OFFICIAL STATEMENT
Dated August 9, 2023

NEW ISSUE – BOOK ENTRY ONLY

Enhanced/Unenhanced Ratings:
S&P: "AAA" / "A"
PSF: "Guaranteed"
(See "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "OTHER PERTINENT INFORMATION – Municipal Bond Rating" herein)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that, for tax years beginning after December 31, 2022, interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

$24,745,000
PERRYTON INDEPENDENT SCHOOL DISTRICT
(OCHILTREE COUNTY, TEXAS)
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2023

Dated Date: August 15, 2023 **Due: as shown on page ii**
Interest to Accrue from Delivery Date (as defined herein)

AUTHORITY FOR ISSUANCE … The Perryton Independent School District Unlimited Tax School Building Bonds, Series 2023 (the "Bonds") are being issued pursuant to the Constitution and general laws of the State of Texas (the "State" or "Texas"), including Sections 45.001 and 45.003(b)(1) of the Texas Education Code, as amended, an election held in the Perryton Independent School District (the "District") on May 6, 2023 (the "Election"), and a bond order (the "Bond Order") adopted by the Board of Trustees of the District (the "Board") on August 9, 2023. The Bonds are direct and voted obligations of the District, payable from a continuing direct annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property located within the District. See "THE BONDS – Authority for Issuance" herein.

PAYMENT TERMS … Interest on the Bonds will accrue from their date of initial delivery to the Underwriters (defined below), will be payable on August 31, 2023 (an irregular interest payment date) and thereafter on each February 15 and August 15 of each year, commencing February 15, 2024, until stated maturity or prior redemption and will be calculated based on a 360-day year of twelve 30-day months. The Bonds will be issued as fully registered obligations in the principal denominations of $5,000 or any integral multiple thereof within a stated maturity. The definitive Bonds will be registered and delivered to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Bonds will be made available for purchase in the principal amount of $5,000 or any integral multiple thereof. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, principal of and interest on the Bonds (as applicable) will be payable by the Paying Agent/Registrar, initially BOKF, NA, Dallas, Texas, to the Securities Depository, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

PURPOSE … Proceeds from the sale of the Bonds will be used for (i) the construction, acquisition, rehabilitation, renovation, expansion, improvement and equipment of school buildings in the District; (ii) construction, acquisition, rehabilitation, renovation, expansion, improvement and equipment of stadium facilities, including concession, dressing room, restroom, weight room, locker room and offices; and (iii) payment of the costs of issuing the Bonds. See "PLAN OF FINANCING – Sources and Uses of Funds" herein.

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

For Stated Maturities, Principal Amounts, Interest Rates, Initial Yields, CUSIP Numbers, and Redemption Provisions for the Bonds, see page ii herein

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The Bonds are offered for delivery when, as and if issued and received by the underwriters below (the "Underwriters") and are subject to the approving opinion of the Attorney General of the State and the approval of certain legal matters by Orrick, Herrington & Sutcliffe LLP, Austin, Texas, Bond Counsel. See "LEGAL MATTERS" and "APPENDIX C – FORM OF BOND COUNSEL'S OPINION" hereto. Certain matters will be passed upon for the Underwriters by their counsel, Leon Alcala, PLLC, Austin, Texas. It is expected that the Bonds will be available for delivery through the services of DTC on or about August 29, 2023 (the "Delivery Date").

OPPENHEIMER & CO.

FHN FINANCIAL CAPITAL MARKETS **STEPHENS INC.**

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

$24,745,000
PERRYTON INDEPENDENT SCHOOL DISTRICT
(OCHILTREE COUNTY, TEXAS)
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2023

CUSIP No. Prefix: 715144 [(1)]

$12,645,000 Serial Bonds

Maturity Date (8/15)	Principal ($)	Interest Rate (%)	Initial Yield (%)	CUSIP No. [(1)] Suffix
2024	1,325,000	5.00	3.55	DM0
***	***	***	***	***
2038	1,665,000	5.00	3.72	DN8
2039	1,745,000	5.00	3.79	DP3
2040	1,835,000	5.00	3.85	DQ1
2041	1,925,000	5.00	3.89	DR9
2042	2,025,000	5.00	3.94	DS7
2043	2,125,000	5.00	3.95	DT5

$12,100,000 Term Bonds

$12,100,000 4.125% Term Bonds due August 15, 2048, Priced to Yield 4.33% CUSIP No.[(1)] Suffix DU2

(Interest to accrue from the Delivery Date)

Redemption Provisions. The District reserves the right to redeem the Bonds maturing on and after August 15, 2038, in whole or in part, in the principal amount of $5,000 or any integral multiple thereof, on August 15, 2032 or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption. Additionally, the Bonds maturing on August 15, 2048 (the "Term Bonds") are also subject to mandatory sinking fund redemption prior to stated maturity. See "THE BONDS – Redemption Provisions of the Bonds".

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PERRYTON INDEPENDENT SCHOOL DISTRICT
821 SW 17th Avenue
Perryton, Texas 79070

BOARD OF TRUSTEES

Name	Position	Term Expiration	Occupation
Wes Beal	President	May 2024	Grain Operations – Equity Exchange
Richard Beyea	Vice President	May 2025	Business Owner
Jed Symons	Secretary	May 2026	Farmer
Ramon Vela	Trustee	May 2026	Farmer
Chris Lingo	Trustee	May 2024	Dispatcher/Sales
Sarah Tregellas	Trustee	May 2025	Not Employed
Bryce Hale	Trustee	May 2024	Bank President

ADMINISTRATION – FINANCE CONNECTED

Name	Position
Greg Brown*	Superintendent
Britney Meraz	Chief Financial Officer/Safety Director

*Mr. Brown officially took over as Superintendent of the District on July 17, 2023. He has over 30 years of experience in education and spent the last two years as Superintendent of another Texas school district. He replaces James Mireles, who is retiring after spending 44 years in education.

CONSULTANTS AND ADVISORS

Auditors	Brown, Graham & Company, P.C., Amarillo, Texas
Bond Counsel	Orrick, Herrington & Sutcliffe LLP, Austin, Texas
Municipal Advisor	Live Oak Public Finance, LLC, Austin, Texas

For Additional Information Contact:

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USE OF INFORMATION IN THE OFFICIAL STATEMENT

No dealer, broker, salesperson, or other person has been authorized by the District to give any information or to make any representation with respect to the Bonds, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing.

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

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

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement pursuant to their responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information and such information is not to be construed as a representation by the Underwriters.

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

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

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

None of the District, the Municipal Advisor, or the Underwriters make any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company ("DTC") or its book-entry-only system described under the caption "BOOK-ENTRY-ONLY SYSTEM" or the affairs of TEA described in "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM", as such information has been provided by DTC and TEA, respectively.

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

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

TABLE OF CONTENTS

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

OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT	The Perryton Independent School District (the "District") is a political subdivision located in Ochiltree County, Texas. The District is governed by a seven-member Board of Trustees (the "Board"). Board trustees serve staggered three-year terms with elections being held in May of each year. Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the chief administrative officer of the District. The District is approximately 791.91 square miles in area. The District serves an estimated population of 8,732. See "INTRODUCTION – Description of the District."
AUTHORITY FOR ISSUANCE	The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, Sections 45.001 and 45.003(b)(1) of the Texas Education Code, as amended, the Election, and the Bond Order adopted by the Board on August 9, 2023. The Bonds are direct and voted obligations of the District, payable from an annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property located within the District. see "THE BONDS - Authority for Issuance" herein.
THE BONDS	The Bonds are being issued in the principal amounts and mature on the dates set forth on page ii hereof. The Bonds bear interest from the Delivery Date (identified below), at the rates per annum set forth on page ii hereof, which interest is payable on August 31, 2023 (an irregular interest payment date) and thereafter on each February 15 and August 15, commencing February 15, 2024, until stated maturity or prior redemption. See "THE BONDS—Description of the Bonds" herein.
DATED DATE	August 15, 2023.
REDEMPTION	The District reserves the option to redeem the Bonds maturing on and after August 15, 2038, in whole or in part before their respective scheduled maturity dates, in the principal amount of $5,000 or any integral multiple thereof, on August 15, 2032, or on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption. Additionally, the Bonds maturing on August 15, 2048 (the "Term Bonds") are also subject to mandatory sinking fund redemption prior to stated maturity. See "THE BONDS – Redemption Provisions of the Bonds" herein.
SECURITY FOR THE BONDS	The Bonds constitute direct and voted obligations of the District payable from a continuing direct annual ad valorem tax levied against all taxable property located therein, without legal limitation as to rate or amount.
TAX MATTERS	In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that, for tax years beginning after December 31, 2022, interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.
PERMANENT SCHOOL FUND GUARANTEE	The District has applied for and has received conditional approval from the Texas Education Agency for the payment of principal of and interest on the Bonds to be guaranteed under the Permanent School Fund Guarantee Program, which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. See "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein.
PAYING AGENT/REGISTRAR	The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas.
MUNICIPAL BOND RATING …	The Bonds are rated "AAA" by S&P Global Ratings ("S&P") by virtue of the guarantee of the Permanent School Fund of the State of Texas. The presently outstanding debt of the District, including the Bonds, is rated "A" by S&P without regard to credit enhancement.
USE OF PROCEEDS ………….	Proceeds from the sale of the Bonds will be used for (i) the construction, acquisition, rehabilitation, renovation, expansion, improvement and equipment of school buildings in the District; (ii) construction, acquisition, rehabilitation, renovation, expansion, improvement and equipment of stadium facilities, including concession, dressing room, restroom, weight room, locker room and offices; and (iii) payment of the costs of issuing the Bonds. See "PLAN OF FINANCING – Sources and Uses of Funds" herein.
PAYMENT RECORD	The District has never defaulted on the payment of its bonded indebtedness.
DELIVERY DATE	When issued, anticipated to occur on or about August 29, 2023.
LEGALITY	The Bonds are subject to the delivery of an opinion as to legality by Orrick, Herrington & Sutcliffe LLP, Austin, Texas, Bond Counsel, and the opinion as to the legality of the Bonds by the Attorney General of the State of Texas (see "APPENDIX C – FORM OF BOND COUNSEL'S OPINION" herein).

OFFICIAL STATEMENT

Relating to

$24,745,000

PERRYTON INDEPENDENT SCHOOL DISTRICT
(OCHILTREE COUNTY, TEXAS)
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2023

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of the $24,745,000 Perryton Independent School District (the "District") Unlimited Tax School Building Bonds, Series 2023 (the "Bonds"). The Bonds are being issued pursuant to the Constitution and the general laws of the State of Texas (the "State" or "Texas"), particularly Sections 45.001 and 45.003(b)(1) of the Texas Education Code, as amended, an election held in the District on May 6, 2023 (the "Election"), and a bond order (the "Bond Order") adopted by the District's Board of Trustees (the "Board") on August 9, 2023. The Bonds are direct and voted obligations of the District, payable from an annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property located within the District see "THE BONDS – Authority for Issuance" herein.

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

Included in this Official Statement are descriptions of the Bonds, the Bond Order and certain other information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained by writing the Perryton Independent School District, 821 SW 17th Avenue, Perryton, Texas 79070, Attention: Superintendent and, during the offering period from the District's Municipal Advisor, Live Oak Public Finance, LLC, 1515 W. Capital of Texas Hwy., Suite 206, Austin, Texas 78746, Attention: Christian Merritt, upon payment of reasonable copying, mailing and handling charges.

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

Description of the District

The District is a political subdivision located in Ochiltree County, Texas. The District is governed by a seven-member Board. Board trustees serve staggered three-year terms with elections being held in May of each year. Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the chief administrative officer of the District. The District is approximately 791.91 square miles in area. The District serves an estimated population of 8,732.

PLAN OF FINANCING

Purpose

Proceeds from the sale of the Bonds will be used for (i) the construction, acquisition, rehabilitation, renovation, expansion, improvement and equipment of school buildings in the District; (ii) construction, acquisition, rehabilitation, renovation, expansion, improvement and equipment of stadium facilities, including concession, dressing room, restroom, weight room, locker room and offices; and (iii) payment of the costs of issuing the Bonds.

Sources and Uses of Funds

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

Sources of Funds:	
Par Amount of Bonds	$24,745,000.00
Net Reoffering Premium on the Bonds	608,364.60
TOTAL SOURCES	$25,353,364.60
Uses of Funds:	
Deposit to Construction Fund	$25,000,000.00
Costs of Issuance and Rounding Amount	211,416.43
Underwriters' Discount	141,948.17
TOTAL USES	$25,353,364.60

THE BONDS

Description of the Bonds

The Bonds are dated August 15, 2023 and mature on August 15 in each of the years and in the amounts set forth on page ii hereof. Interest on the Bonds will accrue from August 29, 2023 (the Delivery Date), and such interest shall be payable on August 31, 2023 (an irregular interest payment date) and thereafter on February 15 and August 15 in each year, commencing February 15, 2024, until stated maturity or prior redemption. Interest on the Bonds will be calculated based on a 360-day year consisting of twelve 30-day months.

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

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

Authority for Issuance

The Bonds are being issued pursuant to the Constitution and general laws of the State, particularly Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, the Election, and the Bond Order.

Use of Proceeds

The proceeds of the Bonds (which include certain premium allocations) will be applied to the authorization of voted bonds (described below) approved at the Election. Following the issuance of the Bonds, the District anticipates that it will have voted but unissued bonds in the amount shown below. See "TABLE 9 – Authorized But Unissued Bonds" in APPENDIX A hereto.

A summary of the bonds authorized at said Election is as follows:

Purpose	Amount Authorized	Amount Previously Issued	Amount This Issue[(1)]	Amount Remaining
School Buildings	$35,126,000	$0	$20,167,250	$14,958,750
Stadium Facilities	$4,832,750	$0	$4,832,750	$0

[(1)] *Includes premium allocations that the District has applied against voted authorization.*

Security and Source of Payment

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

Permanent School Fund Guarantee

The District has applied for and has received conditional approval from the Commissioner of Education for the payment of the Bonds to be guaranteed under the Permanent School Fund Guarantee Program pursuant to Chapter 45, Subchapter C of the Texas Education Code. Subject to certain conditions discussed under “APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”, the payment of the Bonds will be guaranteed by the corpus of the Permanent School Fund of the State of Texas. In the event of default, Beneficial Owners will receive all payments due on the Bonds from the corpus of the Permanent School Fund.

Redemption Provisions of the Bonds

Optional Redemption. The District reserves the option to redeem the Bonds maturing on and after August 15, 2038, in whole or in part before their respective scheduled maturity dates, in the principal amount of $5,000 or any integral multiple thereof, on August 15, 2032, or on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption.

Mandatory Sinking Fund Redemption. The Bonds maturing on August 15, 2048 (the “Term Bonds”) are subject to mandatory sinking fund redemption in the following amounts (subject to reduction as hereinafter provided), on the following dates, in each case at a redemption price equal to the principal amount of the Term Bonds or the portions thereof so called for redemption plus accrued interest to the date fixed for redemption:

Term Bonds
Due August 15, 2048

Year	Principal Amount
2044	$2,230,000
2045	2,320,000
2046	2,415,000
2047	2,515,000
2048 (maturity)	2,620,000

The Paying Agent/Registrar will select by lot or by any other customary method that results in a random selection the specific Term Bonds (or with respect to Term Bonds having a denomination in excess of $5,000, each $5,000 portion thereof) to be redeemed by mandatory redemption. The principal amount of Term Bonds required to be redeemed on any redemption date pursuant to the foregoing mandatory sinking fund redemption provisions hereof shall be reduced, at the option of the District, by the principal amount of any Term Bonds which, at least 45 days prior to the mandatory sinking fund redemption date (i) shall have been acquired by the District at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, or (ii) shall have been redeemed pursuant to the optional redemption provisions hereof and not previously credited to a mandatory sinking fund redemption.

Selection of Bonds for Redemption

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

Notice of Redemption

Not less than 30 days prior to a redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of a Bond to be redeemed, in whole or in part, at the address of the holder appearing on the Bond Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN

DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE BONDHOLDERS FAILED TO RECEIVE SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

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

DTC Redemption Provisions

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

Defeasance

The Bond Order provides that the District may discharge its obligations to the registered owners of any or all of the Bonds to pay principal of and interest thereon in any manner now or hereafter permitted by law, including by depositing with the Paying Agent/Registrar, or a trust company, commercial bank or other eligible financial institution, or with the Comptroller of the State of Texas either: (1) money in an amount sufficient to make such payment or (2) pursuant to an escrow or trust agreement, cash and/or Government Securities, the principal of and interest on which will, when due or redeemable at the option of the holder, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon, provide money in an amount which, together with other moneys, if any, held in such escrow at the same time and available for such purpose, shall be sufficient to provide for the timely payment of the principal of and interest thereon on the Bonds to the date of maturity or earlier redemption, if any, and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Government Securities. The Bond Order provides that “Government Securities” means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Bonds. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District authorizes the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the District adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, any of which may be in book-entry form. The District has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used for defeasance purposes or that for any other Government Security will be maintained at any particular rating category.

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

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

Amendments to Bond Order

The District may, without the consent of or notice to any holders of the Bonds, from time to time and at any time amend the Bond Order without the consent of any Beneficial Owner in any manner not detrimental to the interests of the Beneficial Owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the holders of a majority in aggregate principal amount of the Bonds then outstanding, amend, add to, or rescind any of the provisions of the Bond Order; except that, without the consent of all of the beneficial owners of the Bonds then outstanding, no such amendment, addition, or rescission shall (i) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof or the rate of interest thereof or in any other way modify the terms of payment of the principal or interest on the Bonds, (ii) give any preference to any Bond over any other Bond, or (iii) reduce the percentage of the aggregate principal amount of Bonds required to be held for beneficial owners for consent to any amendment, addition, or waiver, or rescission.

Default and Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or the Bond Order and the District’s obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Bond Order does not provide for the appointment of a trustee to represent the interest of the registered owners upon any failure of the District to perform in accordance with the terms of the Bond Order, or upon any other condition and, accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District’s property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the United States Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. (See "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein for a description of the procedures to be followed for payment of the Bonds by the Permanent School Fund in the event the District fails to make a payment on the Bonds when due.) The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity that permit the exercise of judicial discretion.

Payment Record

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

Legality

The Bonds are offered when, as, and if issued, and subject to the delivery of an opinion as to legality by Orrick, Herrington & Sutcliffe LLP, Austin, Texas, Bond Counsel, and the opinion as to the legality of the Bonds by the Attorney General of the State of Texas.

Delivery

When issued; anticipated to occur on or about August 29, 2023.

Future Issues

At the Election, the District's voters authorized the District to issue $39,958,750 in unlimited ad valorem tax bonds, proceeds from which will be utilized to undertake the projects described under "PLAN OF FINANCING – Purpose". The Bonds will be the first installment of this authorization in the aggregate amount of $25,000,000 (including par plus allocated premium) leaving $14,958,750 authorization from the Election for future bond issues. See "TABLE 9 – AUTHORIZED BUT UNISSUED BONDS" in APPENDIX A hereto.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. Provision is made in the Bond Order for replacing the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a legally qualified bank, trust company, financial institution or other agency. Upon any changes in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Record Date for Interest Payment

The record date ("Record Date") for determining the registered owner entitled to receive a payment of interest on any Bond is the close of business on the last business day of the month next preceding each interest payment date. However, with respect to the August 31, 2023 interest payment date for the Bonds, the Record Date shall be the close of business on the preceding business day.

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

Registration, Transferability and Exchange

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

Limitation on Transfer of Bonds

Neither the District nor the Paying Agent/Registrar are required to transfer or exchange any Bonds so selected for redemption when such redemption is scheduled to occur within 45 calendar days; provided however, that such limitation of transfer is not applicable to an exchange by the registered owner of the uncalled balance of a Bond.

Replacement Bonds

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but none of the District, the Municipal Advisor, or the Underwriters take any responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of This Official Statement

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

Effect of Termination of Book-Entry-Only System

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

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

AD VALOREM TAX PROCEDURES

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

Valuation of Taxable Property

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

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

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

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

State Mandated Homestead Exemptions

State law grants, with respect to each school district in the State, (1) a $40,000 exemption of the appraised value of all homesteads, (2) a $10,000 exemption of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled, and (3) various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - 2023 Legislative Sessions" for a description of SB 2 and the November 7, 2023 State-wide election at which voters will consider an amendment to the Texas Constitution to increase the general residential homestead exemption from $40,000 to $100,000.

Local Option Homestead Exemptions

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than $5,000) and (2) an additional exemption of at least $3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2023 Legislative Sessions" for a discussion of SB 2 and the November 7, 2023 State-wide election at which voters will consider an amendment to the Texas Constitution to increase the general residential homestead exemption from $40,000 to $100,000. If voters approve such increased exemption, school districts will be subject to certain restrictions upon eliminating or reducing local option homestead exemptions as discussed in "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - 2023 Legislative Sessions".

State Mandated Freeze on School District Taxes

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

Personal Property

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

Freeport and Goods-In-Transit Exemptions

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

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

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

Other Exempt Property

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

Temporary Exemption for Qualified Property Damaged by a Disaster

The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the governor of the State (the "Governor") to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. For tax years beginning prior to January 1, 2022, except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. For tax years beginning on or after January 1, 2022, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the Governor declares the area to be a disaster area. For more information on the exemption, reference is made to Section 11.35 of the Tax Code.

Tax Increment Reinvestment Zones

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

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

Tax Limitation Agreements

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

During the Regular Session of the 88th Texas Legislature, House Bill 5 ("HB 5") was enacted into law. HB 5 is intended as a replacement of former Chapter 313, Texas Tax Code, but it contains significantly different provisions than the prior program under Chapter 313, Texas Tax Code. Under HB 5, a school district may offer a 50% abatement on taxable value for maintenance and operations property taxes for certain eligible projects, except that projects in a federally designated economic opportunity zone receive a 75% abatement. HB 5 also provides a 100% abatement of maintenance and operations taxes for eligible property during a project's construction period. Taxable valuation for purposes of the debt services taxes securing the Bonds **cannot** be abated under HB 5. Eligible projects must involve manufacturing, dispatchable power generation facilities, technology research/development facilities, or critical infrastructure projects and projects must create and maintain jobs, as well as meet certain minimum investment requirements. The District is still in the process of reviewing HB 5 and cannot make any representations as to what impact, if any, HB 5 will have on its finances or operations.

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

District and Taxpayer Remedies

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

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount," as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at $52.9 million for the 2022 tax year and $57.2 million for the 2023 tax year and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the District may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances. See "AD VALOREM TAX PROCEDURES – Temporary Exemption for Qualified Property Damaged by a Disaster" for further information related to a discussion of the applicability of this section of the Property Tax Code.

District's Rights in the Event of Tax Delinquencies

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

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

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

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

THE TAX CODE AS APPLIED TO THE DISTRICT

The Appraisal District has the responsibility for appraising property in the District as well as other taxing units within the County. The Appraisal District is governed by a board of directors appointed by members of the governing bodies of various political subdivisions within the County.

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

The District grants a State-mandated homestead exemption of $40,000 to all qualified residents. If the property owner qualifies for an over 65 or disabled person's exemption, the school district grants a State-mandated exemption of an additional $10,000. A person eligible for both the over 65 and disabled person's exemption may receive only one.

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

The District does not tax nonbusiness personal property and the Ochiltree County Appraisal District collects taxes for the District. Discounts are not allowed but residents 65 and older may pay their taxes in installments, with the first installment due by February 1st, and the last installment due by August 1st.

The District taxes freeport property and does not tax Goods-in-Transit. The District currently does not participate in any abatement agreements or in any tax increment reinvestment zones.

The District has entered into an Economic Development Agreement previously authorized under Chapter 313, Texas Tax Code, as amended, limiting the taxable appraised value for maintenance and operations purposes to $10,000,000, beginning tax year 2016 and extending through tax year 2023, with Palo Duro Wind Energy, LLC.

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

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

[(a)] Includes additional penalty of up to 20% assessed after July 1 in order to defray attorney collection expenses.
[(b)] Taxes delinquent after July 1 incur an additional interest penalty of 20% of the sum of the delinquent taxes plus the penalties and interest to defray attorney collection fees.

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Litigation Relating to the Texas Public School Finance System

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

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

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

Possible Effects of Changes in Law on District Bonds

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

Overview

The following language constitutes only a summary of the public school finance system as it is currently structured. For a more complete description of school finance and fiscal management in the State, reference is made to Chapters 43 through 49 of the Texas Education Code, as amended.

Local funding is derived from collections of ad valorem taxes levied on property located within each school district's boundaries. School districts are authorized to levy two types of property taxes: a maintenance and operations ("M&O") tax to pay current expenses and an interest and sinking fund ("I&S") tax to pay debt service on bonds. A school district may not levy an M&O tax rate for the purpose of creating a surplus in M&O tax revenue for the purpose of paying the district's debt service. Prior to 2006, school districts were authorized to levy their M&O tax at a voter-approved rate, generally up to $1.50 per $100 of taxable value. Since 2006, the State Legislature has enacted various legislation that has compressed the voter-approved M&O tax rate, as described below. Current law also requires school districts to demonstrate their ability to pay debt service on outstanding bonded indebtedness through the levy of an I&S tax at a rate not to exceed $0.50 per $100 of taxable value at the time bonds are issued. Once bonds are issued, however, school districts generally may levy an I&S tax sufficient to pay debt service on such bonds unlimited as to rate or amount (see "TAX RATE LIMITATIONS – I&S Tax Rate Limitations" herein). Because property values vary widely among school districts, the amount of local funding generated by school districts with the same I&S tax rate and

M&O tax rate is also subject to wide variation; however, the public school finance funding formulas are designed to generally equalize local funding generated by a school district's M&O tax rate.

Prior to the 2019 Legislative Session, a school district's maximum M&O tax rate for a given tax year was determined by multiplying that school district's 2005 M&O tax rate levy by an amount equal to a compression percentage set by legislative appropriation or, in the absence of legislative appropriation, by the Commissioner of Education (the "Commissioner"). This compression percentage was historically set at 66.67%, effectively setting the maximum compressed M&O tax rate for most school districts at $1.00 per $100 of taxable value, since most school districts in the State had a voted maximum M&O tax rate of $1.50 per $100 of taxable value (though certain school districts located in Harris County had special M&O tax rate authorizations allowing a higher M&O tax rate). School districts were permitted, however, to generate additional local funds by raising their M&O tax rate up to $0.04 above the compressed tax rate or, with voter-approval at a valid election in the school district, up to $0.17 above the compressed tax rate (for most school districts, this equated to an M&O tax rate between $1.04 and $1.17 per $100 of taxable value). School districts received additional State funds in proportion to such taxing effort.

2023 Legislative Sessions

The 88th Legislature convened in general session on January 10, 2023 and adjourned on May 29, 2023. At the conclusion of the regular session, the Governor called an immediate special session of the 88th Texas Legislature, which began on May 29, 2023 and ended on June 27, 2023. At the conclusion of the first special session, the Governor called a second special session, which began on June 27, 2023 and adjourned sine die on July 13, 2023. During the second special session, the Governor placed just two items on the agenda, including legislation: (1) "to cut property-tax rates solely by reducing the school district maximum compressed tax rate in order to provide lasting property-tax relief for Texas taxpayers" and (2) "to put Texas on a pathway to eliminating school district maintenance and operations property taxes." During this time, the Legislature passed SB 2, which includes provisions that: (a) reduce the maximum M&O tax compression rate by $0.107 (causing MCRs for the 2023/24 school year to range from $0.6880 to $0.6192), (b) increase the school district mandatory homestead exemption from $40,000 to $100,000 (subject to State-wide voter approval of a related constitutional amendment), (c) prohibit a school district that had a general optional homestead exemption in tax year 2022 from repealing or reducing the optional exemption until tax year 2028, and (d) limit the appraised value of a non-homestead property valued at $5 million or less to the lesser of (1) the market value of the property or (2) the market value of all new improvements to the property, plus 120% of the appraised value of the property for the preceding tax year. SB 2 also makes provision for State aid funding to pay for the loss in school district M&O and I&S tax revenue (i.e., "hold harmless"). The hold harmless for the I&S tax revenue applies to (1) certain eligible bonds that are outstanding as of the effective date of SB 2, and (2) bonds that have been voter-approved but not yet issued as of the effective date of SB 2. SB 2 has been signed into law by the Governor. The provisions set forth in (b) and (d) above will be submitted to voters of the State on November 7, 2023, and the effectiveness of the provisions described in (a)-(d) are conditioned upon passage of relevant constitutional amendments to be voted upon at such election.

After each special session, the Texas Governor may call one or more additional special sessions, each of which may last no longer than 30 days. During each special session, the Texas Legislature may enact laws that materially change current law as it relates to the funding and operation of public schools, including those impacting the District and its finances. The District can make no representations or predictions regarding any actions the Legislature has taken or may take concerning the substance or the effect of any legislation passed in a previous session or a future session of the Legislature.

Local Funding for School Districts

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

State Compression Percentage

The State Compression Percentage is a statutorily-defined percentage of the rate of $1.00 per $100 that is used to determine a school district's Maximum Compressed Tax Rate (described below). The State Compression Percentage is the lesser of three alternative calculations: (1) 93% or a lower percentage set by appropriation for a school year; (2) a percentage determined by formula if the estimated total taxable property value of the State (as submitted annually to the State Legislature by the State Comptroller) has increased by at least 2.5% over the prior year; and (3) the prior year State Compression Percentage. For any year, the maximum State Compression Percentage is 93%. For the State fiscal year ending in 2023, the State Compression Percentage is set at 89.41%.

Maximum Compressed Tax Rate

The Maximum Compressed Tax Rate (the "MCR") is the tax rate per $100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of two alternative calculations: (1) the "State Compression Percentage" (as discussed above) multiplied by 100; or (2) a percentage determined by formula if the school district experienced a year-over-year increase in property value of at least 2.5% (if the increase in property value is less than 2.5%, then MCR is equal to the prior year MCR). However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district's MCR is calculated to be less than 90% of any other school district's MCR for the current year, then the school district's MCR is instead equal to the maximum statewide MCR, multiple by 90%, so that the difference between the school district's MCR and any other school district's MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase. During the 2021 Legislative Session, a provision of the general appropriations act reduced the maximum MCR for the 2022-2023 school year. It established $0.8941 as the maximum rate and $0.8046 as the floor.

Tier One Tax Rate

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

Enrichment Tax Rate

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

School districts may levy an Enrichment Tax Rate at a level of their choice, subject to the limitations described under "TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate"; however to levy any of the Enrichment Tax Rate in a given year, a school district must levy a Tier One Tax Rate equal to the school district's MCR. Additionally, a school district's levy of Copper Pennies is subject to compression if the guaranteed yield (i.e., the guaranteed level of local tax revenue and State aid generated for each cent of tax effort) of Copper Pennies is increased from one year to the next (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts – Tier Two").

