

PRELIMINARY OFFICIAL STATEMENT
Dated July 28, 2025

NEW ISSUE – BOOK-ENTRY-ONLY

Enhanced/Unenhanced Ratings:

S&P: “AAA” / “A”

PSF: “Guaranteed”

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

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 (as defined below) 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 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.



\$14,250,000*

PERRYTON INDEPENDENT SCHOOL DISTRICT

(a political subdivision of the State of Texas located in Ochiltree County)

UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2025

Dated Date: August 15, 2025

Due: as shown on page ii hereto

Interest to Accrue from Date of Delivery (as defined below)

AUTHORITY FOR ISSUANCE ... The Perryton Independent School District Unlimited Tax School Building Bonds, Series 2025 (the “Bonds”) are being issued pursuant to the Constitution and general laws of the State of Texas (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”) to be adopted by the Board of Trustees of the District (the “Board”) on August 4, 2025. 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 the Date of Delivery to the Underwriter (detailed below), will be payable on August 28, 2025 (an irregular interest payment date) and each February 15 and August 15 thereafter, commencing February 15, 2026, until stated maturity, or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued as fully-registered obligations in principal denominations of \$5,000 or any integral multiple thereof. The definitive Bonds will be registered and delivered to Cede & Co., as the nominee of The Depository Trust Company, New York, New York (“DTC”), pursuant to the Book-Entry-Only System described herein. DTC will act as the initial securities depository (the “Securities Depository”) for the Bonds. Book-entry interests in the Bonds will be made available for purchase in multiples of \$5,000 of the principal amount. Purchasers of the Bonds (“Beneficial Owners”) will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, principal of and interest on the Bonds (as applicable) will be payable by the Paying Agent/Registrar, initially BOKF, NA, Dallas, Texas, to the Securities Depository, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM” herein.

PURPOSE ... Proceeds from the sale of the Bonds will be used for (i) 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) paying for the costs of issuance of the Bonds. See “PLAN OF FINANCING – Sources and Uses of Funds” herein.

The District 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 the State of Texas approves the Bonds. See “APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” attached hereto.

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

The Bonds are offered for delivery when, as, and if issued and received by the underwriter named below (the “Underwriter”) and are subject to the approving opinion of the Attorney General of the State of Texas and the opinion of Orrick, Herrington & Sutcliffe LLP, Austin, Texas, Bond Counsel. See “APPENDIX C – FORM OF BOND COUNSEL’S OPINION” attached hereto. Certain matters will be passed upon for the Underwriter by its counsel, Winstead PC, San Antonio, Texas. It is expected that the Bonds will be available for delivery through DTC on or about August 27, 2025 (“Date of Delivery”).*

OPPENHEIMER & CO.

* Preliminary, subject to change.

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

\$14,250,000*

PERRYTON INDEPENDENT SCHOOL DISTRICT
(a political subdivision of the State of Texas located in Ochiltree County)
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2025

CUSIP No. Prefix 715144 ⁽¹⁾

\$_____ Serial Bonds*

Maturity Date	Principal*	Interest Rate	Initial Yield	CUSIP No. ⁽¹⁾
(8/15)	(\$)	(%)	(%)⁽²⁾	Suffix
2026	1,065,000.00			
2027	1,070,000.00			
2028	880,000.00			
2029	925,000.00			
2030	975,000.00			
2031	1,025,000.00			
2032	1,075,000.00			
2033	1,125,000.00			
2034	1,180,000.00			
2035	1,240,000.00			
2036	1,305,000.00			
2037	2,385,000.00			

\$_____ Term Bonds*

\$_____ * ____% Term Bonds Due August 15, 20__ to yield ____%⁽²⁾ CUSIP No.⁽¹⁾ Suffix ____

(Interest to accrue from Date of Delivery)

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

* Preliminary, subject to change.

⁽¹⁾ CUSIP numbers are included solely for the convenience of the owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the Underwriter, the District, or the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein. Further, CUSIP numbers are subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a partial defeasance of the Bonds.

⁽²⁾ The initial yields at which the 2025 Bonds are priced are established by and are the sole responsibility of the Underwriter and, subject to certain hold-the-offering-price restrictions in the purchase agreement related to the Bonds, may be changed at any time at the discretion of the Underwriter.

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

BOARD OF TRUSTEES

<u>Name</u>	<u>Position</u>	<u>Term Expiration</u>
Wes Beal	President	May 2027
Bryce Hale	Vice President	May 2027
Jed Symons	Secretary	May 2026
Duce Cooper	Trustee	May 2028
Jeff Schollenbarger	Trustee	May 2027
Ramon Vela	Trustee	May 2026
Shae Cunningham	Trustee	May 2028

ADMINISTRATION – FINANCE RELATED

<u>Name</u>	<u>Position</u>
Greg Brown	Superintendent
Britney Meraz	Chief Financial Officer/Safety Director

CONSULTANTS AND ADVISORS

Auditors	Coy Barton, C.P.A., Dumas, 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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Austin, Texas 78746
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USE OF INFORMATION IN THE OFFICIAL STATEMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

References to 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 hyperlinks contained therein are not incorporated into, and are not part of, this final official statement for any purposes.

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

OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT The District is a political subdivision of the State located in Ochiltree County. The District is approximately 790.23 square miles in area. The District is governed by a seven-member Board of Trustees (the "Board"). Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools, who is the chief administrative officer of the District. Support services are supplied by consultants and advisors. See "INTRODUCTION – Description of the District" herein.

