of America.

UNEMPLOYMENT RATE AVERAGES

<u>Calendar Year</u>	<u>Maricopa County (a)</u>	<u>State of Arizona (a)</u>	<u>United States of America</u>
2026 (b)	4.0%	4.6%	4.4%
2025	3.6	4.2	4.3
2024	3.1	3.6	4.0
2023	3.2	3.7	3.6
2022	3.3	3.8	3.6
2021	4.6	5.0	5.3

(a) Each year, historical estimates from the Local Area Unemployment Statistics (LAUS) program are revised to reflect new population controls from the Census Bureau, updated input data, and reestimation. The data for model-based areas also incorporate new seasonal adjustment, and the unadjusted estimates are controlled to new census division and U.S. totals. Sub-state area data subsequently are revised to incorporate updated inputs, reestimation, and controlling to new statewide totals.

(b) Data through April 2026.

Source: Arizona Office of Economic Opportunity, prepared in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics and the U.S. Bureau of Labor Statistics.

Retail Sales

The following table illustrates retail sales for the County.

TAXABLE RETAIL SALES Maricopa County, Arizona (\$000s omitted)

<u>Calendar Year</u>	<u>Taxable Retail Sales (a)</u>
2026 (b)	\$26,853,110
2025	74,794,453
2024	72,535,228
2023	73,072,528
2022	71,219,545
2021	66,043,105

(a) *The statutory definition of "Retail Sales" is the business of selling tangible personal property at retail. Therefore, this class does not include services or hotels, restaurants or food sales.*

(b) *Data through April 2026.*

Source: Arizona Department of Revenue, Office of Economic Research and Analysis.

Bank Deposits

The following table illustrates bank deposits for the County.

BANK DEPOSITS Maricopa County, Arizona (\$ in millions)

<u>Fiscal Year</u>	<u>Amount</u>
2025	\$177,478
2024	168,514
2023	163,826
2022	178,327
2021	158,003

Source: Federal Deposit Insurance Corporation.

FORM OF APPROVING LEGAL OPINION

[Closing Date]

GOVERNING BOARD
MADISON ELEMENTARY SCHOOL DISTRICT
NO. 38 OF MARICOPA COUNTY, ARIZONA

We have acted as bond counsel to the Madison Elementary School District No. 38 (the “*District*”) of Maricopa County, Arizona (the “*County*”) in connection with the issuance of its \$40,000,000* aggregate principal amount of School Improvement Bonds, Project of 2023, Series B (2026) (the “*Bonds*”). The Bonds are dated [Closing Date], and bear interest payable January 1 and July 1 of each year to maturity, commencing January 1, 2027*. In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to give the opinions below.

As to questions of fact material to the opinions below, we have relied upon, and assumed due and continuing compliance with the provisions of, the certified proceedings and other certifications, covenants, and representations furnished to us without undertaking to verify them by independent investigation, including, without limitation, those with respect to causing interest on the Bonds to be and remain excluded from gross income for federal income tax purposes.

Based upon the foregoing, we are of the opinion, as of this date, which is the date of initial delivery of the Bonds against payment therefor, that:

1. The Bonds have been duly authorized and executed by the District and are valid and binding general obligations of the District.

2. All taxable property within the District is subject to the levy of a direct, annual, ad valorem tax to pay the principal of and interest on the Bonds without limit as to rate or amount. It is required by law that the Board of Supervisors of the County levy, at the time of making the levy of taxes for County purposes, an annual tax upon the taxable property in the District sufficient to pay the principal of and interest on the Bonds when due.

3. Under existing laws, regulations, rulings and judicial decisions, the interest income on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “*Code*”) and is exempt from Arizona income taxes. Interest income on the Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the federal alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes under Section 103 of the Code. The District has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. For purposes of this opinion, we have assumed continuing compliance by the District with such restrictions, conditions, and requirements. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting the rights and remedies of creditors, and by equitable principles, whether considered at law or in equity.