State Funding for School Districts

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

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

The current public school finance system also provides an Existing Debt Allotment ("EDA") to subsidize debt service on eligible outstanding school district bonds, an Instructional Facilities Allotment ("IFA") to subsidize debt service on newly issued bonds, and a New Instructional Facilities Allotment ("NIFA") to subsidize operational expenses associated with the opening of a new instructional facility. IFA primarily addresses the debt service needs of property-poor school districts. For the 2022-2023 State fiscal biennium, the State Legislature appropriated funds in the amount of $1,007,300,000 for the EDA, IFA, and NIFA.

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

Tier One

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

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

For the 2022-2023 school year, the fast growth allotment weights are currently 0.48 for districts in the top 40% of school districts for growth, 0.33 for districts in the middle 30% of school districts for growth and 0.18 for districts in the bottom 30% of school districts for growth. The fast growth allotment is limited to, $310 million for the 2022-2023 school year and $315 million for the 2023-2024 school year.

Tier Two

Tier Two supplements Tier One funding and provides two levels of enrichment with different guaranteed yields (i.e., Golden Pennies and Copper Pennies) depending on the school district's Enrichment Tax Rate. Golden Pennies generate a guaranteed yield equal to the greater of (i) the local revenue per student in WADA per cent of tax effort available to a school district at the ninety-sixth (96th) percentile of wealth per student in WADA, or (ii) the Basic Allotment (or a greater amount as may be provided by appropriation) multiplied by 0.016. For the 2022-2023 State fiscal biennium, school districts are guaranteed a yield of $98.56 per student in WADA for each Golden Penny levied. Copper Pennies generate a guaranteed yield per student in WADA equal to the school district's Basic Allotment (or a greater amount as may be provided by appropriation) multiplied by 0.008. For the 2022-2023 State fiscal biennium, school districts are guaranteed a yield of $49.28 per student in WADA for each Copper Penny levied. For any school year in which the guaranteed yield of Copper Pennies per student in WADA exceeds the guaranteed yield of Copper Pennies per student in WADA for the preceding school year, a school district is required to reduce its Copper Pennies levied so as to generate no more revenue per student in WADA than was available to the school district for the preceding year.

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

The Foundation School Program also includes facilities funding components consisting of the IFA and the EDA, subject to legislative appropriation each State fiscal biennium. To the extent funded for a biennium, these programs assist school districts in funding facilities by, generally, equalizing a school district's I&S tax effort. The IFA guarantees each awarded school district a specified amount per student (the "IFA Yield") in State and local funds for each cent of I&S tax levied to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate or improve instructional facilities. The IFA Yield has been $35 since this program first began in 1997. New awards of IFA are only available if appropriated funds are allocated for such purpose by the State Legislature. To receive an IFA award, in years where new IFA awards are available, a school district must apply to the Commissioner in accordance with rules adopted by the TEA before issuing the bonds to be paid with IFA State assistance. The total amount of debt service assistance over a biennium for which a school district may be awarded is limited to the lesser of (1) the actual debt service payments made by the school district in the biennium in which the bonds are issued; or (2) the greater of (a) $100,000 or (b) $250 multiplied by the number of students in ADA. The IFA is also available for lease-purchase agreements and refunding bonds meeting certain prescribed conditions. Once a school district receives an IFA award for bonds, it is entitled to continue receiving State assistance for such bonds without reapplying to the Commissioner. The guaranteed level of State and local funds per student per cent of local tax effort applicable to the bonds may not be reduced below the level provided for the year in which the bonds were issued. For the 2022-2023 State fiscal biennium, the State Legislature did not appropriate any funds for new IFA awards; however, awards previously granted in years the State Legislature did appropriate funds for new IFA awards will continue to be funded.

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

Since future-year IFA awards were not funded by the State Legislature for the 2022-2023 State fiscal biennium and debt service assistance on school district bonds that are not yet eligible for EDA is not available, debt service payments during the 2022-2023 State fiscal biennium on new bonds issued by school districts in the 2022-2023 State fiscal biennium to construct, acquire and improve facilities must be funded solely from local I&S taxes.

A school district may also qualify for a NIFA allotment, which provides assistance to school districts for operational expenses associated with opening new instructional facilities. In the 2021 Legislative Session, the State Legislature appropriated funds in the amount of $70,000,000 for each fiscal year of the 2022-2023 State fiscal biennium for NIFA allotments.

Tax Rate and Funding Equity

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

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

Local Revenue Level in Excess of Entitlement

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

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

Options for Local Revenue Levels in Excess of Entitlement

Under Chapter 49, a school district has six (6) options to reduce local revenues to a level that does not exceed the school district's respective entitlements: (1) a school district may consolidate by agreement with one or more school districts to form a consolidated school district; all property and debt of the consolidating school districts vest in the consolidated school district; (2) a school district may detach property from its territory for annexation by a property-poor school district; (3) a school district may purchase attendance credits from the State; (4) a school district may contract to educate nonresident students from a property-poor school district by sending money directly to one or more property-poor school districts; (5) a school district may execute an agreement to provide students of one or more other school districts with career and technology education through a program designated as an area program for career and technology education; or (6) a school district may consolidate by agreement with one or more school districts to form a consolidated taxing school district solely to levy and distribute either M&O taxes or both M&O taxes and I&S taxes. A Chapter 49 school district may also exercise any combination of these remedies. Options (3), (4) and (6) require prior approval by the Chapter 49 school district's voters.

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

THE SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

For the 2022-2023 fiscal year, the District was not designated as an "excess local revenue" district by the TEA. Accordingly, the District has not been required to exercise one of the wealth equalization options permitted under applicable State law.

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

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

TAX RATE LIMITATIONS

M&O Tax Rate Limitations

A school district is authorized to levy maintenance and operation ("M&O") taxes subject to approval of a proposition submitted to district voters. The maximum M&O tax rate that may be levied by a district cannot exceed the voted maximum rate or the maximum rate described in the succeeding paragraphs. The maximum voted M&O tax rate for the District is $1.50 per $100 of assessed valuation as approved by the voters at an election held on July 19, 1958, under Article 2784e-1, Texas Revised Statutes Annotated, as amended.

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

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

I&S Tax Rate Limitations

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

Section 45.0031 of the Texas Education Code, as amended, requires a school district to demonstrate to the Texas Attorney General that it has the prospective ability to pay its maximum annual debt service on a proposed issue of bonds and all previously issued bonds, other than bonds approved by voters of a school district at an election held on or before April 1, 1991 and issued before September 1, 1992 (or debt issued to refund such bonds, collectively, "exempt bonds"), from a tax levied at a rate of $0.50 per $100 of assessed valuation before bonds may be issued (the "50-cent Test"). In demonstrating the ability to pay debt service at a rate of $0.50, a school district may take into account EDA and IFA allotments to the school district, which effectively reduces the school district's local share of debt service, and may also take into account Tier One funds allotted to the school district. If a school district exercises this option, it may not adopt an I&S tax until it has credited to the school district's I&S fund an amount equal to all State allotments provided solely for payment of debt service and any Tier One funds needed to demonstrate compliance with the threshold tax rate test and which is received or to be received in that year. Additionally, a school district may demonstrate its ability to comply with the 50-cent Test by applying the $0.50 tax rate to an amount equal to 90% of projected future taxable value of property in the school district, as certified by a registered professional appraiser, anticipated for the earlier of the tax year five (5) years after the current tax year or the tax year in which the final payment for the bonds is due. However, if a school district uses projected future taxable values to meet the 50-cent Test and subsequently imposes a tax at a rate greater than $0.50 per $100 of valuation to pay for bonds subject to the test, then for subsequent bond issues, the Texas Attorney General must find that the school district has the projected ability to pay principal and interest on the proposed bonds and all previously issued bonds subject to the 50-cent Test from a tax rate of $0.45 per $100 of valuation. Once the prospective ability to pay such tax has been shown and the bonds are issued, a school district may levy an unlimited tax to pay debt service. Refunding bonds issued pursuant to Chapter 1207, Texas Government Code, are not subject to the 50-cent Test; however, taxes levied to pay debt service on such bonds (other than bonds issued to refund exempt bonds) are included in maximum annual debt service for calculation of the 50-cent Test when applied to subsequent bond issues that are subject to the 50-cent Test. The Bonds are issued as "new money bonds" pursuant to Chapter 45, as amended, Texas Education Code, and are, therefore, subject to the 50-cent Test. The District has not utilized projected values or Tier One State assistance to satisfy the 50-cent Test.

Public Hearing and Voter-Approval Tax Rate

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

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

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

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

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

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

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

EMPLOYEE BENEFITS, RETIREMENT PLAN AND OTHER POST-EMPLOYMENT BENEFITS

The District's employees participate in a retirement plan (the "Plan") with the State of Texas. The Plan is administered by the Teacher Retirement System of Texas ("TRS"). State contributions are made to cover costs of the TRS retirement plan up to certain statutory limits. The District is obligated for a portion of TRC costs relating to employee salaries that exceed the statutory limit.

In addition to the TRS retirement plan, the District provides health coverage for its employees. For a discussion of the TRS retirement plan and the District's medical benefit plan, see the audited financial statements of the District that are attached hereto as APPENDIX B.

As a result of its participation in the TRS and having no other post-retirement benefit plans, the District has no obligation for other post-employment benefits within the meaning of Governmental Accounting Standards Board Statement 45.

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

INVESTMENT POLICIES

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

Legal Investments

Under State law, the District is authorized to make investments meeting the requirements of the PFIA, which currently include (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the District selects from a list the governing body or designated investment committee of the District adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the District selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the District's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the District appoints as the District's custodian of the banking deposits issued for the District's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission (the "SEC") and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of the Public Funds Investment Act (Chapter 2256, Texas Government Code) (the "PFIA") that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for District deposits, or (ii) certificates of deposits where (a) the funds are invested by the District through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the District as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the District, (b) the broker or the depository institution selected by the District arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the District, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the District appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the District with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1) above, clause (12) below, require the securities being purchased by the District or cash held by the District to be pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (13) no-load money market mutual funds registered with and regulated by the United States SEC that provide the District with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (14) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract and are pledged to the District and deposited with the District or a third party selected and approved by the District.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution. The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than ten (10) years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

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

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

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

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

LEGAL MATTERS

Legal Opinions

The District will furnish the Underwriters a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State to the effect that the Bonds are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Bonds are valid and legally binding obligations of the District and, subject to the qualifications set forth herein under "TAX MATTERS," the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under existing statutes, published rulings, regulations, and court decisions. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions "THE BONDS" (exclusive of the subcaptions "Permanent School Fund Guarantee," "DTC Redemption Provisions," "Default and Remedies," "Payment Record," and "Future Issues," as to which no opinion is expressed), "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" (except information appearing under the subcaption "Possible Effects of Changes in Law on District Bonds" as to which no opinion is expressed), "CURRENT PUBLIC SCHOOL FINANCE SYSTEM," "TAX RATE LIMITATIONS" (excluding the last sentence of the second paragraph under the subcaption "I&S Tax Rate Limitations" and the subcaption "Public Hearing and Voter-Approval Tax Rate" as to which no opinion is expressed), "LEGAL MATTERS - Legal Opinions" (excluding the last two sentences of this paragraph), "TAX MATTERS," "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," "CONTINUING DISCLOSURE" (excluding the information under the subcaption "Compliance with Prior Agreements," as to which no opinion is expressed), and "OTHER PERTINENT INFORMATION - Registration and Qualification of Bonds for Sale" in the Official Statement, excluding any material that may be treated as included under such captions or subcaptions by cross reference or reference to other documents or sources, and such firm is of the opinion that insofar as such statements expressly summarize certain provisions of the Bonds and the Bond Order or set out the content of the Bond Opinion, such statements are accurate in all material respects. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. Bond Counsel's legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by their counsel, Leon Alcala, PLLC, Austin, Texas, whose compensation is contingent on the sale and delivery of the Bonds.

Though it represents the Municipal Advisor and the Underwriters from time to time in matters unrelated to the Bonds, Bond Counsel has been engaged by and only represents the District with respect to the issuance of the Bonds. The legal opinion to be delivered concurrently with the delivery of the Bonds expresses the professional judgment of the attorneys rendering the opinion as to the legal issues expressly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise from the transaction.

Litigation

In the opinion of various officials of the District there is no litigation or other proceeding pending against or, to their knowledge, threatened against the District in any court, agency, or administrative body (either state or federal) wherein an adverse decision would materially adversely affect the financial condition of the District.

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

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that, for tax years beginning after December 31, 2022, interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislature proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, Beneficial Owners would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

Payments on the Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of Bonds may be subject to backup withholding with respect to "reportable payments," which include interest paid on the Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201, as amended), the Bonds (i) are negotiable instruments, (ii) are investment securities to which Chapter 8 of the Texas Uniform Commercial Code applies, and (iii) are legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, or (C) a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. The Bonds are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256, as amended), the Bonds may have to be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. See "OTHER PERTINENT INFORMATION – Municipal Bond Rating" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital and savings and loan associations.

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

CONTINUING DISCLOSURE

The District in the Bond Order has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available to the public free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org, as further described below under "Availability of Information from MSRB".

Annual Reports

The District will provide certain updated financial information and operating data annually to the MSRB. The information to be updated includes financial information and operating data with respect to the District of the general type included in the numbered tables in Appendix A (Tables 1 through 5 and 7 through 13) and (such information is referred to as the "Annual Filing Information"). The District will additionally provide financial statements of the District (the "Financial Statements"), that will be (i) prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in Appendix B and (ii) audited, if the District commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The District will update and provide the Annual Filing Information within six months after the end of each fiscal year and the Financial Statements within 12-months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2023. The District may provide the Financial Statements earlier, including at the time it provides its Annual Filing Information, but if the audit of such Financial Statements is not complete within 12-months after any such fiscal year end, then the District shall file unaudited Financial Statements within such 12-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available. The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by Rule 15c2-12.

The District's current fiscal year end is August 31. Accordingly, the Annual Filing Information must be provided by the last day of February in each year, and the Financial Statements must be provided by August 31st of each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Notice of Certain Events

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

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

For these purposes, any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur; the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District. For the purposes of the above described event notices (15) and (16), the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with Rule 15c2-12.

Availability of Information from MSRB

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

Limitations and Amendments

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

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

Compliance with Prior Agreements

During the past five years the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule. In connection with the District’s issuance of its Unlimited Tax Refunding Bonds, Series 2017 (the “Series 2017 Bonds”) on August 23, 2017, the District defeased and ordered the redemption of its Unlimited Tax School Building Bonds, Series 2011B (the “Series 2011B Bonds”). Notice of the August 15, 2021 redemption of the Series 2011B Bonds was submitted to EMMA on July 19, 2021 and August 10, 2021.

EFFECTS OF SEQUESTRATION

The District has previously issued its Unlimited Tax Qualified School Construction Bonds, Taxable Series 2011A (the “Affected Bonds”), which receive refundable credits under section 6431 of the Internal Revenue Code (the “Code”) applicable to certain qualified bonds (“Subsidy Payments”). Subject to sequestration described in this subcaption, the amount of the Subsidy Payments is equal to 35% of the interest payable by the District on the Affected Bonds.

The Budget Control Act of 2011 (the “Budget Control Act”) provided for increases in the federal debt limit and established procedures designed to reduce the federal budget deficit. The Budget Control Act provided that a failure by Congress to otherwise reduce the deficit would result in sequestration: automatic, generally across-the-board spending reductions. Sequestration under the Budget Control Act took effect on March 1, 2013, and the District has received reduced Subsidy Payments for the Affected Bonds since that date. The amount of the reduction of the Subsidy Payments under the Budget Control Act has ranged and is currently expected to range from a high of 8.7% in 2013 to a low of 5.7% for federal fiscal years 2021 through 2030.

The Statutory Pay-As-You-Go Act of 2010 (the “PAYGO Act”) provided a sequestration procedure similar to the Budget Control Act that is based on an annual “scorecard” evaluation of new federal legislation that impacts revenues and spending. If the scorecard shows that new legislation which is not excepted from the PAYGO Act causes spending to exceed revenues over five and ten year periods, then sequestration of up to 100% applies against certain federal programs, including the Subsidy Payments. PAYGO Act sequestration has not occurred previously. Due to recent legislation related to COVID-19 relief, however, it was reported that the PAYGO scorecard could increase the overall sequestration percentage from the current level of 5.7% (under the Budget Control Act) to 100% effective in approximately mid-January of 2023. The Consolidated Appropriations Act of 2023, enacted in December of 2022, applies the PAYGO scorecard balance for January of 2023 to the PAYGO scorecard for the 2025 fiscal year. Consequently, the PAYGO Act’s sequestration provisions will not be triggered in January of 2023, or in January of 2024 based on existing legislation, but such provisions would be triggered in January of 2025 absent further legislation. Additionally, Congress can terminate, extend, or otherwise modify reductions in Subsidy Payments due to sequestration at any time.

It is anticipated that Subsidy Payments to the District for such Affected Bonds will be, to some extent, reduced as described above. The District cannot and does not make any representation regarding the amount of Subsidy Payments that it will receive in the future. Pursuant to the order authorizing the issuance of the Affected Bonds, the District is required to make interest and principal payments on the Affected Bonds regardless of whether any Subsidy Payments are received. If the sequestration continues, the District may be required to increase ad valorem tax rates in order to pay additional debt service expenses on the Affected Bonds resulting from decreased Subsidy Payments. The District can make no prediction as to the length or long-term effects of the sequestration.

JUNE 2023 TORNADO

On June 15, 2023, a tornado (the "Tornado") rated EF3 struck the City of Perryton, Texas (the "City") and other portions of the District. According to the National Weather Service, the Tornado had winds as fast as 140 miles per hour and was estimated to be a half-mile wide. According to news reports, three people were killed and approximately 100 were injured by the Tornado. City officials are reported to have estimated that the Tornado destroyed between 150 and 200 homes, as well as two and a half blocks of the City's downtown area.

At this time, the exact reduction to the assessed values of the District due to the Tornado has not been determined by the Appraisal District. However, the District expects that the reduction to assessed values will be relatively minimal, and it does not expect any material adverse impact on its finances or its ability to make debt service payments on the Bonds.

The Tornado also caused some damage to District vehicles, as well as minor damage at the District's kindergarten and high school campuses. The damage to District campuses was not enough to meet the minimum insurance deductibles, and the District has already utilized a small amount of its operating fund balance (approximately $500) to make minor repairs to District buildings. The District has filed insurance claims related to vehicle damage, which are now in the process of repair. The District does not expect any significant impact to operations or its finances from its damaged property, as District facilities were not substantially damaged and repair costs not covered by insurance were insignificant.

Property damaged by the Tornado could be entitled to a temporary exemption for tax year 2023. See "AD VALOREM TAX PROCEDURES - Temporary Exemption for Qualified Property Damaged by a Disaster" for more information regarding such exemption. **Preliminary taxable valuation information contained herein assumes the value of all property prior to the Tornado and does not include any exemptions for damage from the Tornado.**

The District does not expect the impact from the Tornado to materially adversely affect its operations or its ability to pay debt service on the Bonds. However, in the event of a decline in average daily attendance reasonably attributable to the impact of the Tornado, the Commissioner of Education is authorized to adjust the average daily attendance of the District in a manner to ensure that the District receives funding comparable to the funding that the District would have received if the decline in average daily attendance reasonably attributable to the impact of the Tornado had not occurred.

CYBERSECURITY

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

OTHER PERTINENT INFORMATION

Infectious Disease Outbreak – COVID-19

In March 2020, the World Health Organization and the President of the United States (the "President") separately declared the outbreak of a respiratory disease caused by a novel coronavirus ("COVID-19") to be a public health emergency. On April 10, 2023, the President signed a resolution terminating the national emergency related to the Pandemic, and on May 5, 2023, the World Health Organization declared COVID-19 no longer represented a global health emergency. There are currently no COVID-19 related operating limits imposed by executive order of the Governor for any business or other establishment in the State. The Governor retains the right to impose additional restrictions on activities if needed in order to mitigate the effects of COVID-19. The District has not experienced any decrease in property values or unusual tax delinquencies as a result of COVID-19 and the District's operations and financial position are not currently impacted as a result of COVID-19. However, the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

Authenticity of Financial Information

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

Registration and Qualification of Bonds for Sale

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

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

Municipal Bond Rating

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

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

Municipal Advisor

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

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

Underwriting

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the District at the price equal to the initial offering prices to the public, as shown on page ii herein, less an Underwriters' discount of $141,948.17. The Underwriters' obligation is subject to certain conditions precedent. The Underwriters will be obligated to purchase all of the Bonds, if any of the Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement pursuant to their responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

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

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

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

Use of Audited Financial Statements

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

Forward Looking Statements

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

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

Information from External Sources

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

Authorization of the Official Statement

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

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

The Bond Order also approved the form and content of this Official Statement and any addenda, supplement or amendment thereto and will authorize its further use in the re-offering of the Bonds by the Underwriters.

PERRYTON INDEPENDENT SCHOOL DISTRICT

/s/ Wes Beal
President, Board of Trustees

ATTEST:
/s/ Jed Symons
Secretary, Board of Trustees

APPENDIX A

Selected Financial Information Regarding the District

TABLE 1 - Valuation, Exemption & Tax Supported Debt

2023 Net Taxable Valuation [1]	$1,230,789,049
Outstanding Unlimited Tax Debt	$11,840,275
Plus: The Bonds	$24,745,000
Total Outstanding Unlimited Tax Debt [2][3]	$36,585,275
As a % of Assessed Valuation	2.97%

[1] Source: Ochiltree County Appraisal District. Valuation includes the full taxable value of a property that is subject to value limitation agreement that the District has entered into pursuant to Chapter 313 of the Tax Code and is the full value that is used in calculating the District's I&S tax levy. The Taxable Assessed Valuation used for the purpose of calculating the District's M&O tax levy for the 2023 Tax Year is approximately $1,134,769,539. 2023 Net Taxable Valuation does not reflect any loss of taxable value from the Tornado that struck portions of the District in June 2023. See "JUNE 2023 TORNADO." Subject to State-wide voter approval of a constitutional amendment to be submitted to the voters of the State on November 7, 2023, the school district mandatory general homestead exemption will increase from $40,000 to $100,000, in accordance with Senate Bill 2. The 2023 Net Taxable Valuation included in this table assumes such constitutional amendment passes at such election. If the constitutional amendment does not pass, the District's Net Taxable Valuation for fiscal year 2023/2024 will be $1,312,013,866. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2023 Legislative Sessions" for a discussion of the related constitutional amendment and SB 2's provision for State aid funding to pay for the loss in school district tax revenue.

[2] Includes The Bonds.

[3] Treats Unlimited Tax Qualified School Construction Bonds, Taxable Series 2011A Cumulative Sinking Fund Deposits as retired principal. See "EFFECTS OF SEQUESTRATION" herein.

TABLE 2 - Assessed Valuation by Category [1][2]

	Tax Year 2023[3]	Tax Year 2022	Tax Year 2021	Tax Year 2020	Tax Year 2019
Real Property	$1,711,671,111	$1,687,459,232	$1,408,250,361	$1,533,637,843	$1,376,040,894
Personal Property	68,089,254	53,667,664	67,124,274	73,410,607	98,985,502
Market Value	$1,779,760,365	$1,741,126,896	$1,475,374,635	$1,607,048,450	$1,475,026,396
Less: Exemptions	(548,971,316)	(462,990,303)	(433,617,559)	(447,224,945)	(448,026,705)
Net Taxable Value	$1,230,789,049	$1,278,136,593	$1,041,757,076	$1,159,823,505	$1,026,999,691

[1] Source: Ochiltree County Appraisal District.

[2] Does not reflect any loss of taxable value from the Tornado that struck portions of the District in June 2023. See "JUNE 2023 TORNADO."

[3] Subject to State-wide voter approval of a constitutional amendment to be submitted to the voters of the State on November 7, 2023, the school district mandatory general homestead exemption will increase from $40,000 to $100,000, in accordance with Senate Bill 2. The 2023 Net Taxable Valuation included in this table assumes such constitutional amendment passes at such election. If the constitutional amendment does not pass, the District's Net Taxable Valuation for fiscal year 2023/2024 will be $1,312,013,866. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2023 Legislative Sessions" for a discussion of the related constitutional amendment and SB 2's provision for State aid funding to pay for the loss in school district tax revenue.

TABLE 3 - Valuation and Tax Supported Debt History

Fiscal Year Ended 8/31	Estimated Population[(1)]	Net Taxable Assessed Valuation[(2)]	Net Taxable AV Per Capita	Tax Supported Debt Outstanding[(3)]	Ratio of Tax Supported Debt to Assessed Valuation	Tax Supported Debt Per Capita
2020	10,600	1,026,999,691	96,887	13,315,900	1.30%	1,256
2021	9,496	1,159,823,505	122,138	12,580,587	1.08%	1,325
2022	9,283	1,041,757,076	112,222	11,840,275	1.14%	1,275
2023	8,938	1,278,136,593	143,000	35,834,962 [(4)]	2.80%	4,009
2024	8,732	1,230,789,049 [(6)]	140,952	33,749,650 [(4)(5)]	2.74%	3,865

(1) Source: The Municipal Advisory Council of Texas
(2) Source: Ochiltree County Appraisal District
(3) Treats Unlimited Tax Qualified School Construction Bonds, Taxable Series 2011A Cumulative Sinking Fund Deposits as retired principal.
(4) Includes the Bonds.
(5) Projected for fiscal year ended 2024.
(6) Subject to State-wide voter approval of a constitutional amendment to be submitted to the voters of the State on November 7, 2023, the school district mandatory general homestead exemption will increase from $40,000 to $100,000, in accordance with Senate Bill 2. The 2023 Net Taxable Valuation included in this table assumes such constitutional amendment passes at such election. If the constitutional amendment does not pass, the District's Net Taxable Valuation for fiscal year 2023/2024 will be $1,312,013,866. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2023 Legislative Sessions" for a discussion of the related constitutional amendment and SB 2's provision for State aid funding to pay for the loss in school district tax revenue.

TABLE 4 - Tax Rate, Levy and Collection History [(1)]

Fiscal Year Ended 08/31	Tax Year	Taxable Assessed Valuation	M&O Tax Rate	I&S Tax Rate	Tax Levy	Current[(2)]	Total[(2)]
2019	2018	$1,374,968,399	$1.0400	$0.0850	$13,525,081	98.35%	99.60%
2020	2019	1,026,999,691	0.9700	0.0850	13,206,763	94.46%	95.59%
2021	2020	1,159,823,505	0.9664	0.0900	10,891,596	97.84%	99.31%
2022	2021	1,041,757,076	0.9634	0.1100	9,868,914	98.24%	100.10%
2023	2022	1,278,136,593	0.8546	0.0900	11,042,246	97.37% [(3)]	97.37% [(3)]

(1) Source: Ochiltree County Appraisal District and the District's Audited Financial Statements
(2) Excludes penalties and interest.
(3) Source: The District. Unaudited as of July 1, 2023.

TABLE 5 - Largest Taxpayers [1]

Taxpayer Name	Property Type	AV	% of Total
Palo Duro Wind Energy LLC	Wind Farm/Turbines	$114,394,140	8.95%
Mewbourne Oil Company	Oil & Gas	76,908,886	6.02%
Courson Oil & Gas Inc.	Oil & Gas	38,946,971	3.05%
Seaboard Foods LLC	Meat Products	29,824,600	2.33%
Southwestern Public Service Co.	Electric Utility/Power Plant	26,789,100	2.10%
Quanah Panhandle LLC	Oil & Gas	26,684,600	2.09%
ETC Texas Pipeline	Oil & Gas Pipeline	26,620,420	2.08%
Seaboard Foods LLC	Meat Products	25,772,290	2.02%
Presidio Petroleum LLC	Oil & Gas	24,256,469	1.90%
Perdure Petroleum LLC	Oil & Gas	21,168,360	1.66%
Top 10 Totals:		$411,365,836	32.18%

(1) Source: Ochiltree County Appraisal District. Does not reflect any loss of taxable value from the Tornado that struck portions of the District in June 2023. See "JUNE 2023 TORNADO."

(2) The top ten taxpayers in the District currently account for over 32% of the District's tax base, with the majority of such property comprised of wind farms/electric utilities and oil and gas and related business activities. Electric utilities such as wind farms and power plants have been subject to litigation related to the taxable value of such property and are also subject to transfer and sole ownership by another entity, including to local governments whose property is exempt from ad valorem taxation. Adverse developments in economic conditions, especially in these industries, could adversely impact the businesses that own mineral properties in the District and the tax values in the District, resulting in less local tax revenue. If any major taxpayer were to default in the payment of taxes, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or, perhaps, to sell tax anticipation notes until such amounts could be collected, if ever. If the District were to default on the Bonds, owners could become reliant upon the Permanent School Fund Guarantee to receive debt service payments. See "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM."

TABLE 6 - Estimated Overlapping Debt [1]

Taxing Jurisdiction	Total Debt	As of	% Overlapping	Overlapping Debt	
Ochiltree County	$5,040,000	7/31/2023	92.36%	$4,654,944	
Estimated (Net) Overlapping Debt				$4,654,944	
Perryton ISD		8/29/2023		$36,585,275	(2)
Total Direct & Estimated Overlapping Debt				$41,240,219	

Total Direct and Overlapping Debt % of the 2023 Taxable Assessed Valuation	3.35%	(2)
Total Direct and Overlapping Debt Per Capita	$4,723	(2)

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

(2) Includes the Bonds. Does not include Limited Maintenance Tax debt outstanding.

TABLE 7 - Unlimited Tax Debt Service Requirements

Fiscal Year Ending 8/31	Outstanding Debt Service Less Subsidy(1)	Plus: The Bonds Principal	Interest	Total	New Total Debt Service Requirements(1)
2023	$1,102,463	$ -	$6,285	$6,285	$1,108,749
2024	1,101,063	1,325,000	1,084,234	2,409,234	3,510,298
2025	1,099,363	-	1,065,125	1,065,125	2,164,488
2026	1,097,363	-	1,065,125	1,065,125	2,162,488
2027	1,100,063	-	1,065,125	1,065,125	2,165,188
2028	1,086,300	-	1,065,125	1,065,125	2,151,425
2029	1,084,000	-	1,065,125	1,065,125	2,149,125
2030	1,080,400	-	1,065,125	1,065,125	2,145,525
2031	1,080,950	-	1,065,125	1,065,125	2,146,075
2032	1,080,400	-	1,065,125	1,065,125	2,145,525
2033	1,083,800	-	1,065,125	1,065,125	2,148,925
2034	1,084,763	-	1,065,125	1,065,125	2,149,888
2035	1,084,438	-	1,065,125	1,065,125	2,149,563
2036	1,082,863	-	1,065,125	1,065,125	2,147,988
2037	-	-	1,065,125	1,065,125	1,065,125
2038	-	1,665,000	1,065,125	2,730,125	2,730,125
2039	-	1,745,000	981,875	2,726,875	2,726,875
2040	-	1,835,000	894,625	2,729,625	2,729,625
2041	-	1,925,000	802,875	2,727,875	2,727,875
2042	-	2,025,000	706,625	2,731,625	2,731,625
2043	-	2,125,000	605,375	2,730,375	2,730,375
2044	-	2,230,000	499,125	2,729,125	2,729,125
2045	-	2,320,000	407,138	2,727,138	2,727,138
2046	-	2,415,000	311,438	2,726,438	2,726,438
2047	-	2,515,000	211,819	2,726,819	2,726,819
2048	-	2,620,000	108,075	2,728,075	2,728,075
Total	**$15,248,229**	**$24,745,000**	**$21,531,239**	**$46,276,239**	**$61,524,468**

Average Annual Debt Service Requirements	**$2,366,326**
Maximum Annual Debt Service Requirements	**$3,510,298**

(1) Treats Unlimited Tax Qualified School Construction Bonds, Taxable Series 2011A Cumulative Sinking Fund Deposits as retired principal. See "EFFECTS OF SEQUESTRATION" herein.

TABLE 8 - Interest and Sinking Fund Budget Projection

Interest & Sinking Fund Balance, 09/01/22 (Beginning) (1)		**$300,565**
Tax Supported Debt Service Requirements for FYE Ended 2024 (2)	$1,108,749	
Projected Interest & Sinking Fund Local Revenue	1,107,710	
Additional State Aid for Homestead Exemption (ASAHE) for Facilities (3)	34,961	
Transfers In/(Out)	-	
Projected Interest & Sinking Fund Balance, 08/31/23 (Ending)		**$334,487**
Net Increase/(Decrease) in Fund Balance		$33,922

(1) Source: The District's records. Unaudited.
(2) Includes the Bonds. Amount shown is less interest subsidy. See *"EFFECTS OF SEQUESTRATION" herein.*
(3) Texas Education Agency Summary of Finances dated May 10, 2023.

TABLE 9 - Authorized But Unissued Bonds

A summary of the bonds authorized is as follows:

Purpose	Amount Authorized	Amount Previously Issued	Amount This Issue[1]	Amount Remaining
School Building	$35,126,000	$0	$20,167,250	$14,958,750
Stadium Facilities	$4,832,750	$0	$4,832,750	$0

In addition to unlimited tax bonds, the District may, without voter approval, incur other financial obligations payable from its collection of taxes and other sources of revenue, including refunding bonds, maintenance tax notes payable from its collection of maintenance taxes, public property finance contractual obligations, delinquent tax notes, and leases for various purposes payable from State appropriations and surplus maintenance taxes.

[1] *Includes premium allocations that the District has applied against voted authorization.*

TABLE 10 - Other Obligations [1]

As of August 31, 2022, other obligations of the District included the following Loan:

General Long-Term Debt Description:	Interest Rate	Original Amount	Balance 09/01/2021	Retired	Balance 08/31/2022
State Energy Conservation Office Energy Lighting Project - Loan	2.000%	$606,206	$521,791	$57,697	$464,094
			Total Long-Term Debt:		**$464,094**

[1] *Source: The District's Audited Financial Statements. Principal and interest payments on the Loan are due quarterly on February 28th, May 31st, August 31st, and November 30th of each year. The Loan matures on February 28, 2030. The Loan is not payable from the debt service taxes that secure the Bonds.*

TABLE 11 - Schedule of General Fund Revenues and Expenditure History [1]

For Fiscal Year ended August 31	2022	2021	2020	2019	2018
REVENUES:					
Total Local and Intermediate Sources	$9,034,663	$10,215,017	$12,697,206	$12,969,607	$12,212,363
State Program Revenues	10,779,930	9,860,129	9,360,189	6,316,702	6,199,055
Federal Program Revenues	251,162	245,399	232,074	454,696	251,383
Total Revenues	**$20,065,755**	**$20,320,545**	**$22,289,469**	**$19,741,005**	**$18,662,801**
EXPENDITURES:					
Instruction	$11,312,288	$12,039,111	$12,304,937	$11,923,831	$12,416,821
Instructional Resources & Media Services	386,266	379,781	354,595	348,681	368,121
Curriculum & Instructional Staff Development	165,819	58,580	71,339	79,181	88,333
Instructional Leadership	38,243	127,492	114,076	41,581	33,346
School Leadership	1,274,960	1,374,276	1,261,532	1,171,289	1,229,502
Guidance, Counseling, & Evaluation Services	487,787	502,340	484,723	532,855	531,578
Health Services	254,532	265,453	250,946	250,534	271,675
Student Transportation	466,433	769,064	478,151	517,851	365,168
Food Services	-	-	-	-	-
Extracurricular Activities	1,347,662	1,249,358	1,266,902	1,357,058	1,414,785
General Administration	1,122,424	1,042,412	1,314,349	963,143	883,181
Facilities Maintenance & Operations	2,417,572	2,256,424	2,143,778	2,108,067	2,059,650
Security and Monitoring Services	29,557	36,279	60,324	33,090	42,357
Data Processing Services	156,258	154,592	167,606	151,574	193,907
Community Services	-	-	-	-	456
Debt Service:					
Principal on Long-Term Debt	57,697	56,557	27,858	-	-
Interest on Long-Term Debt	10,152	11,292	6,066	-	-
Debt Service Cost and Fees	-	-	-	-	-
Capital Outlay:					
Facilities Acquisition and Construction	148,615	198,604	213,686	694,501	452,630
Intergovernmental					
Contracted Instructional Services Between Schools	-	-	-		
Payments to Fiscal Agents/Member Districts of SSA	246,982	247,690	199,160	126,998	127,296
Other Intergovernmental	214,569	221,397	244,707	251,854	229,966
Total Expenses	**$20,137,816**	**$20,990,702**	**$20,964,735**	**$20,552,088**	**$20,708,772**
Excess (Deficiency) of Revenues Over (Under) Expenditures	**($72,061)**	**($670,157)**	**$1,324,734**	**($811,083)**	**($2,045,971)**
Other Financing Sources and (Uses):					
Sale of Real or Personal Property	$2,434	$5,082	$200	$3,693	$3,431
Non-Current Loans	-	-	606,206	-	-
Transfers In	447,753	514,868	427,768	357,366	299,035
Other Resources	-	-	-	-	469,000
Transfers Out (Use)	(40,000)	(258,048)	(260,094)	(235,574)	-
Other Uses	-	-	-	(135,614)	(29,837)
Total Other Financing Sources and (Uses)	**$410,187**	**$261,902**	**$774,080**	**($10,129)**	**$741,629**
Net Change in Fund Balances	$338,126	($408,255)	$2,098,814	($821,212)	($1,304,342)
Fund Balances - Beginning	**$6,531,779**	**$6,940,034**	**$4,841,220**	**$5,662,432**	**$6,966,775**
Fund Balances – Ending	**$6,869,905**	**$6,531,779**	**$6,940,034**	**$4,841,220**	**$5,662,432**

[1] Source: District's Audited Financial Statements

TABLE 12 - General Operating Fund Comparative Balance Sheet (1)

For Fiscal Year Ended August 31	2022	2021	2020	2019	2018
ASSETS:					
Cash & Cash Equivalents	$829,528	$203,997	$285,777	$308,741	$410,559
Investments - Current	7,518,000	7,565,000	7,515,000	5,741,000	7,492,000
Property Taxes - Delinquent	568,203	581,152	1,046,278	484,506	435,390
Allowance for uncollectible taxes (credit)	(198,871)	(203,403)	(366,197)	(169,577)	(152,387)
Due from Other Governments	40,182	40,891	44,156	67,985	65,419
Accrued Interest	26,294	3,439	34,645	51,551	59,733
Due from Other Funds	123,049	432,958	344,081	116,609	24,848
Other Receivables	2,705	6,684	23,807	8,463	8,554
Inventories	215,310	195,722	189,520	178,260	199,819
Prepayments	382	-	-	-	-
Total Assets	**$9,124,782**	**$8,826,440**	**$9,117,067**	**$6,787,538**	**$8,543,935**
LIABILITIES:					
Current Liabilities:					
Accounts Payable	$160,285	$201,815	$179,243	$301,174	$245,633
Payroll Deductions and Withholdings Payable	415	-	1,642	112	63
Accrued Wages Payable	874,570	963,087	1,084,123	1,086,950	1,078,928
Due to Other Funds	50,728	3,000	-	9,563	-
Due to Other Governments	783,278	730,106	205,040	206,446	1,245,610
Accrued Expenditures	16,269	18,904	21,400	21,469	21,206
Unearned Revenue	-	-	5,504	5,675	7,060
Total Liabilities	**$1,885,545**	**$1,916,912**	**$1,496,952**	**$1,631,389**	**2,598,500**
DEFERRED INFLOWS OF RESOURCES:					
Unavailable Revenue - Property Taxes	369,332	377,749	680,081	314,929	283,003
Total Deferred Inflows of Resources	**$369,332**	**$377,749**	**$680,081**	**$314,929**	**$283,003**
FUND BALANCES:					
Nonspendable Fund Balances:					
Inventories	215,310	195,722	189,520	178,260	199,819
Restricted Fund Balance:	382	-	-	-	-
Retirement of Long-Term Debt	-	-	-	-	-
Other Restricted Fund Balance	-	-	-	-	-
Assigned Fund Balance:					
Other Assigned Fund Balance	-	-	-	-	-
Unassigned Fund Balance	6,654,213	6,336,057	6,750,514	4,662,960	5,462,613
Total Fund Balances	**6,869,905**	**6,531,779**	**6,940,034**	**4,841,220**	**5,662,432**
Total Liabilities, Deferred Inflow of Resources and Fund Balances	**$9,124,782**	**$8,826,440**	**$9,117,067**	**$6,787,538**	**$8,543,935**

(1) Source: District's Audited Financial Statements
(2) The estimated General Fund Balance as of August 31, 2023 is expected to be approximately $7,150,000

TABLE 13 - Current Investments (1)

	Percent	Fair Value
Certificates of Deposit	100.00%	$11,015,930
Total	**100.00%**	**$11,015,930**

(1) Source: District's records as of July 1, 2023.

APPENDIX B

AUDITED FINANCIAL STATEMENTS

The information contained in this appendix consists of the Perryton Independent School District Audited Financial Statements (the “Report”) for the fiscal year ended August 31, 2022.

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

PERRYTON INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2022

Brown, Graham & Company, P.C.
7431 Continental Parkway
Amarillo, Texas
79119

PERRYTON INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2022

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PERRYTON INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2022

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CERTIFICATE OF BOARD

PERRYTON INDEPENDENT SCHOOL DISTRICT	**OCHILTREE**	**179-901**
Name of School District	County	County District Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) __X__ approved ___ disapproved for the year ended August 31, 2022, at a meeting of the Board of Trustees of such school district on the 15th day of December, 2022.

ss://Loyd Cator	ss://Wes Beal
Signature of Board Secretary	Signature of Board President

BROWN, GRAHAM & COMPANY, P.C.
Certified Public Accountants
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UNMODIFIED OPINIONS ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION, OTHER SUPPLEMENTARY INFORMATION, AND OTHER INFORMATION INCLUDING THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Independent Auditor's Report

Board of Trustees
Perryton Independent School District
Perryton, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Perryton Independent School District (the "District") as of and for the year ended August 31, 2022, 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 Perryton Independent School District as of August 31, 2022, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 10, the budgetary comparison on page 66, and the pension and OPEB schedules and related notes on pages 67 through 75 be presented to supplement the basic financial statements. Such information, 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 as a whole. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is also presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a part of the basic financial statements. The required Texas Education Agency ("TEA") schedules listed in the table of contents are likewise presented for purposes of additional analysis and are not a required part of the basic financial statements.

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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Brown, Graham & Company, P.C.

Amarillo, Texas
December 15, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

James Mireles
Superintendent

Maria Rocque Ed. D.
Assistant Superintendent

Britney Meraz
Chief Financial Officer

Liliana Medrano
Administrative Assistant

PERRYTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2022

This section of Perryton Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2022. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was $16.97 million at August 31, 2022.
- During the year, the District's revenues generated through taxes and other revenues were approximately $1.45 million more than the $24.74 million of expenses incurred by the primary government.
- The total cost of the District's programs decreased from last year by $2.44 million.
- The General Fund reported a fund balance this year of $6.87 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in *more detail* than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- *Proprietary fund* statements tell how goods or services of the District were sold to external customers and how the sales revenues covered the expenses of the goods or services.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets, deferred outflows, liabilities and deferred inflows. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position—the difference between the District's assets, deferred outflows, liabilities and deferred inflows—is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's tax base.

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The government-wide financial statements of the District include the Governmental Activities and Business-type Activities. Most of the District's basic services are included in the Governmental Activities, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes and grants finance most of these activities. The Business-type Activities are used to account for those activities where a fee is charge to "customers" to help cover all or most of the cost of services provided in certain programs.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's most significant funds—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has three kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, we provide additional information at the bottom of the governmental funds financial statements, or on the subsequent page, that explain the relationship (or differences) between them.
- *Enterprise funds*—The funds are a type of proprietary fund, whose activities are accounted for similar to how a business accounts for its activities using the full accrual basis of accounting for providing goods or services to customers. The District's enterprise fund is the Ranger Roundup Early Learning Center which is included in Exhibits D-1, D-2, and D-3.
- *Fiduciary funds*—The District is the trustee, or *fiduciary,* for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

This District is the trustee, or fiduciary, for funds raised by student activities, and for various scholarship funds. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

Net position of the District's primary government increased from $15,512,795 to $16,967,074. Unrestricted net position – the part that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements was a deficit of $8,883,857 at August 31, 2022. The primary reason for the increase was related to a decrease in state aid – formula grants.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled $27.01 million, which is an increase of approximately $1.7 million from the prior year. The increase in revenues is a result of increases in state and federal funding.

Over the course of the year, the District revised its budget several times. Even with these adjustments, actual expenditures of the General Fund were $1,123,525 below final budget amounts. Budgeted revenues were approximately $555,504 lower than actual, primarily as a result of lower than expected state program and local revenues.

- The District anticipated and adopted a balanced budget in the General Fund for fiscal year 2021-22. However, the actual results for the general fund for the year ended August 31, 2022 was a surplus of $338,126.

CAPITAL ASSET, RIGHT-TO-USE ASSETS AND DEBT ADMINISTRATION

At the end of 2022, the District had invested approximately $59.0 million in a broad range of capital assets and right-to-use assets, including land, equipment, buildings, and vehicles. This amount represents a net increase (including additions and disposals) of $500,000 or 0.85 percent over last year. At year-end the District owed approximately $12.3 million in long- term debt.

Approximately $173,000 of the current year capital assets invested in were related to a door system installation project, approximately $216,000 was related to construction of the softball stadium and science lab, approximately $73,000 was related to HVAC replacements, and approximately $13,000 on miscellaneous equipment.

IMPLEMENTATION OF GASB 87

During the year ended August 31, 2022, the District implemented GASB Statement No. 87, *Leases* for its business-type fund but not for its governmental funds. This GASB statement changed how governmental entities account for and report right-to-use assets and right-to-use liabilities. Notes II (E), II(G), II(S), and II (U) in the notes to the financial statements include a detail discussion of how the implementation of this GASB statement impacts the District's financial statements for the year ended August 31, 2022.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District is anticipating a slight increase in the amount of local M&O taxes in 2022-23 with a increase in property values and with the tax rate set at a rate of $0.8546 compared to the current rate of $0.9634.

The District anticipates an decrease in state funding due to the state recognizing increased property tax collections from the next fiscal year.

The District's 2022 refined average daily attendance is expected to be approximately 1,900 students.

These indicators were taken into account when adopting the General Fund budget for 2022-2023. Property taxes will increase due to increasing values. State revenue will decrease as the state recognizes current year increases in property tax values and changes to state aid formulas.

General Fund expenditures were budgeted to be $20,393,775 which is a decrease as compared to the 2021-22 final amended budget of $21,261,341 by $867,566. The District has added no major new programs or initiatives to the 2023 budget.

If these estimates are realized, the District's budgetary General Fund balance is not expected to change during the next fiscal year.

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental and business-type activities.

TABLE I
PERRYTON INDEPENDENT SCHOOL DISTRICT
NET POSITION

	Governmental and Business-Type Activities 2022	Governmental and Business-Type Activities 2021
Current and other assets	$ 10,679,757	$ 10,049,001
Capital assets and right-to-use lease assets	37,944,170	38,877,822
Total assets	48,623,927	48,926,823
Deferred outflows of resources	2,922,670	3,409,149
Current liabilities	2,201,946	2,191,336
Non-current liabilities	22,310,810	26,365,355
Total liabilities	24,512,756	28,556,691
Deferred inflows of resources	10,066,767	8,266,486
Net Position:		
Net investment in capital assets	25,063,452	25,284,618
Restricted	737,479	564,256
Unrestricted	(8,833,857)	(10,336,079)
Total net position	$ 16,967,074	$ 15,512,795

TABLE II
PERRYTON INDEPENDENT SCHOOL DISTRICT
CHANGES IN NET POSITION

	Governmental and Business-Type Activities 2022	Governmental and Business-Type Activities 2021
Revenues:		
Program Revenues:		
Charges for services	$ 925,894	$ 996,632
Operating grants and contributions	5,028,901	5,470,076
Capital grants	294,578	95,618
General Revenues:		
Taxes levied for maintenance and operations	8,624,844	9,455,020
Taxes levied for debt service	1,112,766	1,029,515
State aid - formula grants	9,697,922	8,811,165
Investment earnings	60,288	27,355
Miscellaneous	445,715	461,458
Loss subsidy from other government	-	78,142
Total revenue	26,190,908	26,424,981
Expenses:		
Instructions, curriculum and media services	12,958,771	14,547,987
Instructional and school leadership	1,417,587	1,763,247
Student support services	1,739,269	1,973,551
Food services	1,303,897	1,328,557
Extracurricular activities	1,572,591	1,550,713
General administration	1,052,479	1,079,667
Facilities maintenance, security and data processing	2,806,622	2,863,379
Community services	(50,320)	2,764
Debt service - interest and bond issuance costs and fees	600,730	607,768
Payments related to shared service arrangements	630,540	658,621
Other intergovernmental charges	214,569	221,397
Enterprise funds - locally defined	489,894	518,964
Total expenses	24,736,629	27,116,615
Increase (decrease) in net position	1,454,279	(691,634)
Net position at beginning of year, as previously reported	15,512,795	16,143,688
Prior period adjustment - GASB 84 implementation	-	60,741
Net position at beginning of year, as restated	15,512,795	16,204,429
Net position at end of year	$ 16,967,074	$ 15,512,795

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office at Perryton Independent School District, P.O. Box 1048, Perryton, Texas 79070 or 806-435-5478.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

PERRYTON INDEPENDENT SCHOOL DISTRICT

EXHIBIT A-1

STATEMENT OF NET POSITION

AUGUST 31, 2022

Data Control Codes		1 Governmental Activities	2 Business Type Activities	3 Total
		Primary Government		
	ASSETS			
1110	Cash and Cash Equivalents	$ 1,069,661	$ 17,102	$ 1,086,763
1120	Current Investments	8,268,859	45,000	8,313,859
1220	Property Taxes - Delinquent	622,371	-	622,371
1230	Allowance for Uncollectible Taxes	(217,830)	-	(217,830)
1240	Due from Other Governments	400,629	5,354	405,983
1250	Accrued Interest	29,131	219	29,350
1290	Other Receivables, Net	146,248	5,468	151,716
1300	Inventories	262,562	-	262,562
1410	Prepayments	20,734	4,249	24,983
	Capital Assets:			
1510	Land	355,041	-	355,041
1520	Buildings, Net	36,155,930	-	36,155,930
1530	Furniture and Equipment, Net	428,198	-	428,198
1540	Vehicles, Net	839,440	-	839,440
1550	Right-to-Use Leased Assets, Net	-	111,457	111,457
1580	Construction in Progress	54,104	-	54,104
1000	Total Assets	48,435,078	188,849	48,623,927
	DEFERRED OUTFLOWS OF RESOURCES			
1701	Deferred Charge for Refunding	312,431	-	312,431
1705	Deferred Outflow Related to TRS Pension	1,507,990	-	1,507,990
1706	Deferred Outflow Related to TRS OPEB	1,102,249	-	1,102,249
1700	Total Deferred Outflows of Resources	2,922,670	-	2,922,670
	LIABILITIES			
2110	Accounts Payable	181,249	4,228	185,477
2140	Interest Payable	25,496	-	25,496
2150	Payroll Deductions and Withholdings	26,678	-	26,678
2160	Accrued Wages Payable	1,005,545	-	1,005,545
2180	Due to Other Governments	809,788	-	809,788
2200	Accrued Expenses	25,192	-	25,192
2300	Unearned Revenue	111,263	-	111,263
	Noncurrent Liabilities:			
2501	Due Within One Year: Loans, Note, Leases, etc.	809,172	12,507	821,679
	Due in More than One Year:			
2502	Bonds, Notes, Loans, Leases, etc.	12,268,437	103,033	12,371,470
2540	Net Pension Liability (District's Share)	2,812,509	-	2,812,509
2545	Net OPEB Liability (District's Share)	6,317,659	-	6,317,659
2000	Total Liabilities	24,392,988	119,768	24,512,756
	DEFERRED INFLOWS OF RESOURCES			
2605	Deferred Inflow Related to TRS Pension	3,525,901	-	3,525,901
2606	Deferred Inflow Related to TRS OPEB	6,540,866	-	6,540,866
2600	Total Deferred Inflows of Resources	10,066,767	-	10,066,767
	NET POSITION			
3200	Net Investment in Capital Assets and Right-to-Use Lease Assets	25,067,535	(4,083)	25,063,452
	Restricted:			
3850	Restricted for Debt Service	310,278	-	310,278
3890	Restricted for Other Purposes	427,201	-	427,201
3900	Unrestricted	(8,907,021)	73,164	(8,833,857)
3000	Total Net Position	$ 16,897,993	$ 69,081	$ 16,967,074

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

PERRYTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes		1	3	4	5
			Program Revenues		
		Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
	Primary Government:				
	GOVERNMENTAL ACTIVITIES:				
11	Instruction	$ 12,382,427	$ 166,292	$ 2,176,867	$ -
12	Instructional Resources and Media Services	358,105	-	(26,095)	-
13	Curriculum and Instructional Staff Development	218,239	-	79,502	-
21	Instructional Leadership	276,796	170,154	82,191	-
23	School Leadership	1,140,791	2,758	(79,529)	-
31	Guidance, Counseling, and Evaluation Services	932,991	136,123	389,564	-
32	Social Work Services	42,354	-	44,701	-
33	Health Services	259,693	690	263,763	-
34	Student (Pupil) Transportation	504,231	-	(19,921)	-
35	Food Services	1,303,897	169,392	1,301,540	-
36	Extracurricular Activities	1,572,591	65,626	(30,995)	-
41	General Administration	1,052,479	16,288	(47,990)	-
51	Facilities Maintenance and Operations	2,612,789	9,723	(103,830)	-
52	Security and Monitoring Services	35,753	-	16,466	-
53	Data Processing Services	158,080	-	(930)	-
61	Community Services	(50,320)	-	(29,840)	-
72	Debt Service - Interest on Long-Term Debt	599,130	-	259,752	-
73	Debt Service - Bond Issuance Cost and Fees	1,600	-	-	-
81	Capital Outlay	-	-	-	294,578
93	Payments Related to Shared Services Arrangements	630,540	-	383,558	-
99	Other Intergovernmental Charges	214,569	-	-	-
	[TG] Total Governmental Activities:	24,246,735	737,046	4,658,774	294,578
	BUSINESS-TYPE ACTIVITIES:				
01	Enterprise Funds - Locally Defined	489,894	188,848	370,127	-
	[TB] Total Business-Type Activities:	489,894	188,848	370,127	-
	[TP] TOTAL PRIMARY GOVERNMENT:	$ 24,736,629	$ 925,894	$ 5,028,901	$ 294,578

Data Control Codes	
	General Revenues:
	Taxes:
MT	Property Taxes, Levied for General Purposes
DT	Property Taxes, Levied for Debt Service
SF	State Aid - Formula Grants
IE	Investment Earnings
MI	Miscellaneous Local and Intermediate Revenue
TR	Total General Revenues
CN	Change in Net Position
NB	Net Position - Beginning
NE	Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position		
6	7	8
Primary Government		
Governmental Activities	Business-type Activities	Total
$ (10,039,268)	$ -	$ (10,039,268)
(384,200)	-	(384,200)
(138,737)	-	(138,737)
(24,451)	-	(24,451)
(1,217,562)	-	(1,217,562)
(407,304)	-	(407,304)
2,347	-	2,347
4,760	-	4,760
(524,152)	-	(524,152)
167,035	-	167,035
(1,537,960)	-	(1,537,960)
(1,084,181)	-	(1,084,181)
(2,706,896)	-	(2,706,896)
(19,287)	-	(19,287)
(159,010)	-	(159,010)
20,480	-	20,480
(339,378)	-	(339,378)
(1,600)	-	(1,600)
294,578	-	294,578
(246,982)	-	(246,982)
(214,569)	-	(214,569)
(18,556,337)	-	(18,556,337)
-	69,081	69,081
-	69,081	69,081
(18,556,337)	69,081	(18,487,256)
8,624,844	-	8,624,844
1,112,766	-	1,112,766
9,697,922	-	9,697,922
60,288	-	60,288
445,715	-	445,715
19,941,535	-	19,941,535
1,385,198	69,081	1,454,279
15,512,795	-	15,512,795
$ 16,897,993	$ 69,081	$ 16,967,074

FUND FINANCIAL STATEMENTS

EXHIBIT C-1

PERRYTON INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2022

Data Control Codes		10 General Fund	Other Funds	Total Governmental Funds
	ASSETS			
1110	Cash and Cash Equivalents	$ 829,528	$ 240,133	$ 1,069,661
1120	Investments - Current	7,518,000	750,859	8,268,859
1220	Property Taxes - Delinquent	568,203	54,168	622,371
1230	Allowance for Uncollectible Taxes	(198,871)	(18,959)	(217,830)
1240	Due from Other Governments	40,182	360,447	400,629
1250	Accrued Interest	26,294	2,837	29,131
1260	Due from Other Funds	123,049	145,305	268,354
1290	Other Receivables	2,705	143,543	146,248
1300	Inventories	215,310	47,252	262,562
1410	Prepayments	382	20,352	20,734
1000	Total Assets	$ 9,124,782	$ 1,745,937	$ 10,870,719
	LIABILITIES			
2110	Accounts Payable	$ 160,285	$ 20,964	$ 181,249
2150	Payroll Deductions and Withholdings Payable	415	26,263	26,678
2160	Accrued Wages Payable	874,570	130,975	1,005,545
2170	Due to Other Funds	50,728	217,626	268,354
2180	Due to Other Governments	783,278	26,510	809,788
2200	Accrued Expenditures	16,269	8,923	25,192
2300	Unearned Revenue	-	111,263	111,263
2000	Total Liabilities	1,885,545	542,524	2,428,069
	DEFERRED INFLOWS OF RESOURCES			
2601	Unavailable Revenue - Property Taxes	369,332	35,209	404,541
2600	Total Deferred Inflows of Resources	369,332	35,209	404,541
	FUND BALANCES			
	Nonspendable Fund Balance:			
3410	Inventories	215,310	47,252	262,562
3430	Prepaid Items	382	-	382
	Restricted Fund Balance:			
3450	Federal or State Funds Grant Restriction	-	379,949	379,949
3480	Retirement of Long-Term Debt	-	300,565	300,565
	Assigned Fund Balance:			
3590	Other Assigned Fund Balance	-	440,438	440,438
3600	Unassigned Fund Balance	6,654,213	-	6,654,213
3000	Total Fund Balances	6,869,905	1,168,204	8,038,109
4000	Total Liabilities, Deferred Inflows & Fund Balances	$ 9,124,782	$ 1,745,937	$ 10,870,719

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

PERRYTON INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2022

EXHIBIT C-2

Total Fund Balances - Governmental Funds	$	8,038,109
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was $58,495,837 and the accumulated depreciation was ($19,618,014). In addition, long-term liabilities, including bonds payable and accumulated accreted interest of ($13,165,525), unamortized bond premiums of ($769,939) and unamortized deferred charge on refunding of $342,260 are not due and payable in the current period, and therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		25,284,619
2 Current year capital outlays of $474,852 and long-term debt principal payments of $798,009 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2022 capital outlays and debt principal payments is to increase net position.		1,272,861
3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. At the beginning of the year, the net position related to TRS was a deferred resource outflow in the amount of $2,205,753, a deferred resource inflow in the amount of ($1,355,736) and a net pension liability in the amount of ($6,014,431). The impact of this on net position is ($5,164,414). Changes from the current year reporting of the TRS plan resulted in an increase in net position in the amount of $333,994. The combination of the beginning of the year amounts and the changes during the year resulted in a difference between the ending fund balance and the ending net position in the amount of ($4,830,420).		(4,830,420)
4 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. At the beginning of the year, the net position related to TRS-CARE was a deferred resource outflow in the amount of $861,136, a deferred resource inflow in the amount of ($6,910,750) and a net pension liability in the amount of ($6,415,460). The impact of this on net position is ($12,465,074). Changes from the current year reporting of the TRS-CARE plan resulted in an increase in net position in the amount of $708,798. The combination of the beginning of the year amounts and the changes during the year resulted in a difference between the ending fund balance and the ending net position in the amount of ($11,756,276).		(11,756,276)
5 The 2022 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(1,519,962)
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes of $404,541,recognizing the liabilities associated with maturing long-term debt including interest in the amount of ($25,496), amortizing bond premiums of $79,334, amortizing deferred charge on refunding bonds of ($29,829), and recognizing accreted interest on capital appreciation bonds of ($19,488). The net effect of these reclassifications and recognitions is to increase net position.		409,062
19 **Net Position of Governmental Activities**	$	16,897,993