* *Subject to change.*

We express no opinion herein regarding the accuracy, adequacy, or completeness of the Official Statement dated as of [_____, 2026], relating to the Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

The opinions given in this opinion letter are given as of the date set forth above, and we assume no obligation to revise or supplement them to reflect any facts or circumstances that may later come to our attention, or any changes in law that may later occur.

Respectfully submitted,

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$40,000,000*
MADISON ELEMENTARY SCHOOL DISTRICT NO. 38
OF MARICOPA COUNTY, ARIZONA
SCHOOL IMPROVEMENT BONDS,
PROJECT OF 2023, SERIES B (2026)

CONTINUING DISCLOSURE CERTIFICATE
(CUSIP Base No. 567184)

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is undertaken by Madison Elementary School District No. 38 of Maricopa County, Arizona (the “District”) in connection with the issuance of its \$40,000,000* School Improvement Bonds, Project of 2023, Series B (2026) (the “Bonds”). In consideration of the initial sale and delivery of the Bonds, the District covenants as follows:

Section 1. **Purpose of the Disclosure Certificate.** This Disclosure Certificate is for the benefit of the Bondholders (as defined herein) and in order to assist the Participating Underwriter (as defined herein) in complying with the Rule (as defined herein).

Section 2. **Definitions.** Any capitalized term used herein shall have the following meanings, unless otherwise defined herein:

“Annual Report” shall mean the annual report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Audited Financial Statements” shall mean the District’s annual financial statements, which are currently prepared in accordance with generally accepted accounting principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and which the District intends to continue to prepare in substantially the same form.

“Bond Counsel” shall mean Gust Rosenfeld P.L.C. or such other nationally recognized bond counsel as may be selected by the District.

“Bondholder” shall mean any registered owner or beneficial owner of the Bonds.

“Dissemination Agent” shall mean the District, or any person designated in writing by the District as the Dissemination Agent.

“EMMA” shall mean the Electronic Municipal Market Access system of MSRB, or any successor thereto approved by the Securities and Exchange Commission, as a repository for municipal continuing disclosure information pursuant to the Rule.

“Financial Obligation” shall mean (i) a debt obligation; (ii) a 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), except that “Financial Obligation” does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

* *Subject to change.*

“Listed Events” shall mean any of the events listed in Section 5 of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board, or any successor thereto.

“Official Statement” shall mean the final official statement dated [_____, 2026] relating to the Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) Commencing February 1, 2027, and by no later than February 1 of each year thereafter (the “Filing Date”), the District shall, either directly or by directing the Dissemination Agent to do so, provide an Annual Report to MSRB. The Annual Report shall be provided electronically and in a format prescribed by MSRB. The Annual Report shall be consistent with the requirements of Section 4 of this Disclosure Certificate and shall include information from the fiscal year ending on the preceding June 30. All documents provided to MSRB shall be accompanied by identifying information prescribed by MSRB. Currently, filings are required to be made with EMMA. Not later than fifteen (15) business days prior to such Filing Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District).

(b) If the District is unable or for any reason fails to provide electronically to EMMA an Annual Report or any part thereof by the Filing Date required in subsection (a) above, the District shall, in a timely manner, send a notice to EMMA in substantially the form attached as Exhibit A not later than the Filing Date.

(c) If the District’s Audited Financial Statements are not submitted with the Annual Report and the District fails to provide to EMMA a copy of its Audited Financial Statements within thirty (30) days of receipt thereof by the District, then the District shall, in a timely manner, send a notice to EMMA in substantially the form attached as Exhibit B.

(d) The Dissemination Agent shall:

(i) Determine the proper electronic filing address of EMMA each year prior to the date(s) for providing the Annual Report and Audited Financial Statements; and

(ii) If the Dissemination Agent is other than the District, file a report or reports with the District certifying that the Annual Report and Audited Financial Statements, if applicable, have been provided pursuant to this Disclosure Certificate, stating the date such information was provided and listing where it was provided.

Section 4. Content of Annual Reports.