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

PERRYTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes		10 General Fund	Other Funds	Total Governmental Funds
	REVENUES:			
5700	Total Local and Intermediate Sources	$ 9,034,663	$ 2,035,785	$ 11,070,448
5800	State Program Revenues	10,779,930	372,423	11,152,353
5900	Federal Program Revenues	251,162	4,601,199	4,852,361
5020	Total Revenues	20,065,755	7,009,407	27,075,162
	EXPENDITURES:			
	Current:			
0011	Instruction	11,312,288	1,747,405	13,059,693
0012	Instructional Resources and Media Services	386,266	-	386,266
0013	Curriculum and Instructional Staff Development	165,819	64,848	230,667
0021	Instructional Leadership	38,243	272,518	310,761
0023	School Leadership	1,274,960	19,419	1,294,379
0031	Guidance, Counseling, and Evaluation Services	487,787	566,890	1,054,677
0032	Social Work Services	-	48,451	48,451
0033	Health Services	254,532	32,266	286,798
0034	Student (Pupil) Transportation	466,433	-	466,433
0035	Food Services	-	1,421,605	1,421,605
0036	Extracurricular Activities	1,347,662	119,556	1,467,218
0041	General Administration	1,122,424	24,330	1,146,754
0051	Facilities Maintenance and Operations	2,417,572	8,753	2,426,325
0052	Security and Monitoring Services	29,557	-	29,557
0053	Data Processing Services	156,258	8,796	165,054
	Debt Service:			
0071	Principal on Long-Term Liabilities	57,697	740,312	798,009
0072	Interest on Long-Term Liabilities	10,152	619,303	629,455
0073	Bond Issuance Cost and Fees	-	1,600	1,600
	Capital Outlay:			
0081	Facilities Acquisition and Construction	148,615	294,578	443,193
	Intergovernmental:			
0093	Payments to Fiscal Agent/Member Districts of SSA	246,982	383,558	630,540
0099	Other Intergovernmental Charges	214,569	-	214,569
6030	Total Expenditures	20,137,816	6,374,188	26,512,004
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(72,061)	635,219	563,158
	OTHER FINANCING SOURCES (USES):			
7912	Sale of Real and Personal Property	2,434	-	2,434
7915	Transfers In	447,753	40,000	487,753
8911	Transfers Out (Use)	(40,000)	(447,753)	(487,753)
7080	Total Other Financing Sources (Uses)	410,187	(407,753)	2,434
1200	Net Change in Fund Balances	338,126	227,466	565,592
0100	Fund Balance - September 1 (Beginning)	6,531,779	940,738	7,472,517
3000	Fund Balance - August 31 (Ending)	$ 6,869,905	$ 1,168,204	$ 8,038,109

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2022

Total Net Change in Fund Balances - Governmental Funds	$ 565,592
Current year capital outlays of $474,852 and long-term debt principal payments of $798,009 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2022 capital outlays and debt principal payments is to increase net position.	1,272,861
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(1,519,962)
Pension expenditures on the fund financial statements are recognized on the modified accrual basis of accounting; however, on the government-wide financial statements, pension expense is reported on the accrual basis of accounting in accordance with GASB 68, as amended. Differences occur as the result of timing of when pension contributions are made versus when they are recognized, as well as the result of changes in assumptions, differences between projected and actual earnings, differences between expected and actual experience, etc. The net effect of reporting pension expenses in accordance with GASB 68, as amended, is to increase the change in net position.	333,994
Other post-employment benefit expenditures on the fund financial statements are recognized on the modified accrual basis of accounting; however, on the government-wide financial statements, other post-employment benefit expense is reported on the accrual basis of accounting in accordance with GASB 75. Differences occur as the result of timing of when other post-employment benefit contributions are made versus when they are recognized, as well as the result of changes in assumptions, differences between projected and actual earnings, differences between expected and actual experience, etc. The net effect of reporting other post-employment benefit expenses in accordance with GASB 75 is to increase the change in net position.	708,798
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue and adjusting current year revenue to show the revenue earned from the current year's tax levy for a total net adjustment of ($6,410), recognizing the liabilities associated with maturing long-term debt and interest of $308, current year amortization of bond premiums and deferrals of $49,505, and recognizing accreted interest on capital appreciation bonds of ($19,488). The net effect of these reclassifications and recognitions is to increase the change in net position.	23,915
Change in Net Position of Governmental Activities	$ 1,385,198

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

PERRYTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2022

		Business-Type Activities
		Total Enterprise Funds
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	17,102
Investments - Current		45,000
Due from Other Governments		5,354
Accrued Interest		219
Other Receivables		5,468
Prepayments		4,249
Total Current Assets		77,392
Noncurrent Assets:		
Capital Assets:		
Right-to-Use Lease Asset		111,457
Total Noncurrent Assets		111,457
Total Assets		188,849
LIABILITIES		
Current Liabilities:		
Accounts Payable		4,228
Right-to-Use Leases Payable		12,507
Total Current Liabilities		16,735
Noncurrent Liabilities:		
Right-to-Use Lease Liability - Long Term		103,033
Total Noncurrent Liabilities		103,033
Total Liabilities		119,768
NET POSITION		
Net Investment in Capital Assets and Right-To-Use Lease Assets		(4,083)
Unrestricted Net Position		73,164
Total Net Position	$	69,081

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

PERRYTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022

	Business-Type Activities Total Enterprise Funds
OPERATING REVENUES:	
Local and Intermediate Sources	$ 188,848
State Program Revenues	370,127
Total Operating Revenues	558,975
OPERATING EXPENSES:	
Payroll Costs	401,425
Professional and Contracted Services	25,966
Supplies and Materials	34,565
Other Operating Costs	5,854
Amortization Expense	16,512
Interest Expense	5,572
Total Operating Expenses	489,894
Operating Income	69,081
Total Net Position September 1 (Beginning)	-
Total Net Position August 31 (Ending)	$ 69,081

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

EXHIBIT D-3

PERRYTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022

	Business-Type Activities Total Enterprise Funds
Cash Flows from Operating Activities:	
Cash Received from User Charges	$ 179,135
Cash Received from Operating Grants	439,302
Cash Payments to Employees for Services	(401,425)
Cash Payments for Suppliers	(141,618)
Cash Payments for Other Operating Expenses	(11,426)
Net Cash Provided by Operating Activities	63,968
Cash Flows from Capital & Related Financing Activities:	
Payments on right-to-use liabilities	(12,429)
Cash Flows from Investing Activities:	
Purchase of Investments	(45,000)
Net Increase in Cash and Cash Equivalents	6,539
Cash and Cash Equivalents at Beginning of Year	10,563
Cash and Cash Equivalents at End of Year	$ 17,102
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income:	$ 69,081
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Amortization	16,512
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Receivables	65,551
Decrease (increase) in Prepaid Expenses	(711)
Increase (decrease) in Accounts Payable	(104)
Increase (decrease) in Due to Other Funds	(80,272)
Increase (decrease) in Unearned Revenues	(6,089)
Net Cash Provided by Operating Activities	$ 63,968

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

EXHIBIT E-1

PERRYTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2022

	Private Purpose Trust Funds	Custodial Fund
ASSETS		
Cash and Cash Equivalents	$ 4,956	$ 62
Investments - Current	10,993	170,000
Other Receivables	-	531
Total Assets	15,949	$ 170,593
LIABILITIES		
Accounts Payable	-	23,482
Total Liabilities	-	23,482
NET POSITION		
Restricted for Scholarships	15,949	-
Restricted for Other Purposes	-	147,111
Total Net Position	$ 15,949	$ 147,111

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

EXHIBIT E-2

PERRYTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022

	Private Purpose Trust Funds	Custodial Fund
ADDITIONS:		
Contributions to Student Groups	$ -	$ 2,920
Miscellaneous Revenue - Student Activities	-	328,262
Local & Intermediate Sources	3,032	11
Total Additions	3,032	331,193
DEDUCTIONS:		
Supplies and Materials	-	12,548
Other Operating Costs	2,000	338,542
Total Deductions	2,000	351,090
Change in Fiduciary Net Position	1,032	(19,897)
Total Net Position September 1 (Beginning)	14,917	167,008
Total Net Position August 31 (Ending)	$ 15,949	$ 147,111

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

NOTES TO THE FINANCIAL STATEMENTS

PERRYTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Perryton Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board ("GASB") and other authoritative sources identified in *Codification of Statements on Auditing Standards* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's ("TEA") *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. REPORTING ENTITY

The Board of Trustees (the "Board") is elected by the public; has the authority to make decisions, appoint administrators and managers, and significantly influence operations; and has the primary accountability for fiscal matters, the District is not included in any other governmental financial reporting entity as defined by the GASB in its *Codification of Government Accounting and Financial Reporting Standards*. There are no component units included within the reporting entity. The District receives funding from local, state, and federal government sources and complies with the requirements of these funding source entities.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Perryton Independent School District's non-fiduciary activities with the applicable interfund activities removed. *Governmental Activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. *Business-type Activities* rely to a significant extent on fees and charges for support.

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

Interfund activities between governmental funds appear as due to/due from on the governmental fund balance sheet and as other resources and other uses on the governmental fund statement of revenues, expenditures and changes in fund balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. If present, interfund activities between governmental funds and proprietary funds or fiduciary funds remain as due to/due from on the government-wide Statement of Net Position.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories – governmental, proprietary and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are non-operating.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, deferred inflows of resources and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets and current liabilities (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end except for State funding formula grants which are recognized based upon funding formulas approved by the Texas Legislature and the TEA.

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

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

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

D. FUND ACCOUNTING

The District reports the following major governmental fund:

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

D. FUND ACCOUNTING (continued)

Additionally, the District reports the following fund type(s):

Non-major Governmental Funds:

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

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

Capital Projects Fund - The District uses the capital projects fund to account for various renovations and construction projects.

Proprietary Funds:

Enterprise Fund – The District accounts for revenues and expenses related to services provided to families with children that are enrolled at and attend the Ranger Roundup Early Learning Center daycare program.

Fiduciary Funds:

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

Private Purpose Trust Funds - The District accounts for donations for which the donor has stipulated that the principal be expended for a specific purpose in Private Purpose Trust Funds. The District’s Private Purpose Trust Funds are all Scholarship Funds.

E. BUDGETARY DATA

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

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

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.

2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days’ public notice of the meeting must be given.

PERRYTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

E. BUDGETARY DATA (continued)

3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end. Because the District has a policy of careful budgetary control, several budget amendments were necessary.

   There were no negative budget variances in the General Fund budget as shown on Exhibit G-1, the Child Nutrition Program as shown on Exhibit J-2, and the Debt Service Fund as shown on Exhibit J-3.

4. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. End-of-year outstanding encumbrances were all cancelled.

5. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end.

F. OTHER ACCOUNTING POLICIES

1. The Data Control Codes refer to the account code structure prescribed by TEA in the ***Financial Accountability System Resource Guide***. Texas Education Agency requires school districts to display these codes in the financial statements filed with the TEA in order to ensure accuracy in building a Statewide data base for policy development and funding plans.

2. The amounts on the financial statements have been rounded individually; consequently, some columns may not total and some schedules may not agree because of this rounding.

3. The District records purchases of supplies as expenditures. If a material amount of supplies is on hand at the end of the year, their total cost is recorded as inventory and reported as non-spendable fund balance for the same amount. At August 31, 2022, the amount of supplies on hand reported as inventory was $262,562. Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepaid items and the fund balance is reported as non-spendable for the same amount. Non-spendable fund balance for prepaid items was $382 as of August 31, 2022, as certain non-major governmental funds had prepayments of $20,352 but no fund balance at year end.

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

5. The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2022, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

6. Employees of the District are entitled to paid vacation and paid sick days depending on job classification, length of service, and other factors. It is impractical to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The District's policy is to recognize the costs of compensated absences when actually paid to employees.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

F. OTHER ACCOUNTING POLICIES (continued)

7. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Outlays for construction projects are capitalized and depreciated as projects are completed.

   Right-to-use assets, buildings, furniture and equipment of the District are depreciated or amortized using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	25-50
Building improvements	5-25
Furniture and equipment	7-20
Vehicles	7-15
Right-to-use lease assets	10

   GASB Statement 87, *Leases* created new financial statement accounts “Right-to-Use” lease assets and similar offsetting liabilities. A “Right-to-Use” asset accounts for the net present value of future payments attached to a leased asset. Common examples of “Right-to-Use” assets are building spaces, vehicles, copiers, printers and other types of equipment that the District does not take ownership of but uses under the lease agreement. The assets value will be amortized over the life of the lease using a straight line method. The liability offsetting the ”Right-to-Use” assets is presented as right-to-use leases payable.

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

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

10. The amounts on the statements have been rounded individually; consequently, some columns may not total and some schedules may not agree because of this rounding.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

F. OTHER ACCOUNTING POLICIES (continued)

11. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are expensed in the year paid on the government-wide financial statements. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as an expense in the year incurred on the fund financial statements.

12. In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources, if present. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. As of August 31, 2022, the District reported $1,507,990 of deferred outflows pertaining to its pension plan as discussed in more detail in Note II(J) and $1,102,249 of deferred outflows pertaining to its OPEB obligations as discussed in Note II(L). In addition, the District reported $312,431 of deferred outflows for deferred charges on bond refundings discussed in Note II(G). A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the repayment period of the refunded or refunding debt.

13. In addition to liabilities, the Statement of Net Position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) which will not be recognized as an inflow of resources (revenue) until that time. As of August 31, 2022, the District reported $3,525,901 of deferred inflows pertaining to its pension plan as discussed in more detail in Note II(J) and $6,540,866 pertaining to its OPEB plan as discussed in more detail in Note II(L). In addition, the District has one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue from property taxes in the amount of $404,541 is reported only in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

14. Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of the cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net investment in capital assets amount also is adjusted by any bond issuance deferral amounts. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted. The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

15. Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS:

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Investments

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

Policies Governing Deposits and Investments

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

a. Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District is not exposed to custodial credit risk for its deposits as all are covered by depository insurance and pledged securities.

b. Foreign Currency Risk: The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by not investing in deposits denominated in a foreign currency.

c. Interest Rate Risk: Interest rate risk arises from investments in debt instruments and is defined as "the risk that changes in interest rates will adversely affect the fair value of an investment". The District has a policy of investing in certificates of deposit or money market funds and, consequently, has no substantial interest-rate risk.

d. Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments include interest bearing accounts that are covered by depository insurance and pledged securities.

As of August 31, 2022, the District's investments, including those held in custodial and private purpose trust finds, in accounts other than interest bearing accounts at the District's depository bank consisted of the following which are valued at cost, which approximates market:

PERRYTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued):

A. DEPOSITS AND INVESTMENTS (continued)

Description	Maturity Date	Interest Rate %	Carrying Amount	Market Value	Credit Rating
Certificate of deposit - Charles Schwab	October 20, 2023	0.40%	$ 250,000	$ 250,000	N/A
Certificate of deposit - Fidelity	December 15, 2023	0.65%	200,000	200,000	N/A
Certificate of deposit - Fidelity	December 15, 2023	0.65%	68,000	68,000	N/A
Certificate of deposit - Perryton National Bank	September 9, 2022	0.63%	250,000	250,000	N/A
Certificate of deposit - Perryton National Bank	September 20, 2022	1.02%	750,000	750,000	N/A
Certificate of deposit - Perryton National Bank	October 11, 2022	0.83%	250,000	250,000	N/A
Certificate of deposit - Perryton National Bank	September 20, 2022	0.96%	150,000	150,000	N/A
Certificate of deposit - Perryton National Bank	September 20, 2022	0.96%	250,000	250,000	N/A
Certificate of deposit - Perryton National Bank	October 20, 2022	1.58%	500,000	500,000	N/A
Certificate of deposit - Perryton National Bank	October 20, 2022	1.73%	750,000	750,000	N/A
Certificate of deposit - Perryton National Bank	November 10, 2022	1.73%	250,000	250,000	N/A
Certificate of deposit - Perryton National Bank	September 20, 2022	1.44%	100,000	100,000	N/A
Certificate of deposit - Perryton National Bank	November 22, 2022	2.72%	1,000,000	1,000,000	N/A
Certificate of deposit - Perryton National Bank	December 9, 2022	2.74%	1,250,000	1,250,000	N/A
Certificate of deposit - Perryton National Bank	February 9, 2023	3.19%	500,000	500,000	N/A
Certificate of deposit - Perryton National Bank	February 22, 2023	3.33%	1,000,000	1,000,000	N/A
Certificate of deposit - Perryton National Bank	August 11, 2023	2.83%	163,896	163,896	N/A
Certificate of deposit - Perryton National Bank	September 20, 2022	1.26%	50,000	50,000	N/A
Certificate of deposit - Perryton National Bank	November 20, 2022	1.78%	25,000	25,000	N/A
Certificate of deposit - Perryton National Bank	August 24, 2023	3.33%	200,000	200,000	N/A
Certificate of deposit - Perryton National Bank	June 21, 2023	2.74%	8,193	8,193	N/A
Certificate of deposit - Perryton National Bank	June 21, 2023	2.74%	2,800	2,800	N/A
Certificate of deposit - Perryton National Bank	September 22, 2022	0.40%	25,000	25,000	N/A
Certificate of deposit - Perryton National Bank	October 23, 2022	0.40%	25,000	25,000	N/A
Certificate of deposit - Perryton National Bank	November 22, 2022	0.41%	25,000	25,000	N/A
Certificate of deposit - Perryton National Bank	December 21, 2022	0.42%	25,000	25,000	N/A
Certificate of deposit - Perryton National Bank	January 23, 2023	0.42%	25,000	25,000	N/A
Certificate of deposit - Perryton National Bank	February 22, 2023	0.51%	25,000	25,000	N/A
Certificate of deposit - Perryton National Bank	March 22, 2023	0.73%	25,000	25,000	N/A
Certificate of deposit - Perryton National Bank	April 22, 2023	1.06%	25,000	25,000	N/A
Certificate of deposit - Perryton National Bank	May 22, 2023	1.72%	25,000	25,000	N/A
Certificate of deposit - Perryton National Bank	June 21, 2023	1.88%	25,000	25,000	N/A
Certificate of deposit - Perryton National Bank	July 22, 2023	2.85%	25,000	25,000	N/A
Certificate of deposit - Perryton National Bank	August 22, 2023	3.27%	20,000	20,000	N/A
Certificate of deposit - Perryton National Bank	September 21, 2023	3.43%	25,000	25,000	N/A
Certificate of deposit - Perryton National Bank	March 31, 2023	1.40%	161,963	161,963	N/A
Certificate of deposit - Perryton National Bank	April 14, 2023	1.78%	15,000	15,000	N/A
Certificate of deposit - Perryton National Bank	May 12, 2023	1.78%	15,000	15,000	N/A
Certificate of deposit - Perryton National Bank	June 15, 2023	1.88%	15,000	15,000	N/A
			$ 8,494,852	$ 8,494,852	

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued):

C. DELINQUENT TAXES RECEIVABLE

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

D. INTERFUND BALANCES AND TRANSFERS

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

Interfund balances reported on the fund financial statements at August 31, 2022, consisted of the following amounts:

	Due From:		
Due to:	General Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ 123,049	$ 123,049
Non-Major Governmental Funds	50,728	94,577	145,305
Total	$ 50,728	$ 217,626	$ 268,354

Interfund transfers reported on the fund financial statements at August 31, 2022, consisted of the following amounts:

	Transfer out:		
Transfer in:	General Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ 447,753	$ 447,753
Non-Major Governmental Funds	40,000	-	40,000
Total	$ 40,000	$ 447,753	$ 487,753

The transfers into the General Fund relate to special revenue funds transferring into the General Fund dollars related to consolidated administrative funds. The transfers from the General Fund related to annual funding of amounts allocated to the Capital Projects Fund for future stadium turf improvements.

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued):

E. CAPITAL ASSET AND RIGHT-TO-USE ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2022, was as follows:

	Beginning Balance	Additions	Disposals/ Adjustments	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land	$ 355,041	$ -	$ -	$ 355,041
Construction in Progress	196,331	54,104	(196,331)	54,104
Total capital assets not being depreciated	551,372	54,104	(196,331)	409,145
Capital assets, being depreciated:				
Buildings and improvements	53,531,435	571,949	-	54,103,384
Furniture and equipment	1,589,719	45,130	-	1,634,849
Vehicles	2,823,311	-	(45,194)	2,778,117
Total capital assets being depreciated	57,944,465	617,079	(45,194)	58,516,350
Less: Accumulated depreciation for:				
Buildings and improvements	16,660,364	1,287,090	-	17,947,454
Furniture and equipment	1,132,674	73,977	-	1,206,651
Vehicles	1,824,976	158,895	(45,194)	1,938,677
Total accumulated depreciation	19,618,014	1,519,962	(45,194)	21,092,782
Total capital assets, being depreciated, net	38,326,451	(902,883)	-	37,423,568
Governmental activities capital assets, net	$ 38,877,823	$ (848,779)	$ (196,331)	$ 37,832,713

Right -to-use lease asset activity for the year ended August 31, 2022, was as follows:

	Beginning Balance	Additions	Disposals/ Adjustments	Ending Balance
Business Type activities				
Right-to-use assets being amortized:				
Buildings	$ 127,969	$ -	$	$ 127,969
Total right-to-use assets being amortized	127,969	-	-	127,969
Less: Accumulated amortization for:				
Buildings	-	16,512	-	16,512
Total accumulated amortization	-	16,512	-	16,512
Total right-to-use assets, being amortized, net	127,969	(16,512)	-	111,457
Business Type activities right-to-use assets, net	$ 127,969	$ (16,512)	$ -	$ 111,457

PERRYTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued):

E. CAPITAL ASSET AND RIGHT-TO-USE ASSET ACTIVITY (continued):

The District had various projects ongoing during the year. Additional information on projects still in process can be found in Note II(W). Below is a summary of the changes in construction in progress for the year ended August 31, 2022:

	Balance 9/1/21	Costs Incurred	Projects Completed	Balance 8/31/22
Construction in Progress:				
Softball Complex	$ 100,714	$ 148,615	$ (249,329)	$ -
Portable Science Lab Building	95,617	67,743	(163,360)	-
HVAC Replacement Project	-	54,104	-	54,104
Total Construction in Progress	$ 196,331	$ 270,462	$ (412,689)	$ 54,104

Depreciation expense was charged to governmental functions as follows:

Instruction	$ 818,664
Instructional resources and media services	11,518
Curriculum & instructional staff development	1,380
Instructional leadership	2,771
School leadership	6,968
Guidance, counseling and evaluation services	6,399
Health services	3,166
Student (Pupil) transportation	75,365
Food services	16,410
Co-curricular/extracurricular activities	212,831
General administration	5,774
Facilities maintenance and operations	346,219
Security and monitoring services	6,196
Data processing services	6,047
Community services	254
Total depreciation expense	$ 1,519,962

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued):

F. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables in the fund financial statements at August 31, 2022, were as follows:

	Property Taxes	Due from Other Governments	Accrued Interest	Other Receivables	Total
Governmental Funds:					
General Fund	$ 568,203	$ 40,182	$ 26,294	$ 2,705	$ 637,384
Non-Major Governmental Funds	54,168	360,447	2,837	143,543	560,995
Total - Governmental Funds	$ 622,371	$ 400,629	$ 29,131	$ 146,248	$ 1,198,379
Amounts not scheduled for collection during the subsequent year	$ (217,830)	$ -	$ -	$ -	$ (217,830)
Proprietary Funds:					
Enterprise Fund	$ -	$ 5,354	$ 219	$ 5,468	$ 11,041
Total - Proprietary Funds	$ -	$ 5,354	$ 219	$ 5,468	$ 11,041

Payables in the fund financial statements at August 31, 2022, were as follows:

	Accounts Payable	Accrued Salaries and Benefits	Due to Other Governments	Accrued Expenditures	Total
Governmental Funds:					
General Fund	$ 160,285	$ 874,985	$ 783,278	$ 16,269	$ 1,834,817
Non-Major Governmental Funds	20,964	157,238	26,510	8,923	213,635
Total - Governmental Funds	$ 181,249	$ 1,032,223	$ 809,788	$ 25,192	$ 2,048,452
Proprietary Funds:					
Enterprise Fund	$ 4,228	$ -	$ -	$ -	$ 4,228
Total - Proprietary Funds	$ 4,228	$ -	$ -	$ -	$ 4,228

G. BONDS, RIGHT-TO-USE LIABILITIES, AND LONG-TERM LIABILITIES

Bonded and loan indebtedness of the District is reflected in the government-wide Statement of Net Position, and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. There are a number of limitations and restrictions contained in the bond indenture. The District's administrators believe that the District is in compliance with all significant limitations and restrictions at August 31, 2022.

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued):

G. BONDS, RIGHT-TO-USE LIABILITIES, AND LONG-TERM LIABILITIES (continued)

In a previous year, the District issued $10,000,000 of Unlimited Tax School Building Bonds, Series 2011A&B (the "Series 2011 Bonds"). Proceeds from the sale of the bonds were used to (1) construct, renovate, and equip school buildings and to purchase school buses, and (2) to pay the costs associated with the sale of the bonds. The bonds are direct and voted obligations of the District, payable from an annual ad valorem tax levied on all taxable property within the District. Interest on the bonds is payable semi-annually on February 15th and August 15th of each year, and range at rates from 4.649% to 5.000%. The bonds' final maturity date is August 15, 2036. During the year ended August 31, 2017, the District refunded $4,075,000 of the Series 2011 Bonds as discussed below. The outstanding balance of the Series 2011 Bonds as of August 31, 2022 was $1,851,562. The Series 2011 Bonds were issued at a premium of $71,046, which is being amortized over the life of the Series 2011 bonds using the effective interest method. Current year amortization of the premium was $6,459.

The Series 2011A Bonds were issued as Qualified School Construction Bonds pursuant to Section 54F of the Internal Revenue Code of 1986, as amended. The District made an irrevocable election to treat the Series 2011A Bonds as Specified Tax Credit Bonds pursuant to Section 6431(f) of the Internal Revenue Code and receives an annual federal subsidy from the United States Treasury with respect to each interest payment on the Series 2011A Bonds. For the year ended August 31, 2022, the District earned $259,752 in federal interest subsidies which was reported as federal revenue in the Debt Service Fund on the Statement of Revenues, Expenditures and Changes in Fund Balance in the fund financial statements.

In a previous year, the District issued $9,180,000 of Unlimited Tax School Building Bonds, Series 2012 (the "Series 2012 Bonds"). Proceeds from the sale of the bonds were used to (1) construct, renovate and equip school buildings and (2) to pay the costs associated with the sale of the bonds. The bonds are direct and voted obligations of the District, payable from an annual ad valorem tax levied on all taxable property within the District. Interest on the bonds is payable semi-annually on February 15th and August 15th of each year, and range at rates from 2.000% to 3.250%. The bonds' final maturity date is August 15, 2036. The outstanding balance of the Series 2012 Bonds as of August 31, 2022 was $6,050,000. The Series 2012 Bonds were issued at a premium of $418,568, which is being amortized over the life of the Series 2012 bonds using the effective interest method. Current year amortization of the premium was $29,202.

On July 25, 2017 the District issued $4,058,712 of Unlimited Tax Refunding Bonds Series 2017 (the “Series 2017 Bonds”) to advance refund $4,075,000 of the Series 2011 Bonds in order to achieve debt service savings. The 2011 Series Bond maturities that were refunded were serial bonds with 2028 through 2032 maturities totaling $2,045,000 and a term bond in the amount of $2,030,000 with a final maturity in 2036, with interest rates of 5.00%. The net proceeds from the issuance of the Series 2017 Bonds were used to purchase U.S. Government Securities, and those securities were deposited into an irrevocable trust with an escrow agent to provide debt service payments until the Series 2011 Bonds are refunded. The advance refunding met the requirements of an in-substance defeasance, and therefore, the Series 2011 Bonds refunded have been removed from the District’s government-wide financial statements. The amount of defeased bonds outstanding were $4,075,000 as of August 31, 2022.

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued):

G. BONDS, RIGHT-TO-USE LIABILITIES, AND LONG-TERM LIABILITIES (continued)

The Series 2017 Bonds consisted of two types of bonds, $3,900,000 of serial bonds and $158,712 of capital appreciation bonds. The serial bonds bear interest at rates of 2.00% to 4.00% and have maturity dates from August 15, 2018 through August 15, 2036. The capital appreciation bonds have a maturity date of August 15, 2028, and unlike most bonds which pay interest semi-annually over the life of the bond, the capital appreciation bonds do not pay interest until maturity. The total amount of Series 2017 bonds outstanding including both serial and capital appreciation bonds as of August 31, 2022 was $3,938,712. The current year's accreted interest on the Series 2017 capital appreciation bonds was $19,488 and the accumulated accreted interest was $82,636 as of August 31, 2022. The Series 2017 Bonds were issued at a premium of $639,683, which is being amortized over the life of the Series 2017 bonds using the effective interest method. Current year amortization of the net premium was $43,673.

The District follows the reporting guidance of GASB 65 for the reporting of the Series 2017 Bonds. Under GASB 65, since the Series 2017 Bonds are considered to be an in-substance defeasance of the Series 2011 Bonds refunded, the difference between the reacquisition price (the amount required to repay previously issued debt in a refunding transaction – in the District's case the amount placed in escrow that, together with interest earnings, is necessary to pay interest and principal on the old debt) and the net carrying value (the amount due at maturity, adjusted for any unamortized premium or discount related to the old debt) is reported as a deferred outflow of resources and is being amortized over the remaining life of the Series 2011 Bonds using the effective interest method. The reacquisition price of the Series 2011 Bonds was $4,585,717 and the net carrying value was $4,123,863, which resulted in a deferred outflow of resources of $461,854. The current year's amortization of the deferred outflow of resources was $29,829.

The old net cash flow requirements of the District for bonds affected by the 2011 refunding prior to issuance of the Series 2017 Bonds were $7,196,750 from 2018 to 2036 and the net new cash flow requirements were $6,629,514 after issuance of the Series 2017 Bonds. The advance refunding resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $450,894.

During the year ended August 31, 2020, the District entered into a $606,206 loan agreement with the State Energy Conservation Office. Proceeds from the loan were used to cover the costs of a lighting upgrade project undertaken by the District. Principal and interest payments are due quarterly on February 28th, May 31st, August 31st, and November 30th of each year. The loan bears interest at 2%, and matures on February 28, 2030. The outstanding balance of this loan as of August 31, 2022 was $464,094.

In total, during the year ended August 31, 2022, the District amortized $79,334 of the net premiums on bond issuances, which was recorded as a reduction in interest expense reported on the Statement of Activities.

During the year ended August 31, 2022, the District amortized $29,829 of deferred charges on bond refundings, which was recorded as an increase in interest expense reported on the Statement of Activities.

During the year ended August 31, 2022, the District recognized $19,488 of accreted interest on capital appreciation certificates, which was recorded as an increase in interest expense reported on the Statement of Activities.

PERRYTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued):

G. BONDS, RIGHT-TO-USE LIABILITIES, AND LONG-TERM LIABILITIES (continued)

A summary of changes in bonds payable for the year ended August 31, 2022 is as follows:

Bonds Payable	Interest Rate Payable	Original Amount	Interest Paid Current Year	Payable/ Amounts Outstanding 9/01/21	Additions	Retired	Payable/ Amounts Outstanding 8/31/22	Due Within One Year
Unlimited Tax School Building Bonds, Series 2011A&B Serial & Term Bonds	4.649% to 5.00%	$ 10,000,000	$ 275,453	$ 2,221,874	$ -	$ 370,312	$ 1,851,562	$ 370,312
Unlimited Tax School Building Bonds, Series 2012 Serial & Term Bonds	2.00% to 3.25%	9,180,000	200,200	6,395,000	-	345,000	6,050,000	355,000
Unlimited Tax School Refunding Bonds, Series 2017 Serial Bonds	2.00% to 4.00%	3,900,000	150,950	3,805,000	-	25,000	3,780,000	25,000
Unlimited Tax School Refunding Bonds, Series 2017 Capital Appreciation Bonds	2.50%	158,712	-	158,712	-	-	158,712	-
State Energy Conservation Office Energy Lighting Project - Loan LC35	2.00%	606,206	11,292	521,791	-	57,697	464,094	58,860
Total Long Term Debt Payable			$ 637,895	$ 13,102,377	$ -	$ 798,009	$ 12,304,368	$ 809,172

	Balance 9/01/21	Additions	Current Year Reductions/ Amortization	Balance 8/31/22
Unamortized premium on bond issuance	$ 769,939	$ -	$ (79,334)	$ 690,605
Unamortized deferred charge on bond refunding	$ 342,260	$ -	$ (29,829)	$ 312,431
Accumulated accreted interest on capital appreciation bonds	$ 63,148	$ 19,488	$ -	$ 82,636

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued):

G. BONDS, RIGHT-TO-USE LIABILITIES, AND LONG-TERM LIABILITIES (continued)

Debt service requirements for bonds are as follows as of August 31, 2022:

Year Ended August 31,	Principal	Interest	Total Requirements
2023	$ 809,172	$ 345,439	$ 1,154,611
2024	820,358	332,853	1,153,211
2025	831,567	319,943	1,151,510
2026	842,802	306,709	1,149,511
2027	859,061	293,150	1,152,211
2028-2032	4,171,408	1,402,911	5,574,319
2033-2036	3,970,000	365,863	4,335,863
Total	$ 12,304,368	$ 3,366,868	$ 15,671,236

The District has recorded a right-to-use lease asset as a result of implementing GASB 87, *Leases* in its enterprise fund. The right-to-use asset was initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-to-use asset is amortized on a straight-line basis over the life of the related lease. The effect of the recognition of the right-to-use lease asset and liability as discussed above in accordance with GASB 87, results in a deficit net investment in capital assets and right-to-use lease assets on the District's business-type and proprietary fund financial statements as of August 31, 2022.

The District entered an agreement to lease space for its Ranger Roundup Learning Center daycare operations beginning in April 2019. Under the terms of the lease, the district pays a monthly fee of $1,500 for the first five years. The monthly fee increases to $1,750 for the last 62 months of the lease term. The lease term ends in May 2029, and does not include any renewal provisions.

At August 31, 2022, the District has recognized a right-to-use asset net of accumulated amortization of $111,457 and a lease liability of $115,540 related to the agreement. During the fiscal year, the District recorded $16,512 in amortization expense and $5,572 in interest expense for the right-to-use building space. The District used a discount rate of 5.0%, which is the estimated incremental borrowing rate available for the District. Following is a summary of the changes in the District's right-to-use liabilities for the year ended August 31, 2022:

Right-to-Use Leases Payable	Lease Term	Interest Rate Payable *	Interest Paid Current Year	Payable/ Amounts Outstanding 09/01/21	Additions	Principal Paid	Payable/ Amounts Outstanding 08/31/22	Current Portion
Building space	122 Months	5.00%	$ 5,572	$ 127,969	$ -	$ (12,429)	$ 115,540	$ 12,507
Total Right-to-Use Lease Payable			$ 5,572	$ 127,969	$ -	$ (12,429)	$ 115,540	$ 12,507

*There is no stated interest rate on the lease; an incremental borrowing rate of 5% was assumed for the lease agreement

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued):

G. BONDS, RIGHT-TO-USE LIABILITIES, AND LONG-TERM LIABILITIES (continued)

The following is a summary of the future payments on the right-to-use liabilities:

Year Ended August 31,		Principal		Interest		Total Requirements
2023	$	12,507	$	5,493	$	18,000
2024		14,407		4,843		19,250
2025		16,954		4,046		21,000
2026		17,821		3,179		21,000
2027		18,733		2,267		21,000
2028-2029		35,118		1,632		36,750
Total	$	115,540	$	21,460	$	137,000

H. UNEARNED REVENUES

Unearned revenue as of August 31, 2022 in the fund financial statements consisted of the following:

		Non-Major Governmental Funds
National School Lunch & Breakfast Program	$	58,204
COVID-19 School Heath Support Grant		53,059
Total unearned revenues	$	111,263

I. FUND BALANCE

The District's fund balances for its governmental funds are presented in accordance with GASB 54, which classifies fund balance based on the level of constraints place on the usage of fund resources. Under GASB 54, fund balances for governmental funds are reported in the following categories:

1. Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

2. Restricted - The restricted fund balance classification includes amounts that are restricted to specific purposes. Fund balance is reported as restricted when constraints place on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued):

I. FUND BALANCE (continued)

3. Committed - The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority, the Board of Trustees. Formal action consists of a board resolution by a majority vote of the District's Board of Trustees in a publicly held scheduled meeting. Committed fund balance amounts cannot be used for any other purpose unless the Board of Trustees removes or changes the specified use by taking same type of action (board resolution). Commitments may be for facility expansion or renovation, program modifications, wage and salary adjustments, financial cushions (rainy day funds), and other purposes determined by the Board of Trustees. Committed fund balance also incorporates contractual obligations for the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

4. Assigned - The assigned fund balance classification includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Trustees may delegate authority to specified persons or groups to make assignments of certain fund balances by a majority vote in a scheduled meeting. The Board of Trustees may modify or rescind its delegation of authority by the same action. The authority to make assignments shall be in effect until modified or rescinded by the Board of Trustees by majority vote in a publicly scheduled meeting. The Board of Trustees has delegated the authority to make assignments of fund balance amounts to the District's Superintendent or his designee.

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

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

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued):

I. FUND BALANCE (continued)

The District's governmental fund balances as of August 31, 2022 are reported as follows on the fund financial statements:

	General Fund	Non-Major Governmental Funds	Total
Nonspendable:			
Inventories	$ 215,310	$ 47,252	$ 262,562
Prepaid items	382		382
Restricted:			
Retirement of long-term debt	-	300,565	300,565
Federal or state funds restricted fund balance:			
National School Lunch & Breakfast Program		59,933	59,933
Advanced placement initiatives		237	237
Instructional materials allotment	-	24,029	24,029
SSA - Special education	-	295,750	295,750
Assigned:			
Campus activity funds	-	175,019	175,019
Academic enrichment fund	-	71,058	71,058
Athletic booster club donations	-	31,447	31,447
Capital projects	-	162,914	162,914
Unassigned	6,654,213	-	6,654,213
Total fund balances	$ 6,869,905	$ 1,168,204	$ 8,038,109

J. DEFINED BENEFIT PENSION PLAN

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

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

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

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued):

J. DEFINED BENEFIT PENSION PLAN (continued)

The information provided in the Notes to the Financial Statements in the 2021 Annual Comprehensive Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2021:

Net Pension Liability		
Total pension liability	$	227,273,463,630
Less: Plan fiduciary net position		(201,807,002,496)
Net pension liability	$	25,466,461,134
Net position as a percentage of total pension liability		88.79%

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

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

Contributions. Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation paid to members of the system during the fiscal year. Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rate for fiscal years 2020 thru 2025.

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued):

J. DEFINED BENEFIT PENSION PLAN (continued)

Contribution Rates and Amounts

	2021	2022
Member	7.70%	8.00%
Non-Employer Contributing Entity (State)	7.50%	7.75%
Employers	7.50%	7.50%
Perryton ISD 2022 Employer Contributions		$ 490,386
Perryton ISD 2022 Member Contributions		$ 1,200,803
Perryton ISD 2022 NECE On-behalf Contributions		$ 910,997

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

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

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

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

- All public schools, charter schools, and regional education service centers must contribute 1.6 percent of the member's salary beginning in fiscal year 2021, gradually increasing to 2 percent in fiscal year 2025.
- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions. The actuarial valuation was performed as of August 31, 2020. Update procedures were used to roll forward the total pension liability to August 31, 2021.

The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumptions were selected by the Board of Trustees based upon analysis and recommendations by the Systems actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the Plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the three year period ending August 31, 2017 and were adopted in July 2018.

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued):

J. DEFINED BENEFIT PENSION PLAN (continued)

The total pension liability in the August 31, 2020 actuarial valuation rolled forward to August 31, 2021 was determined using the following actuarial assumptions:

Valuation date	August 31, 2020 rolled forward to August 31, 2021
Actuarial cost method	Individual Entry Age Normal
Asset valuation method	Fair Value
Single discount rate	7.25%
Long term expected investment rate of return	7.25%
Municipal bond rate as of August 2021	1.95% - Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index"
Last year ending August 31 in Projection Period (100 years)	2120
Inflation	2.30%
Salary increase including inflation	3.05% to 9.05% including inflation
Ad hoc post-employement benefit changes	None

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuations as of August 31, 2020. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2020.

Discount Rate. A single discount rate of 7.25% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.25%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments is 7.25%. The long term expected rate of return on pension plan investments was determined using a building block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued):

J. DEFINED BENEFIT PENSION PLAN (continued)

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2021 are summarized below:

Asset Class*	Target Allocation** %	Long-Term Expected Arithmetic Real Rate of Return***	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.A.	18.00%	3.60%	0.94%
Non-U.S. Developed	13.00%	4.40%	0.83%
Emerging Markets	9.00%	4.60%	0.74%
Private Equity	14.00%	6.30%	1.36%
Stable Value			
Government Bonds	16.00%	-0.20%	0.01%
Absolute Return	0.00%	1.10%	0.00%
Stable Value Hedge Funds	5.00%	2.20%	0.12%
Real Return			
Real Estate	15.00%	4.50%	1.00%
Energy, Natural Resources and Infrastructure	6.00%	4.70%	0.35%
Commodities	0.00%	1.70%	0.00%
Risk Parity			
Risk Parity	8.00%	2.80%	0.28%
Asset Allocation Leverage			
Cash	2.00%	-0.70%	-0.01%
Asset Allocation Leverage	-6.00%	-0.50%	0.03%
Inflation Expectation			2.20%
Volatility Drag****			-0.95%
Expected Return	100.00%		6.90%

* Absolute Return includes Credit Sensitive Investments
** Target allocation based on the FY2021 policy model
*** Capital Market Assumptions come from Aon Hewitt (as of 08/31/2021)
**** The volatility drag results from the conversion between arithmetic and geometric mean returns

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued):

J. DEFINED BENEFIT PENSION PLAN (continued)

Discount Rate Sensitivity Analysis. The following schedule shows the impact on the net pension liability if the discount rate used was 7.25%, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
District's proportionate share of the net pension liability	$ 6,145,779	$ 2,812,509	$ 108,216

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of resources Related to Pensions. At August 31, 2022, the District reported a liability of $2,812,509 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	$ 2,812,509
State's proportionate share that is associated with the District	5,436,440
Total	$ 8,248,949

The net pension liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2020 thru August 31, 2021.

At August 31, 2021 the employer's proportion of the collective net pension liability was 0.01104397%, which was a decrease of 0.0001857908% from its proportion measured as of August 31, 2020 which was 0.0112297608%.

Changes Since the Prior Actuarial Valuation. There were no changes in assumptions since the prior measurement date.

Changes of Benefit Terms Since the Measurement Date. For the measurement period from September 1, 2020 through August 31, 2021, the District recognized pension expense of $21,734 and revenue of $21,734 for support provided by the State in the government-wide statement of activities for the year ended August 31, 2022.

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued):

J. DEFINED BENEFIT PENSION PLAN (continued)

At August 31, 2022 the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 4,707	$ 198,003
Changes in actuarial assumptions	994,167	433,372
Difference between projected and actual investment earnings	-	2,358,252
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	18,730	536,274
Contributions paid to TRS subsequent to the measurement date	490,386	-
Total	$ 1,507,990	$ 3,525,901

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended August 31:	Pension Expense Amount	Balance of Deferred Outflows (Deferred Inflows)
2023	$ (471,367)	$ (2,036,930)
2024	(498,928)	(1,538,002)
2025	(683,184)	(854,818)
2026	(796,037)	(58,781)
2027	(49,134)	(9,647)
Thereafter	(9,647)	-
	$ (2,508,297)	

K. MEDICARE PART D - ON BEHALF PAYMENT

Federal Government Retiree Drug Subsidy - Medicare Part D allows for the TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. On-behalf payments must be recognized as equal revenues and expenditures/expenses by each reporting entity. Payments made on-behalf of the District for the fiscal years ended August 31, 2022, 2021, and 2020 were $62,368, $65,741, and $63,725, respectively.

L. DEFINED OTHER POST EMPLOYMENT BENEFIT PLAN

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

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued):

L. DEFINED OTHER POST EMPLOYMENT BENEFIT PLAN (continued)

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

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

The information provided in the Notes to the Financial Statements in the 2021 Comprehensive Annual Financial Report for TRS-Care provides the following information regarding the Other Post-Employment Benefit Plan fiduciary net position as of August 31, 2021:

Net OPEB Liability		
Total OPEB liability	$	41,113,711,083
Less: Plan fiduciary net position		(2,539,242,470)
Net OPEB liability	$	38,574,468,613
Net position as a percentage of total OPEB liability		6.18%

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

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

TRS-Care Monthly Plan Premium Rates				
		Medicare		Non-Medicare
Retiree or Surviving Spouse	$	135	$	200
Retiree and Spouse		529		689
Retiree or Surviving Spouse and Children		468		408
Retiree and Family		1,020		999

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

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued):

L. DEFINED OTHER POST EMPLOYMENT BENEFIT PLAN (continued)

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act.

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

Contribution Rates and Amounts

	2021	2022
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding Remitted by Employers	1.25%	1.25%
Perryton ISD 2022 Employer Contributions		$ 123,611
Perryton ISD 2022 Member Contributions		$ 97,571
Perryton ISD 2022 NECE On-behalf Contributions		$ 171,422

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS Care OPEB program). When employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of $535 per retiree. TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of $5,520,343 in fiscal year 2021 for consumer protections against medical and health care billing by certain out-of-network providers.

Actuarial Assumptions - The actuarial valuation was performed as of August 31, 2020. Updated procedures were used to roll forward the total OPEB liability to August 31, 2021. The actuarial valuation was determined using the following assumptions.

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2020 TRS pension actuarial valuation that was rolled forward to August 31, 2021:

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

The active mortality rate was based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post–retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Health Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the mortality projection scale MP-2018.

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued):

L. DEFINED OTHER POST EMPLOYMENT BENEFIT PLAN (continued)

Additional Actuarial Methods and Assumptions:	
Valuation date	August 31, 2020 rolled forward to August 31, 2021
Actuarial cost method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	1.95% as of August 31, 2021
Aging factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Salary increases	3.05% to 9.05%, including inflation
Ad hoc post-employement benefit changes	None

Discount Rate - A single discount rate of 1.95% was used to measure the total OPEB liability. There was a decrease of 0.38 percent in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate.

The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to *not be able* to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fidelity "20-year Municipal GO AA Index" as of August 31, 2021 using the Fixed-Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Discount Rate Sensitivity Analysis - The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (1.95%) in measuring the net OPEB liability:

	Sensitivity of the Net OPEB Liability to the Single Discount Rate Assumptions		
	1% Decrease	**Current Single Discount Rate**	**1% Increase**
	0.95%	1.95%	2.95%
District's proportionate share of the net OPEB liability	$ 7,620,552	$ 6,317,659	$ 5,292,239

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued):

L. DEFINED OTHER POST EMPLOYMENT BENEFIT PLAN (continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs - At At August 31, 2022, the District reported a liability of $6,317,659 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	$	6,317,659
State's proportionate share that is associated with the District		8,464,254
Total	$	14,781,913

The net OPEB liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2020 thru August 31, 2021..

At August 31, 2021 the employer's proportion of the collective net OPEB liability was 0.01637782% compared to 0.01687634% as of August 31, 2020. This is a decrease of 0.00049852%.

The following schedule shows the impact of the net OPEB liability if a healthcare trend rate that is 1% less than 1% greater than the health trend rate assumed.

	Sensitivity of the Net OPEB Liability to the Healthcare Cost Trend Rate Assumptions		
	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	$ 5,117,094	$ 6,317,659	$ 7,928,518

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

- The discount rate changed from 2.33 percent as of August 31, 2020 to 1.95 percent, as of August 31, 2021. This change increased the total OPEB Liability (TOL).

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

For the year ended August 31, 2022, the District recognized OPEB expense of ($312,396) and revenue of ($312,396) for support provided by the State.

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued):

L. DEFINED OTHER POST EMPLOYMENT BENEFIT PLAN (continued)

At August 31, 2022, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 272,005	$ 3,058,189
Changes in actuarial assumptions	699,755	1,336,068
Difference between projected and actual investment earnings	6,859	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	19	2,146,609
Contributions paid to TRS subsequent to the measurement date	123,611	-
Total	$ 1,102,249	$ 6,540,866

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

Year ended August 31:	OPEB Expense Amount	Balance of Deferred Outflows (Deferred Inflows)
2023	$ (1,039,352)	(4,522,876)
2024	(1,039,506)	(3,483,370)
2025	(1,039,464)	(2,443,906)
2026	(873,169)	(1,570,737)
2027	(648,030)	(922,707)
Thereafter	(922,707)	-
	$ (5,562,228)	

M. CAFETERIA PLAN

During the year ended August 31, 2022, the District offered a cafeteria plan meeting the requirements of Section 125 of the Internal Revenue Code to all full-time employees. Under the cafeteria plan participants designate a portion of their salary to be contributed to the cafeteria plan to pay for selected unreimbursed expenses. Eligible unreimbursed expenses include medical expenses, child and dependent care costs, term life insurance costs, health insurance costs, cancer insurance cost and dental expenses. By contributing to the cafeteria plan, employees can receive certain income tax benefits.

N. HEALTH CARE COVERAGE

The District provided health care benefits to employees and their dependents through the statewide TRS Active Care Benefits Program, a public entity risk pool, The District contributed $275 per month per employee to the plan, and employees, at their option, authorized payroll withholdings to provide coverage for dependents. Health claim payments were processed by the administrators of the TRS Active Care Benefits Program. The Teacher Retirement System of Texas (TRS) manages TRS Active Care. The District's participation in the program is renewable annually.

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued):

O. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

During the year ended August 31, 2022, revenues from local and intermediate sources in the fund financial statements consisted of the following:

	General Fund	Non-Major Governmental Funds	Enterprise Fund	Total
Property taxes	$ 8,633,440	$ 1,111,975	$ -	$ 9,745,415
Tuition and fees	-	-	188,629	188,629
Services to other districts	4,025	1,505	-	5,530
Food sales	-	169,392	-	169,392
Investment income	51,540	8,748	219	60,507
Gifts and bequests	-	85,812	-	85,812
Penalties, interest, and other tax related income	275,754	8,450	-	284,204
Athletic revenues	37,568	3,924	-	41,492
Shared service arrangement	-	486,154	-	486,154
Insurance recovery	1,837	-	-	1,837
Other	30,499	159,825	-	190,324
	$ 9,034,663	$ 2,035,785	$ 188,848	$ 11,259,296

P. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. The District also has receivables from other local governments for the collection of property taxes for the month of August 2022 that were not remitted to the District until after year end. Amounts due from other governments as of August 31, 2022, are summarized below. All federal grants shown below are passed through the TEA or Texas Workforce Commission (TWC) and are reported on the combined financial statements as Due from Other Governments:

	Property Taxes	Federal Grants	State Grants / Other	Total
General Fund	$ 37,252	$ 2,930	$ -	$ 40,182
Non-Major Governmental Funds	3,944	347,436	9,067	360,447
Enterprise Fund	-	-	5,354	5,354
Total	$ 41,196	$ 350,366	$ 14,421	$ 405,983

Q. LITIGATION AND CONTINGENCIES

The District participates in numerous state and federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2022 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

PERRYTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued):

R. JOINT VENTURE - SHARED SERVICE ARRANGEMENTS

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides for education programs for children with disabilities. In addition to the District, the other participating members are Spearman ISD, Follett ISD, Booker ISD, and Lefors ISD. Specifically, the District is administrating a program under the IDEA Part B, Formula grant from the U.S. Department of Education, passed through the TEA. The District receives monies from the TEA and distributions to other member districts. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities for this grant in Special Revenue Fund No. 313 and has accounted for using Model 1 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below.

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides for preschool children with disabilities. In addition to the District, the other participating members are Spearman ISD and Booker ISD. Specifically, the District is administrating a program under the IDEA Part B, Preschool grant from the U.S. Department of Education, passed through the TEA. The District receives monies from the TEA and distributions to other member districts. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities for this grant in Special Revenue Fund No. 314 and has accounted for using Model 1 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below.

The District is the fiscal agent for a Shared Services Arrangement (“SSA”) which provides speech therapists for special education member districts. In addition to the District, other member districts include Spearman ISD, Booker ISD, Follett ISD, Lefors-Campos ISD, Darouzett ISD, and Lefors ISD. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in Special Revenue Fund No. 437, Shared Services Arrangements - Special Education, which has been accounted for using Model 3 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

	Fund 313	Fund 314	Fund 437
Perryton ISD	$ 522,581	$ 20,904	$ 262,945
Booker ISD	64,694	2,527	60,384
Spearman ISD	79,464	9,682	50,143
Lefors ISD	57,505	-	44,341
Follett ISD	35,941	-	38,549
Lefors-Campos ISD	-	-	29,350
Darrouzett ISD	-	-	31,864
Total	$ 760,185	$ 33,113	$ 517,576

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued):

S. IMPACT OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Recently Issued and Adopted Accounting Pronouncements

In June 2017, the GASB issued Statement 87, *Leases* (GASB 87). The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. However, in accordance with GASB 95, the effective date of this Statement is postponed for reporting periods beginning after June 15, 2021.

According to the requirements of this statement, leases should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or, if applied to earlier periods, the beginning of the earliest period restated). However, lessors should not restate the assets underlying their existing sales-type or direct financing leases. Any residual assets for those leases become the carrying values of the underlying assets. Management of the District evaluated all lease agreements currently in place and made the determination that the implementation of GASB 87 would not have a material impact on the District's governmental activities. Consequently, GASB 87 was not implemented for the District's governmental activities for the fiscal year ended August 31, 2022. However, GASB 87 was implemented for the District's proprietary fund for the fiscal year ended August 31, 2022 as it was determined to have a material impact on the proprietary fund financial statements. See Note II(E) and II(G) for additional details regarding the District's implementation of GASB 87 for its enterprise fund. See Note II(U) for additional details regarding the District's lease agreements in its governmental funds.

In June 2018, the GASB issued statement 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB 89). The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement.

This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued):

S. IMPACT OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS (continued):

Recently Issued and Adopted Accounting Pronouncements (continued)

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. However, in accordance with GASB 95, the effective date of this Statement is postponed for reporting periods beginning after December 15, 2020. The requirements of this Statement should be applied prospectively. The adoption of this Statement did not have any significant impact on the District's financial statements.

In January 2020, the GASB issued Statement 92, *Omnibus 2020* (GASB 92). The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about (1) the effective date of GASB 87, and Implementation Guide No. 2019-3, Leases, for interim financial reports; (2) reporting of intra-entity transfers of assets between a primary government employer and a component unit defined pension plan or defined benefit other postemployment benefit (OPEB) plan; (3) the applicability of Statements 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits; (4) the applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements; (5) measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; (6) reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; (7) reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature; and (8) terminology used to refer to derivative instruments. The requirements for topic (1) of this Statement are effective upon issuance. The requirements for all other topics of this Statement are effective for fiscal years beginning after June 15, 2020. Earlier application is encouraged and is permitted by topic. The adoption of this Statement did not have any significant impact on the District's financial statements.

In March 2020, the GASB issued Statement 93, *Replacement of Interbank Offered Rates* (GASB 93). Some governments have entered into agreements in which the variable payments made or received depend on an interbank offered rate (IBOR), most notably the London Interbank Offered Rate (LIBOR) As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions relating to reference rate.

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB 53), as amended, requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument's variable payment. In addition, in accordance with Statement No. 87, Leases, as amended, replacement of the rate on which variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including remeasurement of the lease liability or lease receivable.

The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an LIBOR. The requirements for this Statement were effective for reporting periods beginning after June 15, 2020. Early application is encouraged. However, in accordance with GASB 95, the effective date of the parts of this Statement regarding leases is postponed for periods beginning after June 15, 2021 and in the case of using the London Interbank Offered Rate for derivative instrument, after December 15, 2021. The adoption of this Statement did not have any significant impact on the District's financial statements.

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued):

S. IMPACT OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS (continued)

Recently Issued and Adopted Accounting Pronouncements (continued)

In June 2020, the GASB issued Statement 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* (GASB 97). The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021. Earlier application is permitted. The adoption of this Statement did not have any significant impact on the District's financial statements.

In October 2021, the GASB issued Statement 98, *The Annual Comprehensive Financial Report* (GASB 98). This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for fiscal years ending after December 31, 2021. Earlier application is encouraged. The adoption of this Statement did not have any significant impact on the District's financial statements.

Recently Issued Accounting Pronouncements

In May 2019, the GASB issued Statement 91, *Conduit Debt Obligations* (GASB 91). The primary objective of this Statement are to provide a single method of reporting conduit debt obligations by debt issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. It clarifies the existing definition of conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving note disclosures. The requirements of this Statement were effective for reporting periods beginning after December 15, 2020. Early application is encouraged. However, in accordance with GASB 95, the effective date of this Statement is postponed for periods beginning after December 15, 2021. Management is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

In March 2020, the GASB issued Statement 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94). The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction.

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued):

S. IMPACT OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS (continued)

Recently Issued Accounting Pronouncements (continued)

Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. Management is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

In May 2020, the GASB issued Statement 96, *Subscription-Based Information Technology Arrangements* (GASB 96). The primary objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITA's). That objective is accomplished by (1) defining a SBITA, (2) establishing that a SBITA results in a right-to-use subscription asset, and a corresponding subscription liability, (3) providing the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and (4) requiring note disclosures of essential information regarding a SBITA. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is permitted. Management is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

In April 2022, the GASB issued Statement 99, *Omnibus 2022* (GASB 99). The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are (1) classification and reporting of derivative instruments within the scope of GASB 53 that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument; (2) classification of provisions in GASB 87, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives; (3) clarification of provisions in GASB 94 related to the determination of the PPP term and recognition and measurement of installment payments and the transfer of the underlying PPP asset; (4) clarification of provisions in GASB 96 related to SBITA term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability; (5) extension of the period during which the LIBOR is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt; (6) accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP); (7) disclosures related to nonmonetary transactions; (8) pledges of future revenues when resources are not received by the pledging government; (9) clarification of provisions in Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended, related to the focus of the government-wide financial statements; (10) terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and (11) terminology used in GASB 53 to refer to resource flows statements.

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued):

S. IMPACT OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS (continued)

Recently Issued Accounting Pronouncements (continued)

The requirements of this Statement related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statements 53 and 63 are effective upon issuance. The requirements of this Statement related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 30, 2022, and all reporting periods thereafter. The requirements of this Statement related to financial guarantees and the classification and reporting of derivative instruments are effective for fiscal years beginning after June 30, 2023, and all reporting periods thereafter. Management is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

T. LIMITED ASSESSED VALUATION AGREEMENTS

During December, 2013 the District entered into a contract with Palo Duro Wind Energy, LLC, for a Limited Assessed Value Agreement for Qualified Property under the Texas Economic Development Act, Texas Tax Code Chapter 313 as an incentive for the entity to add taxable property within the District and to create jobs. This agreement caps the taxable value of multi-phase wind energy project within the boundaries of the District and limits the amount of ad valorem taxes payable to the District. In return, the entity will refund a portion of the tax savings to the District based on the agreements. Under this agreement, the District cannot receive less funding than if the District had not entered into the agreement. The District received a payment in lieu of taxes of $192,266 which is included in other tax related income and reported as local revenue on the Statement of Revenue, Expenditures and Changes in Fund Balance in the fund financial statements.

Value limitation agreements are a part of a state program, originally created in 2001 which allows school districts to limit the taxable value of an approved project for Maintenance and Operations ("M&O") for a period of years specified in statute. The project(s) under the Chapter 313 agreement must be consistent with the state's goal to "encourage large scale capital investments in this state." Chapter 313 of the Tax Code grants eligibility to companies engaged in manufacturing, research and development, renewable electric energy production, clean coal projects, nuclear power generation and data centers.

In order to qualify for a value limitation agreement, each applicant, including Palo Duro Wind Energy, LLC, has been required to meet a series of capital investment, job creation, and wage requirements specified by state law. At the time of the application's approval, the agreement was found to have done so by both the District's Board of Trustees and the Texas Comptroller's Office, which recommended approval of the project. The application, the agreements and any applicable amendments and state reporting requirement documentation can be viewed at the Texas Comptroller's website at: https://www.comptroller.texas.gov/economy/loca1/ch313/agreement-docs.php. The agreement and all supporting documentation was assigned Texas Comptroller Application No.321.

After approval, the applicant company must maintain a viable presence in the District for the entire period of the value limitation plus a period of years thereafter. In addition, there are specific reporting requirements, which are monitored on an annual and biennial basis in order to ensure relevant job, wage, and operational requirements are being met. In the event that Palo Duro Wind Energy, LLC. terminates this agreement without the consent of the District, or in the event that the company or its successor-in-interest fails to comply in any material respect with the terms of this agreement or to meet any material obligation under this agreement, then the District shall be entitled to the recapture of all ad valorem tax revenue lost as a result of this agreement together with the payment of penalty and interest, on that recaptured ad valorem tax revenue. Penalties on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code § 33.0l(a), or its successor statute.

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued):

T. LIMITED ASSESSED VALUATION AGREEMENTS (continued)

Interest on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code § 33.0l (c), or its successor statute. The agreement provides an administrative procedure to determine any company liability. Ultimately, enforcement of any payment obligation is through the local state district court. Management of the District believes the applicant company is in full compliance with all of its obligations under law and the agreement itself.

The terms of this agreement stipulate Palo Duro Wind Energy, LLC is to invest capital of $308,550,000 on a long-term basis for a valuation limitation of $10,000,000. For fiscal year 2022, which is year 8 of the agreement, the M&O tax rate was $0.9634 per $100, with property constructed by Palo Duro Wind Energy, LLC valued at $136,590,470 without considering the limit and $10,000,000 with the limit. When calculated, the District forgoes collecting $1,223,370 of tax revenue; however, the reduced collections in tax revenue will be offset by the increase in state funding through the Foundation School Program funding formula with a possible Revenue Protection Payment. In addition to the tax abatement, Palo Duro Wind Energy, LLC has committed to pay supplemental payments to the District of $100 per ADA. During the year ended August 31, 2022, Palo Duro Wind Energy, LLC made payments totaling $192,266 for payments in lieu of taxes.