(a) The Annual Report may be submitted as a single document or as separate documents comprising an electronic package, and may incorporate by reference other information as provided in this Section, including the Audited Financial Statements of the District; provided, however, that if the Audited Financial Statements of the District are not available at the time of the filing of the Annual Report, the District shall file unaudited financial statements of the District with the Annual Report and, when the Audited Financial Statements of the District are available, the same shall be submitted to EMMA within thirty (30) days of receipt thereof by the District.

(b) The District’s Annual Report shall contain or incorporate by reference the following:

(i) Type of Financial and Operating Data to be Provided:

(A) Subject to the provisions of Sections 3 and 4(a) hereof, Audited Financial Statements for the District.

(B) Annually updated financial information and operating data of the type contained in the following tables in APPENDIX A – “THE DISTRICT – DISTRICT INFORMATION” and APPENDIX B – “THE DISTRICT – FINANCIAL INFORMATION” of the Official Statement:

- (1) Table 2 – Average Daily Membership;
- (2) Table 7 – Property Taxes Levied and Collected;
- (3) Table 10 – Net Limited Assessed Property Value of Major Taxpayers;
- (4) Table 14 – Direct General Obligation Bonded Debt Outstanding and to be Outstanding; and
- (5) Tables 15 and 16 – Constitutional/Statutory Debt Limit/Unused Borrowing Capacity after Bond Issuance.

(C) In the event of an amendment pursuant to Section 8 of this Disclosure Certificate not previously described in an Annual Report, an explanation, in narrative form, of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided and, if the amendment is made to the accounting principles to be followed, a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles, including a qualitative discussion of the differences, and the impact on the presentation and, to the extent feasible, a quantitative comparison.

(ii) Accounting Principles Pursuant to Which Audited Financial Statements Shall Be Prepared: The Audited Financial Statements shall be prepared in accordance with generally accepted accounting principles and state law requirements as are in effect from time to time. A more complete description of the accounting principles currently followed in the preparation of the District’s Audited Financial Statements is contained in Note 1 of the Audited Financial Statements included within the Official Statement.

Notice of amendment to the accounting principles shall be sent within thirty (30) days to EMMA.

(c) Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the District or related public entities, which have been submitted to EMMA or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from EMMA. The District shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Listed Events.

(a) This Section shall govern the giving of notices by the District, either directly or by directing the Dissemination Agent to do so, of the occurrence of any of the following events with respect to the Bonds. The District shall in a timely manner, not in excess of ten (10) business days after the occurrence of the event, provide notice of the following events with EMMA:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service (the "IRS") of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) Modifications to rights of Bondholders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the District;
- (xiii) The consummation of a merger, consolidation, or acquisition involving the District or the

sale of all or substantially all of the assets of the District, 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;

- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) The incurrence of a Financial Obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect Bondholders, if material; and
- (xvi) A default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

(b) “Materiality” will be determined in accordance with the applicable federal securities laws.

Note to Section 5(a)(xii): For the purposes of the event identified in subsection (a)(xii) above, the event 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 U.S. 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.

Section 6. Termination of Reporting Obligation. The District’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. Such termination shall not terminate the obligation of the District to give notice of such defeasance or prior redemption.

Section 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

Section 8. Amendment. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate if:

(a) The amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in identity, nature or status of the District, or the type of business conducted;

(b) This Disclosure Certificate, as amended, would, in the opinion of Bond Counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of Bondholders, as determined by Bond Counsel.

Section 9. Filing with EMMA. The District shall, or shall cause the Dissemination Agent to, electronically file all items required to be filed with EMMA.

Section 10. Additional Information. The District may, at the District’s election, include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate. If the District chooses to include such information, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Bondholder may seek specific performance by court order to cause the District to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance and such failure shall not constitute a default under the Bonds or the resolution authorizing the Bonds.