Other governmental entities affected by this agreement include Ochiltree County, Ochiltree County Hospital District, Frank Phillips College and the North Plains Underground Water Conservation District who all have similar types of agreements with Palo Duro Wind Energy, LLC.

Below is a summary of the impact of the Chapter 313 Agreement with Palo Duro Wind Energy, LLC on the District's revenue from taxes and state funding formula grants for the District's fiscal year ending August 31, 2022:

	Project without the Chapter 313 Agreement	Project with the Chapter 313 Agreement	Difference (Impact on the District)
Palo Duro Wind Energy, LLC			
Project Value	$ 123,712,340	$ 10,000,000	$ (113,712,340)
Maintenance & operations tax rate/$100 valuation	0.9634	0.9634	0.9634
Taxes assessed on project value for the 2021 tax levy	$ 1,191,845	$ 96,340	$ (1,095,505)
Total Tax Collections	$ 10,009,048	$ 8,913,543	$ (1,095,505)
State Aid - Available School Fund	795,120	795,120	-
State Aid - Foundation School Fund	6,549,566	7,764,894	1,215,328
Total Tax Collections plus State Aid	$ 17,353,734	$ 17,473,557	119,823
Total Revenue Impact of LAVA - Gain(Loss)			$ 119,823

U. LEASE OBLIGATIONS

As discussed in Note II(S), GASB Statement No. 87, *Leases*, is in effect for the District's financial statements for the year ended August 31, 2022. One aspect of implementation of any statement issued by GASB is that the provision of the statement need not be applied to immaterial items. Management of the District evaluated all lease agreements currently in place and made the determination that at the present time, the implementation of GASB 87 would not have a material impact on the District's governmental activities; consequently, GASB 87 was not implemented for the District's governmental activities for the fiscal year ended August 31, 2022. Management will continue to assess the impact that GASB 87 may have on the District's governmental activities in the future, and if determined to be material, the provisions of the statement will be implemented for the governmental activities at that time.

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued):

U. LEASE OBLIGATIONS (continued)

The District is obligated under certain leases for equipment, which are accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the assets being leased are not reflected in the District's capital assets. Total expenditures under these agreements for the year ended August 31, 2022 were $135,091. The future minimum payments on these leases are:

Year Ending August 31,		Amount
2023	$	54,019
2024		37,249
2025		30,927
2026		18,117
2027		1,408
	$	141,720

V. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 15, 2022, which is the date on which the financial statements were issued. Management of the District is not aware of any subsequent events that would require adjustment to the financial statements or disclosure in the notes to the financial statements for the year ended August 31, 2022.

W. CONSTRUCTION COMMITMENTS

During the year ended August 31, 2022, the District entered into agreements for a HVAC replacement project. The project was not completed as of August 31, 2022, therefore the costs incurred were recorded as construction in progress for the governmental activities on the government-wide statement of net position.

The following is a summary of the costs incurred to date, estimated total accumulated construction costs, and estimated completion dates for the project included in construction in progress as of August 31, 2022:

Project Description		Construction in Progress as of August 31, 2022		Estimated Total Project Costs	Estimated Completion Date
HVAC Replacement Project	$	54,104	$	1,119,000	July 2023

REQUIRED SUPPLEMENTARY INFORMATION

PERRYTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 9,300,619	$ 9,300,619	$ 9,034,663	$ (265,956)
5800	State Program Revenues	11,065,400	11,070,640	10,779,930	(290,710)
5900	Federal Program Revenues	250,000	250,000	251,162	1,162
5020	Total Revenues	20,616,019	20,621,259	20,065,755	(555,504)
	EXPENDITURES:				
	Current:				
0011	Instruction	11,839,880	11,891,049	11,312,288	578,761
0012	Instructional Resources and Media Services	389,157	389,157	386,266	2,891
0013	Curriculum and Instructional Staff Development	214,147	219,868	165,819	54,049
0021	Instructional Leadership	39,341	39,341	38,243	1,098
0023	School Leadership	1,285,369	1,285,369	1,274,960	10,409
0031	Guidance, Counseling, and Evaluation Services	509,253	509,253	487,787	21,466
0033	Health Services	257,698	257,698	254,532	3,166
0034	Student (Pupil) Transportation	359,887	507,387	466,433	40,954
0036	Extracurricular Activities	1,453,330	1,492,330	1,347,662	144,668
0041	General Administration	1,111,422	1,167,852	1,122,424	45,428
0051	Facilities Maintenance and Operations	2,465,603	2,484,328	2,417,572	66,756
0052	Security and Monitoring Services	43,229	44,138	29,557	14,581
0053	Data Processing Services	181,222	181,222	156,258	24,964
	Debt Service:				
0071	Principal on Long-Term Liabilities	67,849	57,697	57,697	-
0072	Interest on Long-Term Liabilities	-	10,152	10,152	-
	Capital Outlay:				
0081	Facilities Acquisition and Construction	250,000	250,000	148,615	101,385
	Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	247,000	247,000	246,982	18
0099	Other Intergovernmental Charges	227,500	227,500	214,569	12,931
6030	Total Expenditures	20,941,887	21,261,341	20,137,816	1,123,525
1100	Excess (Deficiency) of Revenues Over Expenditures	(325,868)	(640,082)	(72,061)	568,021
	OTHER FINANCING SOURCES (USES):				
7912	Sale of Real and Personal Property	-	5,000	2,434	(2,566)
7915	Transfers In	525,868	540,067	447,753	(92,314)
8911	Transfers Out (Use)	(200,000)	(101,735)	(40,000)	61,735
7080	Total Other Financing Sources (Uses)	325,868	443,332	410,187	(33,145)
1200	Net Change in Fund Balances	-	(196,750)	338,126	534,876
0100	Fund Balance - September 1 (Beginning)	6,531,779	6,531,779	6,531,779	-
3000	Fund Balance - August 31 (Ending)	$ 6,531,779	$ 6,335,029	$ 6,869,905	$ 534,876

PERRYTON INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

TEACHER RETIREMENT SYSTEM OF TEXAS

FOR THE YEAR ENDED AUGUST 31, 2022

	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019
District's Proportion of the Net Pension Liability (Asset)	0.011043973%	0.011229761%	0.012030729%
District's Proportionate Share of Net Pension Liability (Asset)	$ 2,812,509	$ 6,014,431	$ 6,253,949
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	5,436,440	11,760,426	11,168,250
Total	$ 8,248,949	$ 17,774,857	$ 17,422,199
District's Covered Payroll	$ 14,910,418	$ 15,143,858	$ 14,274,619
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	18.86%	39.72%	43.81%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.79%	75.54%	75.24%

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

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

FY 2019 Plan Year 2018		FY 2018 Plan Year 2017		FY 2017 Plan Year 2016		FY 2016 Plan Year 2015		FY 2015 Plan Year 2014	
	0.012896931%		0.013099831%		0.01334571%		0.0134683%		0.0088058%
$	7,098,784	$	4,188,620	$	5,043,145	$	4,760,865		2,352,150
	12,708,661		7,747,292		9,126,899		8,714,462		7,175,727
$	19,807,445	$	11,935,912	$	14,170,044	$	13,475,327	$	9,527,877
$	14,735,960	$	14,619,634	$	14,244,306	$	13,552,136		12,729,266
	48.17%		28.65%		35.40%		35.13%		18.48%
	73.74%		82.17%		78.00%		78.43%		83.25%

PERRYTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2022

	2022	2021	2020
Contractually Required Contribution	$ 490,386	$ 471,622	$ 463,549
Contribution in Relation to the Contractually Required Contribution	(490,386)	(471,622)	(463,549)
Contribution Deficiency (Excess)	$ -	$ -	$ -
District's Covered Payroll	$ 15,010,047	$ 14,910,418	$ 15,143,858
Contributions as a Percentage of Covered Payroll	3.27%	3.16%	3.06%

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

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

2019	2018	2017	2016	2015
$ 424,447	$ 424,169	$ 429,336	$ 424,027	$ 398,804
(424,447)	(424,169)	(429,336)	(424,027)	(398,804)
$ -	$ -	$ -	$ -	$ -
$ 14,274,619	$ 14,735,960	$ 14,619,634	$ 14,244,306	$ 13,552,136
2.97%	2.88%	2.94%	2.98%	2.94%

PERRYTON INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES GROUP INSURANCE PROGRAM

FOR THE YEAR ENDED AUGUST 31, 2022

	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.01637782%	0.01687634%	0.01749499%
District's Proportionate Share of Net OPEB Liability (Asset)	$ 6,317,659	$ 6,415,460	$ 8,273,594
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	8,464,254	8,620,841	10,993,757
Total	$ 14,781,913	$ 15,036,301	$ 19,267,351
District's Covered Payroll	$ 14,910,418	$ 15,143,858	$ 14,274,619
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	42.37%	42.36%	57.96%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	6.18%	4.99%	2.66%

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

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

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
	0.018577182%	0.02185306%
	$ 9,275,757	$ 9,495,355
	12,600,500	11,542,468
	$ 21,876,257	$ 21,037,823
	$ 14,735,960	$ 14,619,634
	62.95%	64.95%
	1.57%	0.91%

PERRYTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES GROUP INSURANCE PROGRAM
FOR FISCAL YEAR 2022

	2022	2021	2020
Contractually Required Contribution	$ 123,611	$ 127,415	$ 128,535
Contribution in Relation to the Contractually Required Contribution	(123,611)	(127,415)	(128,535)
Contribution Deficiency (Excess)	$ -	$ -	$ -
District's Covered Payroll	$ 15,010,047	$ 14,910,418	$ 15,143,858
Contributions as a Percentage of Covered Payroll	0.82%	0.85%	0.85%

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

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

	2019	2018
	$ 127,687	$ 141,831
	(127,687)	(141,831)
	$ -	$ -
	$ 14,274,619	$ 14,735,960
	0.89%	0.96%

PERRYTON INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2022

Teacher Retirement System of Texas Pension Plan (TRS):

Changes of Assumptions:

There were no changes in assumptions since the prior measurement period.

Changes of Benefit Terms:

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

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

Changes of Assumptions:

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

- The discount rate changed from 2.33 percent as of August 31, 2020 to 1.95 percent as of August 31, 2021. This change increased the Total OPEB Liability (TOL).

Changes of Benefit Terms:

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

OTHER SUPPLEMENTARY INFORMATION

PERRYTON INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2022

Data Control Codes		205 Head Start	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant
	ASSETS			
1110	Cash and Cash Equivalents	$ -	$ -	$ -
1120	Investments - Current	-	-	-
1220	Property Taxes - Delinquent	-	-	-
1230	Allowance for Uncollectible Taxes	-	-	-
1240	Due from Other Governments	9,198	14,737	3,158
1250	Accrued Interest	-	-	-
1260	Due from Other Funds	-	-	-
1290	Other Receivables	-	-	-
1300	Inventories	-	-	-
1410	Prepayments	-	-	-
1000	Total Assets	$ 9,198	$ 14,737	$ 3,158
	LIABILITIES			
2110	Accounts Payable	$ 62	$ -	$ -
2150	Payroll Deductions and Withholdings Payable	-	-	-
2160	Accrued Wages Payable	7,470	-	-
2170	Due to Other Funds	818	14,737	3,158
2180	Due to Other Governments	-	-	-
2200	Accrued Expenditures	848	-	-
2300	Unearned Revenue	-	-	-
2000	Total Liabilities	9,198	14,737	3,158
	DEFERRED INFLOWS OF RESOURCES			
2601	Unavailable Revenue - Property Taxes	-	-	-
2600	Total Deferred Inflows of Resources	-	-	-
	FUND BALANCES			
	Nonspendable Fund Balance:			
3410	Inventories	-	-	-
	Restricted Fund Balance:			
3450	Federal or State Funds Grant Restriction	-	-	-
3480	Retirement of Long-Term Debt	-	-	-
	Assigned Fund Balance:			
3590	Other Assigned Fund Balance	-	-	-
3000	Total Fund Balances	-	-	-
4000	Total Liabilities, Deferred Inflows & Fund Balances	$ 9,198	$ 14,737	$ 3,158

224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	279 ESSER III TCLAS ARP Act	281 ESSER II CRRSA Act Supplemental
$ -	$ 2,787	$ 5,265	$ -	$ -	$ -	$ -	$ 5,004
-	-	75,000	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	49,727	-	6,134	1,801	-	8,114
-	-	290	-	-	-	-	-
55,341	3,538	412	-	-	-	-	-
-	-	101	-	-	-	-	-
-	-	47,252	-	-	-	-	-
-	-	-	-	-	-	-	20,352
$ 55,341	$ 6,325	$ 178,047	$ -	$ 6,134	$ 1,801	$ -	$ 33,470
$ -	$ -	$ 106	$ -	$ -	$ -	$ -	$ 8,114
-	-	-	-	-	-	-	-
20,199	1,737	6,863	-	-	-	-	-
32,877	4,394	5,545	-	6,134	1,801	-	25,356
-	-	-	-	-	-	-	-
2,265	194	144	-	-	-	-	-
-	-	58,204	-	-	-	-	-
55,341	6,325	70,862	-	6,134	1,801	-	33,470
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	47,252	-	-	-	-	-
-	-	59,933	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	107,185	-	-	-	-	-
$ 55,341	$ 6,325	$ 178,047	$ -	$ 6,134	$ 1,801	$ -	$ 33,470

PERRYTON INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2022

Data Control Codes		282 ESSER III ARP Act	289 Other Federal Special Revenue Funds	313 SSA IDEA, Part B Formula	314 SSA IDEA, Part B Preschool
	ASSETS				
1110	Cash and Cash Equivalents	$ -	$ -	$ -	$ -
1120	Investments - Current	-	-	-	-
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes	-	-	-	-
1240	Due from Other Governments	74,766	2,567	126,973	6,573
1250	Accrued Interest	-	-	-	-
1260	Due from Other Funds	-	50,492	-	-
1290	Other Receivables	-	-	-	-
1300	Inventories	-	-	-	-
1410	Prepayments	-	-	-	-
1000	Total Assets	$ 74,766	$ 53,059	$ 126,973	$ 6,573
	LIABILITIES				
2110	Accounts Payable	$ -	$ -	$ 678	$ -
2150	Payroll Deductions and Withholdings Payable	26,263	-	-	-
2160	Accrued Wages Payable	20,635	-	20,494	-
2170	Due to Other Funds	27,495	-	76,989	6,573
2180	Due to Other Governments	-	-	26,510	-
2200	Accrued Expenditures	373	-	2,302	-
2300	Unearned Revenue	-	53,059	-	-
2000	Total Liabilities	74,766	53,059	126,973	6,573
	DEFERRED INFLOWS OF RESOURCES				
2601	Unavailable Revenue - Property Taxes	-	-	-	-
2600	Total Deferred Inflows of Resources	-	-	-	-
	FUND BALANCES				
	Nonspendable Fund Balance:				
3410	Inventories	-	-	-	-
	Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	-	-
3480	Retirement of Long-Term Debt	-	-	-	-
	Assigned Fund Balance:				
3590	Other Assigned Fund Balance	-	-	-	-
3000	Total Fund Balances	-	-	-	-
4000	Total Liabilities, Deferred Inflows & Fund Balances	$ 74,766	$ 53,059	$ 126,973	$ 6,573

364 SSA - IDEA B Formula ARP Act	365 SSA - IDEA B Preschool ARP Act	397 Advanced Placement Incentives	410 Instructional Materials Allotment	429 School Safety & Security	437 SSA Special Education	459 Special Ed Fiscal Support	461 Campus Activity Funds
$ -	$ -	$ -	$ 22,698	$ 661	$ 85,046	$ -	$ 25,305
-	-	-	-	-	200,000	-	150,000
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
32,475	9,075	-	6,417	686	-	1,452	-
-	-	-	-	-	91	-	1,303
-	-	237	-	-	35,285	-	-
-	-	-	-	-	-	-	161
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
$ 32,475	$ 9,075	$ 237	$ 29,115	$ 1,347	$ 320,422	$ 1,452	$ 176,769
$ 103	$ -	$ -	$ 5,086	$ 661	$ 134	$ -	$ 1,750
-	-	-	-	-	-	-	-
29,998	(69)	-	-	-	23,648	-	-
75	9,144	-	-	686	392	1,452	-
-	-	-	-	-	-	-	-
2,299	-	-	-	-	498	-	-
-	-	-	-	-	-	-	-
32,475	9,075	-	5,086	1,347	24,672	1,452	1,750
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	237	24,029	-	295,750	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	175,019
-	-	237	24,029	-	295,750	-	175,019
$ 32,475	$ 9,075	$ 237	$ 29,115	$ 1,347	$ 320,422	$ 1,452	$ 176,769

PERRYTON INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2022

Data Control Codes		498 Academic Enrichment Fund	499 Athletic Booster Club Donations	Total Nonmajor Special Revenue Funds	599 Debt Service Fund
	ASSETS				
1110	Cash and Cash Equivalents	$ 59,261	$ 34,106	$ 240,133	$ -
1120	Investments - Current	-	-	425,000	163,896
1220	Property Taxes - Delinquent	-	-	-	54,168
1230	Allowance for Uncollectible Taxes	-	-	-	(18,959)
1240	Due from Other Governments	5	-	353,858	6,589
1250	Accrued Interest	-	-	1,684	202
1260	Due from Other Funds	-	-	145,305	-
1290	Other Receivables	13,403	-	13,665	129,878
1300	Inventories	-	-	47,252	-
1410	Prepayments	-	-	20,352	-
1000	Total Assets	$ 72,669	$ 34,106	$ 1,247,249	$ 335,774
	LIABILITIES				
2110	Accounts Payable	$ 1,611	$ 2,659	$ 20,964	$ -
2150	Payroll Deductions and Withholdings Payable	-	-	26,263	-
2160	Accrued Wages Payable	-	-	130,975	-
2170	Due to Other Funds	-	-	217,626	-
2180	Due to Other Governments	-	-	26,510	-
2200	Accrued Expenditures	-	-	8,923	-
2300	Unearned Revenue	-	-	111,263	-
2000	Total Liabilities	1,611	2,659	542,524	-
	DEFERRED INFLOWS OF RESOURCES				
2601	Unavailable Revenue - Property Taxes	-	-	-	35,209
2600	Total Deferred Inflows of Resources	-	-	-	35,209
	FUND BALANCES				
	Nonspendable Fund Balance:				
3410	Inventories	-	-	47,252	-
	Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	379,949	-
3480	Retirement of Long-Term Debt	-	-	-	300,565
	Assigned Fund Balance:				
3590	Other Assigned Fund Balance	71,058	31,447	277,524	-
3000	Total Fund Balances	71,058	31,447	704,725	300,565
4000	Total Liabilities, Deferred Inflows & Fund Balances	$ 72,669	$ 34,106	$ 1,247,249	$ 335,774

698 Capital Projects - Turf Project	Total Nonmajor Governmental Funds
$ -	$ 240,133
161,963	750,859
-	54,168
-	(18,959)
-	360,447
951	2,837
-	145,305
-	143,543
-	47,252
-	20,352
$ 162,914	$ 1,745,937
$ -	$ 20,964
-	26,263
-	130,975
-	217,626
-	26,510
-	8,923
-	111,263
-	542,524
-	35,209
-	35,209
-	47,252
-	379,949
-	300,565
162,914	440,438
162,914	1,168,204
$ 162,914	$ 1,745,937

PERRYTON INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes		205 Head Start	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant
	REVENUES:			
5700	Total Local and Intermediate Sources	$ -	$ -	$ -
5800	State Program Revenues	-	-	-
5900	Federal Program Revenues	90,436	365,098	3,158
5020	Total Revenues	90,436	365,098	3,158
	EXPENDITURES:			
	Current:			
0011	Instruction	90,178	25,128	-
0013	Curriculum and Instructional Staff Development	258	9,434	-
0021	Instructional Leadership	-	46,831	3,158
0023	School Leadership	-	5,000	-
0031	Guidance, Counseling, and Evaluation Services	-	-	-
0032	Social Work Services	-	-	-
0033	Health Services	-	-	-
0035	Food Services	-	-	-
0036	Extracurricular Activities	-	-	-
0041	General Administration	-	-	-
0051	Facilities Maintenance and Operations	-	-	-
0053	Data Processing Services	-	-	-
	Debt Service:			
0071	Principal on Long-Term Liabilities	-	-	-
0072	Interest on Long-Term Liabilities	-	-	-
0073	Bond Issuance Cost and Fees	-	-	-
	Capital Outlay:			
0081	Facilities Acquisition and Construction	-	-	-
	Intergovernmental:			
0093	Payments to Fiscal Agent/Member Districts of SSA	-	-	-
6030	Total Expenditures	90,436	86,393	3,158
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	278,705	-
	OTHER FINANCING SOURCES (USES):			
7915	Transfers In	-	-	-
8911	Transfers Out (Use)	-	(278,705)	-
7080	Total Other Financing Sources (Uses)	-	(278,705)	-
1200	Net Change in Fund Balance	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-
3000	Fund Balance - August 31 (Ending)	$ -	$ -	$ -

224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	279 ESSER III TCLAS ARP Act	281 ESSER II CRRSA Act Supplemental
$ -	$ -	$ 173,452	$ -	$ -	$ -	$ -	$ -
-	-	47,797	-	-	-	-	-
240,910	20,904	1,305,849	21,863	78,264	81,173	18,341	132,289
240,910	20,904	1,527,098	21,863	78,264	81,173	18,341	132,289
240,910	20,904	-	21,863	-	-	18,341	126,607
-	-	-	-	6,855	-	-	5,682
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	1,419,913	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
240,910	20,904	1,419,913	21,863	6,855	-	18,341	132,289
-	-	107,185	-	71,409	81,173	-	-
-	-	-	-	-	-	-	-
-	-	-	-	(71,409)	(81,173)	-	-
-	-	-	-	(71,409)	(81,173)	-	-
-	-	107,185	-	-	-	-	-
-	-	-	-	-	-	-	-
$ -	$ -	$ 107,185	$ -	$ -	$ -	$ -	$ -

PERRYTON INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes		282 ESSER III ARP Act	289 Other Federal Special Revenue Funds	313 SSA IDEA, Part B Formula	314 SSA IDEA, Part B Preschool
	REVENUES:				
5700	Total Local and Intermediate Sources	$ -	$ -	$ -	$ -
5800	State Program Revenues	10,632	-	-	-
5900	Federal Program Revenues	1,083,070	45,638	760,185	33,113
5020	Total Revenues	1,093,702	45,638	760,185	33,113
	EXPENDITURES:				
	Current:				
0011	Instruction	628,816	-	67,122	-
0013	Curriculum and Instructional Staff Development	33,161	-	4,722	-
0021	Instructional Leadership	31,151	-	414	-
0023	School Leadership	-	-	-	-
0031	Guidance, Counseling, and Evaluation Services	40,222	-	337,482	-
0032	Social Work Services	48,451	-	-	-
0033	Health Services	-	29,172	-	-
0035	Food Services	1,692	-	-	-
0036	Extracurricular Activities	-	-	-	-
0041	General Administration	6,835	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	-
0053	Data Processing Services	8,796	-	-	-
	Debt Service:				
0071	Principal on Long-Term Liabilities	-	-	-	-
0072	Interest on Long-Term Liabilities	-	-	-	-
0073	Bond Issuance Cost and Fees	-	-	-	-
	Capital Outlay:				
0081	Facilities Acquisition and Construction	294,578	-	-	-
	Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	-	-	350,445	33,113
6030	Total Expenditures	1,093,702	29,172	760,185	33,113
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	16,466	-	-
	OTHER FINANCING SOURCES (USES):				
7915	Transfers In	-	-	-	-
8911	Transfers Out (Use)	-	(16,466)	-	-
7080	Total Other Financing Sources (Uses)	-	(16,466)	-	-
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	$ -	$ -	$ -	$ -

364 SSA - IDEA B Formula ARP Act	365 SSA - IDEA B Preschool ARP Act	397 Advanced Placement Incentives	410 Instructional Materials Allotment	429 School Safety & Security	437 SSA Special Education	459 Special Ed Fiscal Support	461 Campus Activity Funds
$ -	$ -	$ -	$ -	$ -	$ 507,112	$ -	$ 131,205
-	-	237	172,491	86,836	27,335	7,873	-
52,081	9,075	-	-	-	-	-	-
52,081	9,075	237	172,491	86,836	534,447	7,873	131,205
13,207	9,075	-	168,245	80,682	172,840	-	27,462
-	-	-	-	-	2,573	-	-
-	-	-	-	6,154	182,471	-	-
-	-	-	-	-	-	-	14,419
38,874	-	-	-	-	142,439	7,873	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	3,094
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	77,460
-	-	-	-	-	8,500	-	4,507
-	-	-	-	-	8,753	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
52,081	9,075	-	168,245	86,836	517,576	7,873	126,942
-	-	237	4,246	-	16,871	-	4,263
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	237	4,246	-	16,871	-	4,263
-	-	-	19,783	-	278,879	-	170,756
$ -	$ -	$ 237	$ 24,029	$ -	$ 295,750	$ -	$ 175,019

PERRYTON INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes		498 Academic Enrichment Fund	499 Athletic Booster Club Donations	Total Nonmajor Special Revenue Funds	599 Debt Service Fund
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 63,765	$ 34,410	$ 909,944	$ 1,124,611
5800	State Program Revenues	-	-	353,201	19,222
5900	Federal Program Revenues	-	-	4,341,447	259,752
5020	Total Revenues	63,765	34,410	5,604,592	1,403,585
	EXPENDITURES:				
	Current:				
0011	Instruction	36,025	-	1,747,405	-
0013	Curriculum and Instructional Staff Development	2,163	-	64,848	-
0021	Instructional Leadership	2,339	-	272,518	-
0023	School Leadership	-	-	19,419	-
0031	Guidance, Counseling, and Evaluation Services	-	-	566,890	-
0032	Social Work Services	-	-	48,451	-
0033	Health Services	-	-	32,266	-
0035	Food Services	-	-	1,421,605	-
0036	Extracurricular Activities	5,472	36,624	119,556	-
0041	General Administration	4,488	-	24,330	-
0051	Facilities Maintenance and Operations	-	-	8,753	-
0053	Data Processing Services	-	-	8,796	-
	Debt Service:				
0071	Principal on Long-Term Liabilities	-	-	-	740,312
0072	Interest on Long-Term Liabilities	-	-	-	619,303
0073	Bond Issuance Cost and Fees	-	-	-	1,600
	Capital Outlay:				
0081	Facilities Acquisition and Construction	-	-	294,578	-
	Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	-	-	383,558	-
6030	Total Expenditures	50,487	36,624	5,012,973	1,361,215
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	13,278	(2,214)	591,619	42,370
	OTHER FINANCING SOURCES (USES):				
7915	Transfers In	-	-	-	-
8911	Transfers Out (Use)	-	-	(447,753)	-
7080	Total Other Financing Sources (Uses)	-	-	(447,753)	-
1200	Net Change in Fund Balance	13,278	(2,214)	143,866	42,370
0100	Fund Balance - September 1 (Beginning)	57,780	33,661	560,859	258,195
3000	Fund Balance - August 31 (Ending)	$ 71,058	$ 31,447	$ 704,725	$ 300,565

698 Capital Projects - Turf Project	Total Nonmajor Governmental Funds
$ 1,230	$ 2,035,785
-	372,423
-	4,601,199
1,230	7,009,407
-	1,747,405
-	64,848
-	272,518
-	19,419
-	566,890
-	48,451
-	32,266
-	1,421,605
-	119,556
-	24,330
-	8,753
-	8,796
-	740,312
-	619,303
-	1,600
-	294,578
-	383,558
-	6,374,188
1,230	635,219
40,000	40,000
-	(447,753)
40,000	(407,753)
41,230	227,466
121,684	940,738
$ 162,914	$ 1,168,204

EXHIBIT H-3

PERRYTON INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
AUGUST 31, 2022

	823 Billie Doores Scholarship Fund	824 Love Scholarship Fund	825 PHS - NHS Scholarship Fund	826 Cooper Scholarship Fund	Total Private Purpose Trust Funds
ASSETS					
Cash and Cash Equivalents	$ 1,500	$ 656	$ -	$ 2,800	$ 4,956
Investments - Current	-	8,193	2,800	-	10,993
Total Assets	1,500	8,849	2,800	2,800	15,949
NET POSITION					
Restricted for Scholarships	$ 1,500	$ 8,849	$ 2,800	$ 2,800	$ 15,949
Total Net Position	$ 1,500	$ 8,849	$ 2,800	$ 2,800	$ 15,949

PERRYTON INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022

	823 Billie Doores Scholarship Fund	824 Love Scholarship Fund	825 PHS - NHS Scholarship Fund	826 Cooper Scholarship Fund	Total Private Purpose Trust Funds
ADDITIONS:					
Local & Intermediate Sources	$ -	$ 32	$ -	$ 3,000	$ 3,032
Total Additions	-	32	-	3,000	3,032
DEDUCTIONS:					
Other Operating Costs	-	-	-	2,000	2,000
Total Deductions	-	-	-	2,000	2,000
Change in Net Position	-	32	-	1,000	1,032
Net Position -September 1 (Beginning)	1,500	8,817	2,800	1,800	14,917
Net Position August 31 (Ending)	$ 1,500	$ 8,849	$ 2,800	$ 2,800	$ 15,949

REQUIRED TEA SCHEDULES

PERRYTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2022

Last 10 Years Ended August 31	(1) Tax Rates Maintenance	(2) Tax Rates Debt Service	(3) Assessed/Appraised Value for School Tax Purposes
2013 and prior years	Various	Various	$ Various
2014	1.040000	0.11500	1,479,969,043
2015	1.040000	0.15000	1,718,405,126
2016	1.040000	0.06000	1,928,241,883
2017	1.040000	0.09000	1,350,995,051
2018	1.040000	0.08500	1,335,863,706
2019	1.040000	0.08500	1,375,304,898
2020	0.970000	0.08500	1,401,370,265
2021	0.966400	0.09000	1,031,010,602
2022 (School year under audit)	0.963400	0.11000	1,040,821,071
1000 TOTALS			

(10) Beginning Balance 9/1/2021	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2022
$ 75,309	$ -	$ 2,352	$ 68	$ (2,485)	$ 70,404
15,513	-	388	43	-	15,082
26,356	-	699	101	-	25,556
25,177	-	1,300	75	(520)	23,282
39,604	-	3,009	259	(528)	35,808
42,735	-	4,997	408	(1,463)	35,867
75,103	-	15,508	1,269	(2,098)	56,228
118,729	-	27,600	2,425	(3,037)	85,667
213,707	-	67,576	6,282	(37,654)	102,195
-	9,868,914	8,510,011	1,101,045	(85,576)	172,282
$ 632,233	$ 9,868,914	$ 8,633,440	$ 1,111,975	$ (133,361)	$ 622,371

PERRYTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 124,500	$ 124,500	$ 173,452	$ 48,952
5800	State Program Revenues	48,300	48,300	47,797	(503)
5900	Federal Program Revenues	980,000	1,154,561	1,305,849	151,288
5020	Total Revenues	1,152,800	1,327,361	1,527,098	199,737
	EXPENDITURES:				
	Current:				
0035	Food Services	1,252,800	1,427,361	1,419,913	7,448
6030	Total Expenditures	1,252,800	1,427,361	1,419,913	7,448
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(100,000)	(100,000)	107,185	207,185
	OTHER FINANCING SOURCES (USES):				
7915	Transfers In	100,000	100,000	-	(100,000)
1200	Net Change in Fund Balances	-	-	107,185	107,185
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	$ -	$ -	$ 107,185	$ 107,185

PERRYTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 1,143,746	$ 1,143,746	$ 1,124,611	$ (19,135)
5800	State Program Revenues	-	-	19,222	19,222
5900	Federal Program Revenues	256,752	256,752	259,752	3,000
5020	Total Revenues	1,400,498	1,400,498	1,403,585	3,087
	EXPENDITURES:				
	Debt Service:				
0071	Principal on Long-Term Liabilities	740,500	740,500	740,312	188
0072	Interest on Long-Term Liabilities	619,500	619,500	619,303	197
0073	Bond Issuance Cost and Fees	2,500	2,500	1,600	900
6030	Total Expenditures	1,362,500	1,362,500	1,361,215	1,285
1200	Net Change in Fund Balances	37,998	37,998	42,370	4,372
0100	Fund Balance - September 1 (Beginning)	258,195	258,195	258,195	-
3000	Fund Balance - August 31 (Ending)	$ 296,193	$ 296,193	$ 300,565	$ 4,372

PERRYTON INDEPENDENT SCHOOL DISTRICT
USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAMS
FOR THE YEAR ENDED AUGUST 31, 2022

Section A: Compensatory Education Programs

AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	1,912,978
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	1,214,850

Section B: Bilingual Education Programs

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	381,120
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25,35)	274,452

REPORTS ON COMPLIANCE, INTERNAL CONTROL AND FEDERAL AWARDS

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Perryton Independent School District
Perryton, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Perryton Independent School District (the "District") as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 2022.

<u>Internal Control Over Financial Reporting</u>

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

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

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

<u>Compliance and Other Matters</u>

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

We noted certain other matters that we have reported to management of the District in a separate letter dated December 15, 2022.

Purpose of this Report

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

Brown, Graham & Company, P.C.

Amarillo, Texas
December 15, 2022

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Perryton Independent School District
Perryton, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the compliance of Perryton Independent School District (the "District") with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2022.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about District's compliance with the requirements of each major federal program as a whole.

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

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

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

Report on Internal Control Over Compliance

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

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

Brown, Graham & Company, P.C.

Amarillo, Texas
December 15, 2022

PERRYTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2022

Section I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major federal programs:

Are any material weaknesses identified?	____ Yes	X No
Are any significant deficiencies identified?	____ Yes	X None reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____ Yes	X No

Identification of major federal programs:

CFDA Number(s):	Name of federal program or cluster:
#84.425D (COVID-19 Funding)	Elementary & Secondary School Emergency Relief - ESSER II
#84.425U (COVID-19 Funding)	ESSER III - ARP School Emgergency Relief
#84.425U (COVID-19 Funding)	TCLAS High Quality After-school
#84.425U (COVID-19 Funding)	Texas Covid Learning Supports (TCLAS) ESSER III

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as a low-risk auditee?	X Yes	____ No

Section II: Financial Statement Findings:
There were no financial statement findings for the year ended August 31, 2022.

Section III: Federal Awards Findings:
There were no federal awards findings for the year ended August 31, 2022.

PERRYTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2022

There were no material weaknesses, significant deficiencies, or instances of noncompliance required to be reported in this section for the year ended August 31, 2021 for the District; consequently, no status update is applicable.

PERRYTON INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2022

There were no control deficiencies, significant deficiencies, material weaknesses, findings, or questioned costs reported in the current year; therefore, no corrective action plan is required.

PERRYTON INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2022

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal Assistance Listing No.	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed Through Region XVI Education Service Center			
ESEA, Title I, Part C - Migratory Children	84.011	22-610123179901	$ 3,158
Total Passed Through Region XVI Education Service Center			3,158
Passed Through Texas Education Agency			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	22-610101179901	365,098
*SSA - IDEA - Part B, Formula	84.027A	22-6600011799016000	760,185
*SSA - IDEA,B,Formula - American Rescue Plan Act	84.027X	22-5350011799015000	52,081
Total Assistance Listing Number 84.027			812,266
*SSA - IDEA - Part B, Preschool	84.173A	22-6610011799016000	33,113
*SSA - IDEA,B,Preschool - American Rescue Plan Act	84.173X	22-5360011799015000	9,075
Total Assistance Listing Number 84.173			42,188
Total Special Education Cluster (IDEA)			854,454
Career and Technical - Basic Grant	84.048	22-420006179901	21,863
Title III, Part A - English Language Acquisition	84.365A	22-671001179901	81,173
ESEA, Title II, Part A, Teacher Principal Training	84.367A	22-694501179901	78,264
*COVID-19 - Elementary & Secondary School Emergency Relief	84.425D	21-521001179901	132,289
*COVID-19 - ESSER III - ARP School Emergengy Relief	84.425U	21-528001179901	844,874
*COVID-19 - TCLAS High Quality After-School	84.425U	21-5280587110109	238,196
*COVID-19 - Texas COVID Learning Supports - (TCLAS)	84.425U	21-528042179901	18,341
Total Assistance Listing Number 84.425			1,233,700
ESEA, Title IV, Part A, Subpart I	84.424A	22-680101179901	16,466
Total Passed Through Texas Education Agency			2,651,018
TOTAL U.S. DEPARTMENT OF EDUCATION			2,654,176
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through Region 16 Education Service Center			
Head Start	93.600	22-09CH0219-34	90,436
Total Passed Through Region 16 Education Service Center			90,436
Passed Through Texas Dept of Human Services			
Medicaid Administrative Claiming Program - MAC	93.778	529-07-0157-0063	13,467
Total Passed Through Texas Dept of Human Services			13,467
Passed Through Texas Education Agency			
COVID-19 School Health Support Grant	93.323	39352201	29,172
Total Passed Through Texas Education Agency			29,172
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			133,075
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through the Texas Department of Agriculture			
*School Breakfast Program	10.553	71402201	223,213
*National School Lunch Program - Cash Assistance	10.555	71302101	973,680
*National School Lunch Prog. - Non-Cash Assistance	10.555	71302101	82,192
*Supply Chain Assistance	10.555	226TX400N8903	20,566
Total Assistance Listing Number 10.555			1,076,438

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

PERRYTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2022

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal Assistance Listing No.	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
Total Child Nutrition Cluster			1,299,651
Pandemic Electronic Benefit Transfer Local Level Admin. Cost	10.649	226TX109S9009	6,198
Total Passed Through the Texas Department of Agriculture			1,305,849
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,305,849
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 4,093,100

*Clustered Programs

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

PERRYTON INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2022

1. For all federal programs, the District uses the fund types specified in Texas Education Agency's (TEA) *Financial Accountability System Resource Guide* (Resource Guide). Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.

2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All federal grant funds are accounted for in the General Fund or a Special Revenue Fund which are Governmental Fund types. With this measurement focus, only current assets and current liabilities and the fund balance are included on the Balance Sheet – Governmental Funds. Operating statements of these funds present increases and decreases in net current assets.

   The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

3. According to the Resource Guide, funds received from the School Health and Related Services (SHARS) program represent reimbursements to the District for school health based services which are not already provided to special education students enrolled in the Medicaid Program, and, consequently, these revenues in the amount of $237,695 are not to be considered federal financial assistance for inclusion in the Schedule of Expenditures of Federal Awards ("SEFA"). These revenues are reported in the General Fund on the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds.

4. The District is the fiscal agent for funds received under various Shared Service Arrangements (SSA's). The federal funds received under the SSA's involve the IDEA Part B, Formula and IDEA Part B, Preschool grants. In accordance with the accounting requirements under TEA's Resource Guide, the District accounts for these grant funds in fund numbers 313 and 314, respectively. The total funds received for all member districts of the SSA's are shown as federal revenue and expenditures in these funds. In addition, in accordance with TEA's Resource Guide, the District also accounts for its proportionate share of these grant funds in fund numbers 224 and 225 respectively. For purposes of the determination of Single Audit requirements under Office of Management and Budget's Uniform Guidance, the amounts reported in funds 224 and 225 in the amounts of $240,910 and $20,904 respectively. If amounts accounted for in funds 224 and 225 were included in the calculation of federal expenditures for purposes of the Uniform Guidance, they would be counted twice. In addition, the federal interest subsidy in the amount of $259,752 discussed in Note II(G) in the Notes to the Financial Statements is also not considered federal financial assistance for inclusion on the SEFA.

5. The District does not draw for indirect administrative expenditures, and has not elected to use the 10% de-minimum cost rate.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

Orrick, Herrington & Sutcliffe LLP
300 West 6th Street
Suite 1850
Austin, Texas 78701
orrick.com

__________, 2023

WE HAVE ACTED as Bond Counsel to Perryton Independent School District (the "Issuer") in connection with the issuance of its Perryton Independent School District Unlimited Tax School Building Bonds, Series 2023 (the "Bonds"), dated August 15, 2023, in the aggregate principal amount of $24,745,000. The Bonds are issuable in fully registered form only, in denominations of $5,000 or integral multiples thereof, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Bonds and in the bond order (the "Order") adopted by the Board of Trustees of the Issuer authorizing their issuance.

WE HAVE ACTED as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income under federal income tax law. In such capacity we have examined the Constitution and laws of the State of Texas; federal income tax law; and a transcript of certain certified proceedings pertaining to the issuance of the Bonds, as described in the Order. The transcript contains certified copies of certain proceedings of the Issuer; the tax certificate of the Issuer (the "Tax Certificate"); certain certifications and representations and other material facts within the knowledge and control of the Issuer, upon which we rely; and certain other opinions, customary documents and instruments authorizing and relating to the issuance of the Bonds. We have also examined executed Bond No. R-1 of this issue.

THE OPINIONS EXPRESSED HEREIN are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after original delivery of the Bonds on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures provided to us and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Order and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Order and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against entities such as the Issuer in the State of Texas. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute or to have the effect of a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

(1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently in effect; the Bonds constitute valid and legally binding obligations of the Issuer enforceable in accordance with the terms and conditions thereof; and the Bonds have been authorized and delivered in accordance with law;

(2) The Bonds are payable from, and secured by, the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property located within the Issuer, which taxes have been pledged irrevocably to pay the principal of and interest on the Bonds; and

(3) Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that, for tax years beginning after December 31, 2022, interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Bonds.

Very truly yours,

APPENDIX D

The following is incorporated into the offering document to which it is attached.

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

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

During the 87th Regular Session of the Texas Legislature (the “87th Regular Session”), which concluded on May 31, 2021, Senate Bill 1232 (“SB 1232” or “the bill”) was enacted, and the bill became effective on September 1, 2021. SB 1232 provides for a variety of changes to the operations and management of the Fund, including the creation of the Permanent School Fund Corporation (the “PSF Corporation”), and the delegation of responsibility to manage the portion of the Fund previously under the management supervision of the State Board of Education (the “SBOE”) to the PSF Corporation. SB 1232 also requires changes with respect to the management of certain investments previously made at the discretion of the Texas School Land Board (the “SLB”), including limiting the types of investments that may be made by the SLB and mandating the transfer of cash and certain other investment properties from the SLB to the PSF Corporation once the PSF Corporation is created. Certain of the authorizations of SB 1232, including the creation of the PSF Corporation have occurred, and other authorized changes are expected to be implemented in phases through the end of calendar year 2023. See “Management Transition to the PSF Corporation” for a summary of SB 1232 and its expected impact on the management and operations of the Fund.

The regular session of the 88th Texas Legislature (the “Legislature”) is scheduled from January 10, 2023 to May 29, 2023. Thereafter, the Texas Governor may call one or more additional special sessions. During this time, the Legislature may enact laws that materially change current law as it relates to the Guarantee Program, the TEA, the SBOE, the Act, the PSF Corporation, and Texas school finance generally. No representation is made regarding any actions the Legislature may take, but the TEA, SBOE, and PSF Corporation intend to monitor proposed legislation for any developments applicable thereto.

History and Purpose

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

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

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

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

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

Audited financial information for the PSF is provided annually through the PSF Comprehensive Annual Financial Report (the "Annual Report"), which is filed with the Municipal Securities Rulemaking Board ("MSRB"). The SLB's land and real assets investment operations, which are part of the PSF as described below, are also included in the annual financial report of the Texas General Land Office (the "GLO") that is included in the comprehensive annual report of the State of Texas. The Annual Report includes the Message of the Executive Administrator of the Fund (the "Message") and the Management's Discussion and Analysis ("MD&A"). The Annual Report for the year ended August 31, 2022, as filed with the MSRB in accordance with the PSF undertaking and agreement made in accordance with Rule 15c2-12 ("Rule 15c2-12") of the United States Securities and Exchange Commission (the "SEC"), as described below, is hereby incorporated by reference into this disclosure. Information included herein for the year ended August 31, 2022 is derived from the audited financial statements of the PSF, which are included in the Annual Report as it is filed and posted. Reference is made to the Annual Report for the complete Message and MD&A for the year ended August 31, 2022 and for a description of the financial results of the PSF for the year ended August 31, 2022, the most recent year for which audited financial information regarding the Fund is available. The 2022 Annual Report speaks only as of its date and the TEA has not obligated itself to update the 2022 Annual Report or any other Annual Report. The TEA posts (i) each Annual Report, which includes statistical data regarding the Fund as of the close of each fiscal year, (ii) the most recent disclosure for the Guarantee Program, (iii) the PSF Corporation's Investment Policy Statement (the "IPS"), and (iv) monthly updates with respect to the capacity of the Guarantee Program (collectively, the "Web Site Materials") on the TEA web site at http://tea.texas.gov/Finance_and_Grants/Permanent_School_Fund/ and with the MSRB at www.emma.msrb.org. Such monthly updates regarding the Guarantee Program are also incorporated herein and made a part hereof for all purposes. In addition to the Web Site Materials, the Fund is required to make quarterly filings with the SEC under Section 13(f) of the Securities Exchange Act of 1934. Such filings, which consist of a list of the Fund's holdings of securities specified in Section 13(f), including exchange-traded (*e.g.*, NYSE) or NASDAQ-quoted stocks, equity options and warrants, shares of closed-end investment companies and certain convertible debt securities, is available from the SEC at www.sec.gov/edgar. A list of the Fund's equity and fixed income holdings as of August 31 of each year is posted to the TEA web site and filed with the MSRB. Such list excludes holdings in the Fund's securities lending program. Such list, as filed, is incorporated herein and made a part hereof for all purposes. See "Management Transition to the PSF Corporation" for a discussion of the PSF Corporation audit. At its November 2022 quarterly board meeting, the SBOE considered new regulations for the administration of the Bond Guarantee Program. Two readings and a publication period are required for modifications to the Texas Administrative Code, and such process (the "Regulatory Recodification") was completed in February 2023, with the new regulations becoming effective March 1, 2023. The Regulatory Recodification was taken as an acknowledgment of the new role and powers that are delegated to the PSF Corporation. Among other regulations affecting the Fund that were restructured include the Statement of Investment Objectives, Policies and Guidelines of the Texas Permanent School Fund, which is codified at 19 Texas Administrative Code, Chapter 33 (recodified in part and replaced in part by the IPS).

Management and Administration of the Fund

The following discussion describes some legal and management aspects of the structure of the Fund prior to full implementation of SB 1232. SB 1232 is being implemented in phases. See "Management Transition to the PSF Corporation" for summaries of certain laws applicable to the Fund pursuant to the Texas Constitution and SB 1232 as well as certain prior actions and the ongoing changes in the management structure of the Fund.

The Texas Constitution and applicable statutes delegate to the SBOE the authority and responsibility for investment of the PSF's financial assets, but SB 1232 authorized the SBOE to delegate management of the Fund to the Corporation, which, as noted above, has been done. The SBOE consists of 15 members who are elected by territorial districts in the State to four year terms of office.

The Texas Constitution provides that the Fund shall be managed though the exercise of the judgment and care under the circumstances then prevailing which persons of ordinary prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income therefrom as well as the probable safety of their capital (the "Prudent Person Standard").

In accordance with the Texas Constitution, the SBOE views the PSF as a perpetual endowment, and the Fund is managed as an endowment fund with a long-term investment horizon. Under the total-return investment objective, the IPS provides that the PSF shall be managed consistently with respect to the following: support for public free schools in Texas, real growth in Fund asset values, protection of Fund capital, and the provision of sustained income distributions to current and future generations of Texas school children. As described below, the Total Return Constitutional Amendment restricts the annual pay-out from the Fund to both (i) 6% of the average of the market value of the Fund, excluding real property, on the last day of each of the sixteen State fiscal quarters preceding the Regular Session of the Legislature that begins before that State fiscal biennium, and (ii) the total-return on all investment assets of the Fund over a rolling ten-year period.

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

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

The Act requires that the Education Commissioner prepare, and the SBOE approve, an annual status report on the Guarantee Program (which is included in the Annual Report). The State Auditor audits the financial statements of the PSF, which are separate from other financial statements of the State.

Prior to the enactment of SB 1232, Texas law assigned to the SLB control of the Fund's land and mineral rights and authority to invest in certain real assets. Administrative duties related to these assets have in the past resided with the GLO, which is under the guidance of the elected commissioner of the GLO (the "Land Commissioner").

In 2019, the Texas Legislature enacted legislation that created a "permanent school fund liquid account" (the "Liquid Account") in the PSF for the purpose of the SBOE receiving, administering, and investing funds transferred from the SLB on a quarterly basis that are not then invested by the SLB or needed within the forthcoming quarter. On January 1, 2023, management of the Liquid Account transferred from the SBOE to the PSF Corporation. The bill grants the PSF Corporation authority and discretion to abolish the Liquid Account when its purpose has been resolved and transfer any remaining balance to the Fund.

Management Transition to the PSF Corporation

In accordance with SB 1232, at its November 2021 board meeting, the SBOE approved the articles of formation of the PSF Corporation. The articles were filed on December 1, 2021, thus effecting the creation of the PSF Corporation. SB 1232 authorizes the SBOE to delegate investment authority over the PSF and the Charter District Reserve Fund to the PSF Corporation. The bill also provides that the PSF Corporation, the SBOE and TEA must coordinate to determine the PSF Corporation's role in the operation and management of the Guarantee Program to ensure the proper and efficient operation of the program.

The description of SB 1232 that follows summarizes some key provisions of the bill. The full text of the bill can be found at https://capitol.texas.gov/BillLookup/Text.aspx?LegSess=87R&Bill=SB1232. SB 1232 provides for various transition dates relating to implementation of the bill, with the latest dates generally occurring in calendar year 2023. As noted above, on January 1, 2023 the investment management responsibilities for the Fund transferred to the PSF Corporation and the merger of Fund assets previously managed by the SLB with those previously managed by the SBOE.

As allowed by SB 1232, the PSF Corporation has been created as a special-purpose governmental corporation and instrumentality of the State which is entitled to sovereign immunity. The PSF Corporation is governed by a nine-member board of directors (the "PSFC Board"), which consists of five members of the SBOE, the Land Commissioner, and three appointed members who have substantial background and expertise in investments and asset management; with one of the appointees being appointed by the Land Commissioner and the other two appointed by the Governor (one of which is currently vacant) with confirmation by the Senate.

At the inaugural meeting of the PSFC Board in January 2022, the PSFC Board appointed the Executive Administrator of the Fund as the interim chief executive officer of the PSF Corporation and in April 2022 the Executive Administrator of the Fund was confirmed as the chief executive officer of the PSF Corporation. In July 2023, the PSFC Board appointed an Acting chief executive officer to perform those duties while the PSFC Board conducts a search to hire a permanent replacement for the chief executive officer who retired at the end of March. The PSFC Board adopted bylaws governing how it will manage its affairs and conduct business. The chief executive officer reports to the PSFC Board. Any amendments to the PSF Corporation's articles of formation and bylaws will be adopted by the PSFC Board but are subject to approval by the SBOE. At its March 2023 meeting, the PSFC Board approved its securities lending policy.

Notwithstanding the management transition for the Fund from the SBOE to the PSF Corporation, the provisions of the Texas Constitution that formerly applied to the SBOE's management will continue to provide a framework for the management of the Fund. In particular, the Prudent Person Standard is applicable to the PSF Corporation, and the Total Return Constitutional Amendment will govern distributions from the PSF to the ASF by the SBOE. A separate constitutional provision allowing distributions from the PSF to the ASF that is currently used by the SLB was also granted to the PSF Corporation. When determining any amount to distribute, the PSF Corporation may consider distributions made by the SBOE. In addition, the Fund will continue to be managed as a perpetual endowment for the benefit of citizens of the State.

The SLB's investments in real estate investment funds and real asset investment funds will transfer to the PSF Corporation. Beginning December 31, 2022, the SLB is no longer authorized to make investments into funds; however, the SLB will still be able to invest in land, mineral and royalty interests, and individual real estate holdings; the SLB will also be required to send PSF mineral revenue to the PSF Corporation for investment, subject to designation via the appropriations process to cover GLO expenses of managing the minerals.

Not less than once each year, the PSFC Board must submit an audit report to the Legislative Budget Board ("LBB") regarding the operations of the PSF Corporation. The PSF Corporation may contract with a certified public accountant or the State Auditor to conduct an independent audit of the operations of the PSF Corporation, but such authorization does not affect the State Auditor's authority to conduct an audit of the PSF Corporation in accordance with other State laws. The first audit of the PSF Corporation will be conducted following the close of the 2022-2023 fiscal year on August 31, 2023.

As required by State law, during the 87th Regular Session the LBB issued a fiscal note on SB 1232. The fiscal note stated that uncertainty exists regarding the nature of future returns and the effect of the bill on distributions from all components of the PSF to the ASF, such that the financial impact of the bill could not be determined during the legislative session. However, the fiscal note stated that TEA and the GLO projected that the changes effected by the bill will have a positive fiscal impact in terms of growth of the Fund and future Fund distributions. No assurances can be given as to future investment results for the Fund.

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

The Total Return Constitutional Amendment

The Total Return Constitutional Amendment approved a fundamental change in the way that distributions are made to the ASF from the PSF. Prior to the adoption of the Total Return Constitutional Amendment, all interest and dividend income produced by Fund investments flowed into the ASF, where they were distributed to local school districts and open-enrollment charter schools based on average daily attendance, any net gains from investments of the Fund were reflected in the value of the PSF, and costs of administering the PSF were allocated to the ASF. The Total Return Constitutional Amendment requires that PSF distributions to the ASF be determined using a "total-return-based" formula instead of the "current-income-based" formula, which was used from 1964 to the end of the 2003 fiscal year. The Total Return Constitutional Amendment provides that the total amount distributed from the Fund to the ASF: (1) in each year of a State fiscal biennium must be an amount that is not more than 6% of the average of the market value of the Fund, excluding real property (the "Distribution Rate"), on the last day of each of the sixteen State fiscal quarters preceding the Regular Session of the Legislature that begins before that State fiscal biennium, in accordance with the rate adopted by: (a) a vote of two-thirds of the total membership of the SBOE, taken before the Regular Session of the Legislature convenes or (b) the Legislature by general law or appropriation, if the SBOE does not adopt a rate as provided by clause (a); and (2) over the ten-year period consisting of the current State fiscal year and the nine preceding State fiscal years may not exceed the total return on all investment assets of the Fund over the same ten-year period (the "Ten Year Total Return"). In April 2009, the Attorney General issued a legal opinion, Op. Tex. Att'y Gen. No. GA-0707 (2009) ("GA-0707"), with regard to certain matters pertaining to the Distribution Rate and the determination of the Ten Year Total Return. In GA-0707 the Attorney General opined, among other advice, that (i) the Ten Year Total Return should be calculated on an annual basis, (ii) a contingency plan adopted by the SBOE, to permit monthly transfers equal in aggregate to the annual Distribution Rate to be halted and subsequently made up if such transfers temporarily exceed the Ten Year Total Return, is not prohibited by State law, provided that such contingency plan applies only within a fiscal year time basis, not on a biennium basis, and (iii) that the amount distributed from the Fund in a fiscal year may not exceed 6% of the average of the market value of the Fund or the Ten Year Total Return. In accordance with GA-0707, in the event that the Ten Year Total Return is exceeded during a fiscal year, transfers to the ASF will be halted. However, if the Ten Year Total Return subsequently increases during that biennium, transfers may be resumed, if the SBOE has provided for that contingency, and made in full during the remaining period of the biennium, subject to the limit of 6% in any one fiscal year. Any shortfall in the transfer that results from such events from one biennium may not be paid over to the ASF in a subsequent biennium as the SBOE would make a separate payout determination for that subsequent biennium.

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

On November 8, 2011, a referendum was held in the State at which voters of the State approved amendments that effected an increase to the base amount used in calculating the Distribution Rate from the Fund to the ASF and authorized the SLB to make direct transfers to the ASF, as described below.

The November 8, 2011, referendum included an increase to the base used to calculate the Distribution Rate by adding to the calculation base certain discretionary real assets and cash in the Fund that is managed by entities other than the SBOE (at present, by the SLB). The value of those assets was already included in the value of the Fund for purposes of the Guarantee Program, but prior to the amendment had not been included in the calculation base for purposes of making transfers from the Fund to the ASF. While the amendment provided for an increase in the base for the calculation of approximately $2 billion, no new resources were provided for deposit to the Fund. As described under "The Total Return Constitutional Amendment" the SBOE is prevented from approving a Distribution Rate or making a pay out from the Fund if the amount distributed would exceed 6% of the average of the market value of the Fund, excluding real property in the Fund, but including discretionary real asset investments on the last day of each of the sixteen State fiscal quarters preceding the Regular Session of the Legislature that begins before that State fiscal biennium or if such pay out would exceed the Ten Year Total Return.

The constitutional amendments approved on November 8, 2011, also provided authority to the GLO or another entity (described in statute as the SLB) that has responsibility for the management of revenues derived from land or other properties of the PSF to determine whether to transfer an amount each year to the ASF from the revenue derived during the current year from such land or properties. Prior to November 2019, the amount authorized to be transferred to the ASF from the GLO or SLB was limited to $300 million per year. On November 5, 2019, a constitutional amendment was approved by State voters that increased the maximum transfer to the ASF to $600 million each year from the revenue derived during that year from the PSF from the GLO, the SBOE or another entity to the extent such entity has the responsibility for the management of revenues derived from such land or other properties. Any amount transferred to the ASF pursuant to this constitutional provision is excluded from the 6% Distribution Rate limitation applicable to SBOE transfers.

The following table shows amounts distributed to the ASF from the portions of the Fund administered by the SBOE (the "PSF(SBOE)") and the SLB (the "PSF(SLB)").

Annual Distributions to the Available School Fund[1]

Fiscal Year Ending	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
PSF(SBOE) Distribution	$1,021	$839	$839	$1,056	$1,056	$1,236	$1,236	$1,102	$1,102	$1,731
PSF(SLB) Distribution	$300	$0	$0	$0	$0	$0	$300	$600	$600[2]	$415
Per Student Distribution	$281	$175	$173	$215	$212	$247	$306	$347	$341	$432

[1] In millions of dollars. Source: PSF Annual Report for year ended August 31, 2022.

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

In November 2022, the SBOE approved a $3.1 billion distribution to the ASF for State fiscal biennium 2024-2025. In making its determination of the 2024-2025 Distribution Rate, the SBOE took into account the announced planned distribution to the ASF by the SLB of $1.2 billion for the biennium.

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

State Fiscal Biennium	2008-09	2010-11	2012-13	2014-15	2016-17	2018-19	2020-21	2022-23	2024-25
SBOE Distribution Rate[1]	3.5%	2.5%	4.2%	3.3%	3.5%	3.7%	2.974%	4.18%	3.32%[2]

[1] Includes only distributions made to the ASF by the SBOE; see the immediately preceding table for amounts of direct SLB distributions to the ASF. In addition, the SLB approved transfers of $600 million per year directly to the ASF for fiscal biennium 2024-25.
[2] The distribution rate approved by the SBOE for fiscal biennium 2024-25 was based on a number of assumptions, including a mid- to long-term expected return rate for the Fund of 6.35% and a rate of inflation measured by the consumer price index of 2.70% according to the policy adopted by the SBOE in June 2022.

Asset Allocation of Fund Portfolios

With respect to the management of the Fund's financial assets portfolio, the single most significant change made to date as a result of the Total Return Constitutional Amendment has been new asset allocation policies adopted from time to time by the SBOE. The SBOE historically reviewed the asset allocations during its summer meeting in even-numbered years. The first asset allocation policy adopted by the SBOE following the Total Return Constitutional Amendment was in February 2004, and the policy was reviewed and modified or reaffirmed in the summers of each even-numbered year, most recently in June 2022. The IPS (effective January 1, 2023) provides for minimum and maximum ranges among the components of each of the asset classifications: equities, fixed income, and alternatives. The alternatives category includes absolute return, private equity, real estate, emerging manager program, real return, natural resources, and infrastructure components. Alternative asset classes diversify the managed assets of the PSF and are not as correlated to traditional asset classes, which is intended to increase investment returns over the long run while reducing risk and return volatility of the portfolio. Given the greater weighting in the overall portfolio of traditional investments, it is expected that the Fund will reflect the general performance returns of the markets in which the Fund is invested.

Prior to the effective date of the IPS, the most recent asset allocation of the PSF(SBOE), was approved by the SBOE in June 2022, and is set forth below, along with the asset allocations of the PSF(SLB) and Liquid Account that were effective June 2022.

PSF 2022 Strategic Asset Allocations

	PSF(SBOE)	PSF(SLB)	Liquid Account
Equity Total	55%	0%	77%
Public Equity Total	37%	0%	77%
Large Cap US Equity	14%	0%	38%
Small/Mid Cap US Equity	6%	0%	10%
International Equities	14%	0%	29%
Emerging Markets Equity	3%	0%	0%
Private Equity	18%	0%	0%
Fixed Income Total	22%	0%	21%

Core Bonds	12%	0%	16%
Non-Core Bonds (High Yield & Bank Loans)	4%	0%	0%
Emerging Markets Debt	3%	0%	0%
Treasuries	3%	0%	0%
TIPS	0%	0%	5%
Short Duration	0%	0%	0%
Alternative Investments Total	22%	100%	0%
Absolute Return	7%	0%	0%
Real Estate	11%	33%	0%
Real Return	4%	0%	0%
Energy	0%	31%	0%
Infrastructure	0%	36%	0%
Emerging Manager Program	1%	0%	0%
Cash	0%	0%	2%

PSF Corporation 2023 Strategic Asset Allocation

Effective January 1, 2023, the IPS includes a combined asset allocation for all Fund assets (consisting of assets transferred for management to the PSF Corporation from the SBOE, the SLB and the Liquid Account). The IPS provides that the Fund's investment objectives are as follows:

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

The table below sets forth the asset allocation of the Fund beginning January 1, 2023.