Section 12. Compliance by District. The District hereby covenants to comply with the terms of this Disclosure Certificate. The District expressly acknowledges and agrees that compliance with the undertaking contained in this Disclosure Certificate is its sole responsibility and the responsibility of the Dissemination Agent, if any, and that such compliance, or monitoring thereof, is not the responsibility of, and no duty is present with respect thereto for, the Participating Underwriter or Bond Counsel.

Section 13. Subject to Appropriation. Pursuant to Arizona law, the District's undertaking to provide information under this Disclosure Certificate is subject to appropriation to cover the costs of preparing and sending the Annual Report and notices of Listed Events to EMMA. Should funds that would enable the District to provide the information required to be disclosed hereunder not be appropriated, then notice of such fact shall, in a timely manner, be sent to EMMA in substantially the form attached as Exhibit C.

Section 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and the Bondholders, and shall create no rights in any other person or entity.

Section 15. Governing Law and Interpretation of Terms. This Disclosure Certificate shall be governed by the law of the State of Arizona and any action to enforce this Disclosure Certificate must be brought in an Arizona state court. The terms and provisions of this Disclosure Certificate shall be interpreted in a manner consistent with the interpretation of such terms and provisions under the Rule and the federal securities law.

Dated: [Closing Date].

**MADISON ELEMENTARY SCHOOL DISTRICT NO. 38
OF MARICOPA COUNTY, ARIZONA**

By _____
Assistant Superintendent for Administrative Services

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Madison Elementary School District No. 38 of Maricopa County, Arizona
Name of Bond Issue: \$40,000,000* School Improvement Bonds, Project of 2023, Series B (2026)
Dated Date of Bonds: [Closing Date] Base CUSIP: 567184

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by Section 3(a) of the Continuing Disclosure Certificate dated [Closing Date]. The District anticipates that the Annual Report for fiscal year ended June 30, _____ will be filed by _____.

Dated: _____

Madison Elementary School District No. 38 of Maricopa
County, Arizona

By _____
Its _____

EXHIBIT B

NOTICE OF FAILURE TO FILE AUDITED FINANCIAL STATEMENTS

Name of Issuer: Madison Elementary School District No. 38 of Maricopa County, Arizona
Name of Bond Issue: \$40,000,000* School Improvement Bonds, Project of 2023, Series B (2026)
Dated Date of Bonds: [Closing Date] Base CUSIP: 567184

NOTICE IS HEREBY GIVEN that the District failed to provide its Audited Financial Statements with its Annual Report or, if not then available, within 30 days of receipt as required by Section 4(a) of the Continuing Disclosure Certificate dated [Closing Date], with respect to the above-named Bonds. The District anticipates that the Audited Financial Statements for the fiscal year ended June 30, _____ will be filed by _____.

Dated: _____

Madison Elementary School District No. 38 of Maricopa
County, Arizona

By _____
Its _____

EXHIBIT C

NOTICE OF FAILURE TO APPROPRIATE FUNDS

Name of Issuer: Madison Elementary School District No. 38 of Maricopa County, Arizona
Name of Bond Issue: \$40,000,000* School Improvement Bonds, Project of 2023, Series B (2026)
Dated Date of Bonds: [Closing Date] Base CUSIP: 567184

NOTICE IS HEREBY GIVEN that the District failed to appropriate funds necessary to perform the undertaking required by the Continuing Disclosure Certificate dated [Closing Date].

Dated: _____

Madison Elementary School District No. 38 of Maricopa
County, Arizona

By _____
Its _____

* Subject to change.

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company (“DTC”) will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond 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” and together with the Direct Participants, the “Participants”). DTC has Standard & Poor’s rating of: “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not 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 the 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 Bond Registrar and Paying Agent and request that copies of notices be provided directly to them.

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

Payment of principal of and interest on the Bonds and the redemption price of any Bond 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 Bond Registrar and Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Bond Registrar and Paying Agent or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of and interest on the Bonds and the redemption price of any Bonds will be made to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Bond Registrar and Paying Agent, 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 Bond Registrar and Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.