Asset Class	Strategic Asset Allocation	Range
Equities		
Large Cap US Equity	15%	+/- 3.0%
Small/Mid-Cap US Equity	6%	+/- 1.0%

Non-US Developed Equity	10%	+/- 3.0%
Emerging Market Equity	6%	+/- 1.0%
Total Equity	37%	
Fixed Income		
Core Bonds	11%	+/- 2.0%
Non-Core Bonds (High Yield & Bank Loans)	3%	+/- 3.0%
Emerging Market Debt (Local Currency)	2%	+/- 2.0%
U.S. Treasuries	2%	+/- 2.0%
Total Fixed Income	18%	
Cash Equivalents	0%	
Alternatives		
Absolute Return	6%	+/- 1.0%
Private Equity	15%	+/- 4.0%
Real Estate	12%	+/- 4.0%
Emerging Manager Program (Private Equity/Real Estate)	1%	+/- 1.0%
Real Return (Commodities & U.S. Treasury Inflation Protected Securities (TIPS))	4%	+/- 1.5%
Private Real Assets – Natural Resources	3%	+/- 2.0%
Private Real Assets - Infrastructure	4%	+/- 2.0%
Total Alternatives	45%	

For a variety of reasons, each change in asset allocation for the Fund has been implemented in phases, and that approach is likely to be carried forward when and if the asset allocation policy is again modified.

The table below sets forth the comparative investments of the PSF(SBOE) for the years ending August 31, 2021 and 2022, as set forth in the PSF Annual Reports for those years. As of January 1, 2023, the assets of the PSF(SBOE) and the PSF (SLB) were generally combined for investment management and accounting purposes.

Comparative Investment Schedule - PSF(SBOE)[1]

Fair Value (in millions) August 31, 2022 and 2021

ASSET CLASS	August 31, 2022	August 31, 2021	Amount of Increase (Decrease)	Percent Change
EQUITY				
Domestic Small Cap	$ 2,358.4	$ 2,597.3	$ (238.9)	-9.2%
Domestic Large Cap	4,730.4	6,218.7	(1,488.3)	-23.9%
Total Domestic Equity	7,088.8	8,816.0	(1,727.2)	-19.6%
International Equity	5,972.5	8,062.1	(2,089.6)	-25.9%
TOTAL EQUITY	13,061.3	16,878.1	(3,816.8)	-22.6%

FIXED INCOME				
Domestic Fixed Income	4,563.3	4,853.1	(289.8)	-6.0%
U.S. Treasuries	1,140.2	1,243.3	(103.1)	-8.3%
High Yield Bonds	1,142.5	-	1,142.5	N/A
Emerging Market Debt	1,142.5	2,683.7	(1,492.8)	-55.6%
TOTAL FIXED INCOME	8,036.9	8,780.1	(743.2)	-8.5%
ALTERNATIVE INVESTMENTS				
Absolute Return	2,932.3	3,546.0	(613.7)	-17.3%
Real Estate	4,365.7	3,706.0	659.7	17.8%
Private Equity	7,933.1	7,724.6	208.5	2.7%
Emerging Manager Program	29.9	-	29.9	N/A
Real Return	1,412.0	1,675.5	(263.5)	-15.7%
TOT ALT INVESTMENTS	16,673.0	16,652.1	20.9	0.1%
UNALLOCATED CASH	196.5	262.9	(66.4)	-25.3%
TOTAL PSF(SBOE) INVESTMENTS	$ 37,967.7	$ 42,573.2	$ (4,605.5)	-10.8%

Source: PSF Annual Report for year ended August 31, 2022.
[1] The investments shown in the table above at August 31, 2022 do not fully reflect the changes made to the PSF Strategic Asset Allocation in June 2022, as those changes were still being phased in at the end of the fiscal year.

The table below sets forth the investments of the Liquid Account for the year ended August 31, 2022.

Liquid Account Fair Value at August 31, 2022[1]

Fair Value (in millions) August 31, 2022 and 2021

ASSET CLASS	August 31, 2022	August 31, 2021	Amount of Increase (Decrease)	Percent Change
Equity				
Domestic Small/Mid Cap	$ 500.0	$228.3	$271.7	119.0%
Domestic Large Cap	1,671.7	578.6	1,093.1	188.9%
Total Domestic Equity	2,171.7	806.9	1,364.8	169.1%
International Equity	1,225.5	392.6	832.9	212.1%
TOTAL EQUITY	3,397.2	1,199.5	2,197.7	183.2%
Fixed Income				
Short-Term Fixed Income	797.4	1,074.8	(277.4)	-25.8%
Core Bonds	506.8	413.1	93.7	22.7%
TIPS	208.2	213.9	(5.7)	-2.7%
TOTAL FIXED INCOME	1,512.4	1,701.8	(189.4)	-11.1%
Unallocated Cash	35.2	1,420.5	(1,385.3)	-97.5%
Total Liquid Account Investments	$4,944.8	$4,321.8	$623.0	14.4%

[1] In millions of dollars.
Source: PSF Annual Report for year ended August 31, 2022.

The table below sets forth the comparative investments of the PSF(SLB) for the years ending August 31, 2022 and 2021.

Comparative Investment Schedule - PSF(SLB)

	Fair Value (in millions) August 31, 2022 and 2021			
	As of 8-31-22	As of 8-31-21	Increase (Decrease)	Percent Change
Asset Class				
Discretionary Real Assets Investments				
Externally Managed				
Real Assets Investment Funds[1]				
Energy/Minerals	$2,718.6	$1,707.5	$1,011.1	59.2%
Infrastructure	1,622.7	1,652.3	(29.6)	-1.8%
Real Estate	1,921.2	1,276.8	644.4	50.5%
Internally Managed Direct				
Real Estate Investments	271.5	223.9	47.6	21.3%
Total Discretionary Real Assets Investments	6,534.0	4,860.5	1,673.5	34.4%
Dom. Equity Rec'd as In-Kind Distribution	-	1.7	(1.7)	-100.0%
Sovereign and Other Lands	428.3	405.4	22.9	5.6%
Mineral Interests	5,622.2	2,720.4	2,901.8	106.7%
Cash at State Treasury[2]	1,257.5	699.2	558.3	79.8%
Total PSF(SLB) Investments	$13,842.0	$8,687.2	$5,154.8	59.3%

[1] The fair values of externally managed real assets investment funds, separate accounts, and co-investment vehicles are estimated using the most recent valuations available, adjusted for subsequent contributions and withdrawals.
[2] Cash at State Treasury represents amounts that have been deposited in the State Treasury and temporarily invested in short-term investments until called for investment by the external real assets investment funds, separate accounts, and co-investment vehicles to which PSF(SLB) has made capital commitments. Prior to September 1, 2019, PSF(SLB) was required by statute to deposit cash designated by the SLB for investment in real assets in the State Treasury until it is drawn for investment. After September 1, 2019, that cash was moved to the Liquid Account to be invested by the SBOE.

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

The School District Bond Guarantee Program

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

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

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

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

Generally, the regulations that govern the School District Bond Guarantee Program (the "SDBGP Rules") limit guarantees to certain types of notes and bonds, including, with respect to refunding bonds issued by school districts, a requirement that the bonds produce debt service savings, and that bonds issued for capital facilities of school districts must have been voted as unlimited tax debt of the issuing district. The Guarantee Program Rules include certain accreditation criteria for districts applying for a guarantee of their bonds, and limit guarantees to districts that have less than the amount of annual debt service per average daily attendance that represents the 90th percentile of annual debt service per average daily attendance for all school districts, but such limitation will not apply to school districts that have enrollment growth of at least 25% over the previous five school years. As noted, above, in connection with the Regulatory Recodification, the SDBGP Rules are now codified in the Texas Administrative Code at 19 TAC section 33.6 and are available at https://tea.texas.gov/sites/default/files/ch033a.pdf.

The Charter District Bond Guarantee Program

The Charter District Bond Guarantee Program became effective March 3, 2014. The SBOE published final regulations in the Texas Register that provide for the administration of the Charter District Bond Guarantee Program (the "CDBGP Rules"). As noted, above, in connection with the Regulatory Recodification, the CDBGP Rules are now codified at 19 TAC section 33.7 and are available at https://tea.texas.gov/sites/default/files/ch033a.pdf.

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

As of July 2023 (the most recent date for which data is available), the percentage of students enrolled in open-enrollment charter schools (excluding charter schools authorized by school districts) to the total State scholastic census was approximately 7.36%. At July 31, 2023, there were 184 active open-enrollment charter schools in the State and there were 1,103 charter school campuses authorized under such charters, though as of such date, 208 of such campuses are not currently serving students for various reasons; therefore, there are 895 charter school campuses actively serving students in Texas. Section 12.101, Texas Education Code, limits the number of charters that the Education Commissioner may grant to a total number of 305 charters. While legislation limits the number of charters that may be granted, it does not limit the number of campuses that may operate under a particular charter. For information regarding the capacity of the Guarantee Program, see “Capacity Limits for the Guarantee Program.” The Act provides that the Education Commissioner may not approve the guarantee of refunding or refinanced bonds under the Charter District Bond Guarantee Program in a total amount that exceeds one-half of the total amount available for the guarantee of charter district bonds under the Charter District Bond Guarantee Program.

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

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

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

Comptroller to withhold the amount paid with respect to the Charter District Bond Guarantee Program, plus interest, from the first State money payable to a charter district that fails to make a guaranteed payment on its bonds. The amount withheld will be deposited, first, to the credit of the PSF, and then to restore any amount drawn from the Charter District Reserve Fund as a result of the non-payment.

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

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

From time to time, TEA has limited new guarantees under the Charter District Bond Guarantee Program to conform to capacity limits specified by the Act. Legislation enacted during the Legislature's 2017 regular session modified the manner of calculating the capacity of the Charter District Bond Guarantee Program (the "CDBGP Capacity"), which further increased the amount of the CDBGP Capacity. The CDBGP Capacity is made available from the capacity of the

Guarantee Program but is not reserved exclusively for the Charter District Bond Guarantee Program. See “Capacity Limits for the Guarantee Program” and “2017 Legislative Changes to the Charter District Bond Guarantee Program.” Other factors that could increase the CDBGP Capacity include Fund investment performance, future increases in the Guarantee Program multiplier, changes in State law that govern the calculation of the CDBGP Capacity, as described below, changes in State or federal law or regulations related to the Guarantee Program limit, growth in the relative percentage of students enrolled in open-enrollment charter schools to the total State scholastic census, legislative and administrative changes in funding for charter districts, changes in level of school district or charter district participation in the Guarantee Program, or a combination of such circumstances.

Capacity Limits for the Guarantee Program

The capacity of the Fund to guarantee bonds under the Guarantee Program is limited to the lesser of that imposed by State law (the “State Capacity Limit”) and that imposed by regulations and a notice issued by the IRS (the “IRS Limit”, with the limit in effect at any given time being the “Capacity Limit”). From 2005 through 2009, the Guarantee Program twice reached capacity under the IRS Limit, and in each instance the Guarantee Program was closed to new bond guarantee applications until relief was obtained from the IRS. The most recent closure of the Guarantee Program commenced in March 2009 and the Guarantee Program reopened in February 2010 after the IRS updated regulations relating to the PSF and similar funds.

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

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

Changes in SBOE-determined multiplier for State Capacity Limit

Date	Multiplier

Prior to May 2010	2.50
May 2010	3.00
September 2015	3.25
February 2017	3.50
September 2017	3.75
February 2018 (current)	3.50

Since December 16, 2009, the IRS Limit was a static limit set at 500% of the total cost value of the assets held by the PSF as of December 16, 2009; however, on May 10, 2023, the IRS released Notice 2023-39 (the "IRS Notice"), stating that the IRS would issue regulations amending the existing regulations to amend the calculation of the IRS limit to 500% of the total cost value of assets held by the PSF as of the date of sale of new bonds. In accordance with the IRS Notice, the amount of any new bonds to be guaranteed by the PSF, together with the then outstanding amount of bonds previously guaranteed by the PSF, must not exceed the IRS Limit on the sale date of the new bonds to be guaranteed. The IRS Notice further provided that the IRS Notice may be relied upon for bonds sold on or after May 10, 2023, and before the effective date of future regulations or other public administrative guidance affecting funds like the PSF.

The IRS Notice changes the IRS Limit from a static limit to a dynamic limit for the Guarantee Program based upon the cost value of Fund assets, multiplied by five. As of June 30, 2023 the cost value of the Guarantee Program was $43,704,948,910 (unaudited), thereby producing an IRS Limit of $218,344,585,245 in principal amount of guaranteed bonds outstanding.

As of June 30, 2023, the estimated State Capacity Limit is $152,967,321,185, which is lower than the IRS Limit, making the State Capacity Limit the current Capacity Limit for the Fund.

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

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

With the change in the Capacity Reserve from 5% to 0.25%, effective March 1, 2023, as discussed above, and the change in the IRS Limit making the State Capacity Limit the current Capacity Limit, the net Guarantee Program capacity as of June 30, 2023 is $152,556,827,260. No representation is made as to how the capacity will remain available, and the capacity of the Guarantee Program is subject to change due to a number of factors, including changes in bond issuance volume throughout the State and some bonds receiving guarantee approvals may not close. If the amount of guaranteed bonds approaches the State Capacity Limit, the SBOE or Education Commissioner may increase the State Capacity Limit multiplier as discussed above.

2017 Legislative Changes to the Charter District Bond Guarantee Program

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

The percentage of the charter district scholastic population to the overall public school scholastic population has grown from 3.53% in September 2012 to 7.36% in March 2023. TEA is unable to predict how the ratio of charter district students to the total State scholastic population will change over time.

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

Since the initial authorization of the Charter District Bond Guarantee Program, the Act has established a bond guarantee reserve fund in the State treasury (the "Charter District Reserve Fund"). Formerly, the Act provided that each charter district that has a bond guaranteed must annually remit to the Education Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 10% of the savings to the charter district that is a result of the lower interest rate on its bonds due to the guarantee by the PSF. SB 1480 modified the Act insofar as it pertains to the Charter District Reserve Fund. Effective September 1, 2017, the Act provides that a charter district that has a bond guaranteed must remit to the Education Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 20% of the savings to the charter district that is a result of the lower interest rate on the bond due to the guarantee by the PSF. The amount due shall be paid on receipt by the charter district of the bond proceeds. However, the deposit requirement will not apply if the balance of the Charter District Reserve Fund is at least equal to 3.00% of the total amount of outstanding guaranteed bonds issued by charter districts. At June 30, 2023, the Charter District Reserve Fund contained $90,293,027, which represented approximately 2.23% of the guaranteed charter district bonds. The Reserve Fund is held and invested as a non-commingled fund under the administration of the PSF Corporation staff.

Charter District Risk Factors

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

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

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

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

Infectious Disease Outbreak

Since the onset of the COVID-19 pandemic in March 2020, TEA and TEA investment management for the PSF have continued to operate and function pursuant to the TEA continuity of operations plan developed as mandated in accordance with Texas Labor Code Section 412.054. That plan was designed to ensure performance of the Agency's essential missions and functions under such threats and conditions in the event of, among other emergencies, a pandemic event.

Circumstances regarding the COVID-19 pandemic continue to evolve; for additional information on these events in the State, reference is made to the website of the Governor, https://gov.texas.gov/, and, with respect to public school events, the website of TEA, https://tea.texas.gov/texas-schools/safe-and-healthy-schools/coronavirus-covid-19-support-and-guidance.

TEA cannot predict whether any school or charter district may experience short- or longer-term cash flow emergencies as a direct or indirect effect of COVID-19 that would require a payment from the PSF to be made to a paying agent for a guaranteed bond. However, through the end of February 2023, no school district or charter district had failed to perform with respect to making required payments on their guaranteed bonds. Information regarding the respective financial operations of the issuer of bonds guaranteed, or to be guaranteed, by the PSF is provided by such issuers in their respective bond offering documents and the TEA takes no responsibility for the respective information, as it is provided by the respective issuers.

Ratings of Bonds Guaranteed Under the Guarantee Program

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

Valuation of the PSF and Guaranteed Bonds

Permanent School Fund Valuations

Fiscal Year Ended 8/31	Book Value[1]	Market Value[1]
2018	$ 33,860,358,647	$ 44,074,197,940
2019	35,288,344,219	46,464,447,981
2020	36,642,000,738	46,764,059,745
2021	38,699,895,545	55,582,252,097
2022[2]	42,511,350,050	56,754,515,757

[1] SLB managed assets are included in the market value and book value of the Fund. In determining the market value of the PSF from time to time during a fiscal year, the current, unaudited values for PSF investment portfolios and cash held by the SLB are used. With respect to SLB managed assets shown in the table above, market values of land and mineral interests, internally managed real estate, investments in externally managed real estate funds and cash are based upon information reported to the PSF Corporation by the SLB. The SLB reports that information to the PSF Corporation on a quarterly basis. The valuation of such assets at any point in time is dependent upon a variety of factors, including economic conditions in the State and nation in general, and the values of these assets, and, in particular, the valuation of mineral holdings administered by the SLB, can be volatile and subject to material changes from period to period.

[2] At August 31, 2022, mineral assets, sovereign and other lands and discretionary internal investments, investments with external managers, and cash managed by the SLB had book values of approximately $13.4 million, $180.6 million, $5,433.0 million, and $1,257.5 million, respectively, and market values of approximately $5,622.2 million, $699.8 million, $6,262.5 million, and $1,257.52 million, respectively.

Permanent School Fund Guaranteed Bonds

At 8/31	Principal Amount[1]
2018	$79,080,901,069
2019	84,397,900,203
2020	90,336,680,245
2021	95,259,161,922
2022	103,239,495,929[2]

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

[2] At August 31, 2022 (the most recent date for which such data is available), the TEA expected that the principal and interest to be paid by school districts and charter districts over the remaining life of the bonds guaranteed by the Guarantee Program was $156,825,227,335, of which $53,585,731,406 represents interest to be paid. As shown in the table above, at August 31, 2022, there were $103,239,495,929 in principal amount of bonds guaranteed under the Guarantee Program. Using the State Capacity Limit of $152,556,827,260 (the State Capacity Limit is currently the Capacity Limit), net of the Capacity Reserve, as of June 30, 2023, 7.36% of the Guarantee Program's capacity was available to the Charter District Bond Guarantee Program. As of June 30, 2023, the amount of outstanding bond guarantees represented 70.06% of the Capacity

Limit (which is currently the State Capacity Limit). June 30, 2023 values are based on unaudited data, which is subject to adjustment.

Permanent School Fund Guaranteed Bonds by Category[1]

	School District Bonds		Charter District Bonds		Totals	
Fiscal Year Ended 8/31	No. of Issues	Principal Amount ($)	No. of Issues	Principal Amount ($)	No. of Issues	Principal Amount ($)
2018	3,249	77,647,966,069	44	1,432,935,000	3,293	79,080,901,069
2019	3,297	82,537,755,203	49	1,860,145,000	3,346	84,397,900,203
2020	3,296	87,800,478,245	64	2,536,202,000	3,360	90,336,680,245
2021	3,346	91,951,175,922	83	3,307,986,000	3,429	95,259,161,922
2022[2]	3,348	99,528,099,929	94	3,711,396,000	3,442	103,239,495,929

[1] Represents original principal amount; does not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities). The amount shown excludes bonds that have been refunded and released from the Guarantee Program.
[2] At June 30, 2023 (based on unaudited data, which is subject to adjustment), there were$107,163,538,633 in principal amount of bonds guaranteed under the Guarantee Program, representing 3,424 school district issues, aggregating $103,112,917,633 in principal amount and 107 charter district issues, aggregating $4,050,621,000 in principal amount. At June 30, 2023 the projected guarantee capacity available was $30,224,526,888 (based on unaudited data, which is subject to adjustment).

Discussion and Analysis Pertaining to Fiscal Year Ended August 31, 2022

The following discussion is derived from the Annual Report for the year ended August 31, 2022, including the Message of the Executive Administrator of the Fund and the Management's Discussion and Analysis contained therein. Reference is made to the Annual Report, as filed with the MSRB, for the complete Message and MD&A. Investment assets managed by the fifteen member SBOE are referred to throughout this MD&A as the PSF(SBOE) and, with respect to the Liquid Account, Liquid(SBOE) assets. As of August 31, 2022, the Fund's land, mineral rights and certain real assets are managed by the five-member SLB and these assets are referred to throughout as the PSF(SLB) assets. The current PSF(SBOE) asset allocation policy includes an allocation for real estate investments, and as such investments are made, and become a part of the PSF(SBOE) investment portfolio, those investments will be managed by the SBOE and not the SLB.

At the end of fiscal 2022, the Fund balance was $56.8 billion, an increase of $1.2 billion from the prior year. This increase is primarily due to overall net increases in value of the various asset classes in which the Fund is invested. During the year, the SBOE continued implementing the long-term strategic asset allocation, diversifying the PSF(SBOE) to strengthen the Fund. The asset allocation is projected to increase returns over the long run while reducing risk and portfolio return volatility. The PSF(SBOE) annual rates of return for the one-year, five-year, and ten-year periods ending August 31, 2022, net of fees, were -6.80%, 6.54% and 7.33%, respectively, and the Liquid(SBOE) annual rate of return for the one-year and three-year periods ending August 31, 2022, net of fees, was -10.24% and -1.23% (total return takes into consideration the change in the market value of the Fund during the year as well as the interest and dividend income generated by the Fund's investments). In addition, the SLB continued its shift into externally managed real asset investment funds, and the one-year, five-year, and ten-year annualized total returns for the PSF(SLB) externally managed real assets, net of fees and including cash, were 32.29%, 8.42%, and 7.40%, respectively.

The Fund is invested in global markets and experiences volatility commensurate with the related indices. The Fund is broadly diversified and benefits from the cost structure of its investment program. Changes continue to be researched, crafted and implemented to make the cost structure more effective and efficient. See "Comparative Investment Schedule - PSF(SBOE)" for the PSF(SBOE) holdings as of August 31, 2022.

As of August 31, 2022, the SBOE has approved, and the Fund made capital commitments to, externally managed real estate investment funds in a total amount of $7.3 billion and capital commitments to private equity limited partnerships for a total of $10.1 billion. Unfunded commitments at August 31, 2022, totaled $2.4 billion in real estate investments and $2.9 billion in private equity investments.

PSF Returns Fiscal Year Ended 8-31-2022[1]

Portfolio	Return	Benchmark Return[2]
Total PSF(SBOE) Portfolio	(6.80)%	(6.37)%
Domestic Large Cap Equities(SBOE)	(11.08)	(11.23)
Domestic Small/Mid Cap Equities(SBOE)	(10.96)	(10.90)
International Equities(SBOE)	(19.72)	(19.52)
Emerging Market Equity(SBOE)	(22.85)	(21.80)
Fixed Income(SBOE)	(12.16)	(11.52)
Treasuries	(22.82)	(22.64)
Absolute Return(SBOE)	(0.55)	(5.66)
Real Estate(SBOE)	23.31	20.56
Private Equity(SBOE)	3.17	8.43
Real Return(SBOE)	2.98	3.09
Emerging Market Debt(SBOE)	(17.95)	(19.43)
Liquid Large Cap Equity(SBOE)	(10.39)	(11.23)
Liquid Small Cap Equity(SBOE)	(10.63)	(10.90)
Liquid International Equity(SBOE)	(19.34)	(19.52)
Liquid Short-Term Fixed Income(SBOE)	(4.27)	(4.01)
Liquid Core Bonds(SBOE)	(11.30)	(11.52)
Liquid TIPS(SBOE)	(5.78)	(5.98)
Liquid Transition Cash Reserves(SBOE)	1.65	0.38
Liquid Combined(SBOE)	(10.24)	(10.88)
PSF(SLB)	(32.29)	N/A

[1] Time weighted rates of return adjusted for cash flows for the PSF(SBOE) investment assets. Does not include GLO managed real estate or real assets. Returns are net of fees. Source: PSF Annual Report for year ended August 31, 2022.
[2] Benchmarks are as set forth in the PSF Annual Report for year ended August 31, 2022.

The PSF(SLB) portfolio is generally characterized by three broad categories: (1) discretionary real assets investments, (2) sovereign and other lands, and (3) mineral interests. Discretionary real assets investments consist of externally managed real estate, infrastructure, and energy/minerals investment funds; internally managed direct real estate investments, and cash. Sovereign and other lands consist primarily of the lands set aside to the PSF when it was created. Mineral interests consist of all of the minerals that are associated with PSF lands. The investment focus of PSF(SLB) discretionary real assets investments has shifted from internally managed direct real estate investments to externally managed real assets investment funds. The PSF(SLB) makes investments in certain limited partnerships that legally commit it to possible future capital contributions. At August 31, 2022, the remaining commitments totaled approximately $1.94 billion.

For fiscal year 2022, total revenues, inclusive of unrealized gains and losses and net of security lending rebates and fees, totaled $3.5 billion, a decrease of $7.3 billion from fiscal year 2021 earnings of $10.8 billion. The total change in the fair value of the Fund investments is consistent with the change in value of the markets in which those investments were made. In fiscal year 2022, revenues earned by the Fund included gains realized on the sale of land and real estate owned by the Fund; lease payments, bonuses and royalty income received from oil, gas and mineral leases; lease payments from commercial real estate; surface lease and easement revenues; revenues from the resale of natural and liquid gas supplies; dividends, interest, and securities lending revenues; the net change in the fair value of the investment portfolio and externally managed real assets investment funds; and other miscellaneous fees and income.

Expenditures are paid from the Fund before distributions are made under the total return formula. Such expenditures include the costs incurred by the SLB to manage the land endowment, as well as operational costs of the Fund, including external management fees paid from appropriated funds. Total operating expenditures, net of security lending rebates and fees, increased 3.0% for the fiscal year ending August 31, 2022. This increase is primarily attributable to an increase in PSF(SLB) quantities of purchased gas for resale in the State Energy Management Program, which is administered by the SLB as part of the Fund, as well as increases in operational costs.

The Fund directly supports the public school system in the State by distributing a predetermined percentage of its asset value to the ASF. For fiscal years 2021 and 2022, the distribution from the SBOE to the ASF totaled $1.1 billion and $1.7 billion, respectively. Distributions from the SLB to the ASF for fiscal years 2021 and 2022 totaled $600 and $415 million, respectively.

At the end of the 2022 fiscal year, PSF assets guaranteed $103.2 billion in bonds issued by 898 local school districts and charter districts, the latter of which entered into the Guarantee Program during the 2014 fiscal year. Since its inception in 1983, the Fund has guaranteed 8,554 school district and charter district bond issues totaling $239.7 billion in principal amount. During the 2022 fiscal year, the number of outstanding issues guaranteed under the Guarantee Program totaled 3,442. The dollar amount of guaranteed school and charter bond issues outstanding increased by $7.98 billion or 8.4%. The State Capacity Limit increased by $13.3 billion, or 9.8%, during fiscal year 2022 due to continued growth in the cost basis of the Fund used to calculate that Program capacity limit. The effective capacity of the Guarantee Program did not increase during fiscal year 2022 as the IRS Limit was reached in a prior fiscal year, and it is the lower of the two capacity limits for the Guarantee Program.

Other Events and Disclosures

The State Investment Ethics Code governs the ethics and disclosure requirements for financial advisors and other service providers who advise certain State governmental entities, including the PSF. The SBOE code of ethics provides ethical standards for SBOE members, the Education Commissioner, TEA staff, and persons who provide services to the SBOE relating to the Fund. As part of the Regulatory Recodification, the PSF Corporation developed its own ethics policy as required by SB 1232, which provides basic ethical principles, guidelines, and standards of conduct relating to the management and investment of the Fund in accordance with the requirements of §43.058 of the Texas Education Code, as amended. The SBOE code of ethics is codified in the Texas Administrative Code at 19 TAC sections 33.4 et seq. and is available on the TEA web site at https://tea.texas.gov/sites/default/files/ch033a.pdf. The PSF Corporation's ethics policy is posted to the PSF Corporation's website at texaspsf.org.

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

As of August 31, 2022, certain lawsuits were pending against the State and/or the GLO, which challenge the Fund's title to certain real property and/or past or future mineral income from that property, and other litigation arising in the normal course of the investment activities of the PSF. Reference is made to the Annual Report, when filed, for a description of such lawsuits that are pending, which may represent contingent liabilities of the Fund.

PSF Continuing Disclosure Undertaking

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

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

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

Annual Reports

The TEA will annually provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the Guarantee Program and the PSF of the general type included in this offering document under the heading "THE PERMANENT SCHOOL FUND GUARANTEE

PROGRAM." The information also includes the Annual Report. The TEA will update and provide this information within six months after the end of each fiscal year.

The TEA may provide updated information in full text or may incorporate by reference certain other publicly-available documents, as permitted by Rule 15c2-12. The updated information includes audited financial statements of, or relating to, the State or the PSF, when and if such audits are commissioned and available. Financial statements of the State will be prepared in accordance with generally accepted accounting principles as applied to state governments, as such principles may be changed from time to time, or such other accounting principles as the State Auditor is required to employ from time to time pursuant to State law or regulation. The financial statements of the Fund are required to be prepared to conform to U.S. Generally Accepted Accounting Principles as established by the Governmental Accounting Standards Board.

The Fund is reported by the State of Texas as a permanent fund and accounted for on a current financial resources measurement focus and the modified accrual basis of accounting. Measurement focus refers to the definition of the resource flows measured. Under the modified accrual basis of accounting, all revenues reported are recognized based on the criteria of availability and measurability. Assets are defined as available if they are in the form of cash or can be converted into cash within 60 days to be usable for payment of current liabilities. Amounts are defined as measurable if they can be estimated or otherwise determined. Expenditures are recognized when the related fund liability is incurred.

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

Event Notices

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

Availability of Information

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

Limitations and Amendments

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

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

This continuing disclosure agreement may be amended by the TEA from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the TEA, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell guaranteed bonds in the primary offering of such bonds in compliance with Rule 15c2-12, taking into account any amendments or interpretations of Rule 15c2-12 since such offering as well as such changed circumstances and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding bonds guaranteed by the Guarantee Program consent to such amendment or (b) a person that is unaffiliated with the TEA (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the holders and beneficial owners of the bonds guaranteed by the Guarantee Program. The TEA may also amend or repeal the provisions of its continuing disclosure agreement if the SEC amends or repeals the applicable provision of Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling bonds guaranteed by the Guarantee Program in the primary offering of such bonds.

Compliance with Prior Undertakings

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

SEC Exemptive Relief

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

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