AUTHORITY FOR ISSUANCE The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, including particularly Sections 45.001 and 45.003(b)(1) of the Texas Education Code, as amended, an election held on May 6, 2023 (the "Election"), and a bond order to be adopted by the Board on August 4, 2025 (the "Bond Order"). See "THE BONDS - Authority for Issuance" herein.

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

DATED DATE August 15, 2025.

PAYMENT OF INTEREST Interest on the Bonds will accrue from the Date of Delivery, will be payable on August 28, 2025 (an irregular interest payment date) and each February 15 and August 15 thereafter, commencing February 15, 2026, until stated maturity, or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. See "THE BONDS – Description of the Bonds" herein.

REDEMPTION The District reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 20__, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 20__ or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If two or more serial bonds of consecutive maturities are combined into one or more "term" Bonds (the "Term Bonds") by the Underwriter, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with provisions of the Bond Order. See "THE BONDS – Redemption Provisions of the Bonds" herein.

SECURITY FOR THE BONDS The Bonds constitute direct obligations of the District payable from a continuing direct annual ad valorem tax levied against all taxable property located therein, without legal limitation as to rate or amount.

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 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 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 the State of Texas approves the Bonds. See "THE BONDS" – Permanent School Fund Guarantee" herein and "APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" attached hereto.

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

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

USE OF PROCEEDS Proceeds from the sale of the Bonds will be used for (i) 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) paying for the costs of issuance of the Bonds. See "PLAN OF FINANCING – Purpose" and "– Sources and Uses of Funds" herein.

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

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

DELIVERY When issued, anticipated to occur on or about August 27, 2025.*

* Preliminary, subject to change.

LEGALITYThe Bonds are subject to the receipt of an approving opinion from the Attorney General of the State of Texas and an opinion from Orrick, Herrington & Sutcliffe LLP, Austin, Texas, Bond Counsel. See "APPENDIX C – FORM OF BOND COUNSEL'S OPINION" attached hereto.

[Remainder of page intentionally left blank]

PRELIMINARY OFFICIAL STATEMENT

Relating to

\$14,250,000*

PERRYTON INDEPENDENT SCHOOL DISTRICT
(a political subdivision of the State of Texas located in Ochiltree County)
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2025

INTRODUCTION

This Official Statement, which includes the appendices attached hereto, and incorporated herein, provides certain information regarding the issuance of the \$14,250,000* Perryton Independent School District Unlimited Tax School Building Bonds, Series 2025 (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 Perryton Independent School District (the "District") on May 6, 2023 (the "Election"), and that certain bond order (the "Bond Order") to be adopted by the District's Board of Trustees (the "Board") on August 4, 2025. 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.

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

Included in this Official Statement are descriptions of the Bonds, the 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 of Schools and, during the offering period, from the District's Municipal Advisor, Live Oak Public Finance, LLC, 1515 S. Capital of Texas Hwy., Suite 206, Austin, Texas 78746, Attention: Christian Merritt, upon payment of reasonable copying, mailing and handling charges.

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

Description of the District

The District is a political subdivision of the State located in Ochiltree County. The District is governed by a seven-member Board of Trustees who serve staggered four-year terms with elections being held in May of odd-numbered years. Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools, who is the chief administrative officer of the District. Support services are supplied by consultants and advisors. The District is an agricultural and petroleum producing area which includes the City of Perryton. The City is the county seat of Ochiltree County and is located in the extreme northern part of the Panhandle at the junction of State Highway 15 and U.S. Highway 83. Perryton, considered the "Wheatheart of the Nation" is a shipping point for one of the nation's top wheat producing areas and center for the County's oil and gas industries. The City's 2020 population was 8,492, decreasing 3.52% since 2010.

PLAN OF FINANCING

Purpose

Proceeds from the sale of the Bonds will be used for (i) 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) paying for the costs of issuance of the Bonds. See "Sources and Uses of Funds" herein.

* Preliminary, subject to change.

Sources and Uses of Funds

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

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

THE BONDS

Description of the Bonds

The Bonds will be dated August 15, 2025 (the "Dated Date") and mature on August in each of the years and in the amounts shown on the page ii of this Official Statement. Interest on the Bonds will accrue from the Date of initial Delivery to the Underwriter (as defined herein), will be payable on August 28, 2025 (an irregular interest payment date) and each February 15 and August 15 thereafter, commencing February 15, 2026, until stated maturity, or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued only in fully-registered form in denominations of \$5,000 of the principal amount or any integral multiple thereof within a stated maturity.

Interest on the Bonds is payable by check on the Interest Payment Date and mailed by the Paying Agent/Registrar (as defined herein) on or before each Interest Payment Date to the registered owners appearing on the bond registration books kept by the Paying Agent/Registrar of record as of the Record Date to the address of such registered owner as shown on the register (the "Bond Register"). Any accrued interest payable at maturity or redemption on a Bond shall be paid upon presentation and surrender of such Bond at the principal payment office of the Paying Agent/Registrar. The principal of the Bonds is payable at stated maturity or prior redemption upon presentation and surrender to the Paying Agent/Registrar. The Bonds will be issued only in fully-registered form in any integral multiple of \$5,000 of the principal amount for any one maturity.

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

Authorized But Unissued Bonds

Following the issuance of the Bonds, the District is expected to have \$0^{*} in authorized but unissued bonds remaining, as further described herein. See "TABLE 9 - Authorized But Unissued Bonds" in APPENDIX A attached hereto.

Security and Source of Payment

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

^{*} Preliminary, subject to change.

Permanent School Fund Guarantee

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

Redemption Provisions of the Bonds

Optional Redemption

The District reserves the right, at its option, to redeem prior to maturity the Bonds maturing on and after August 15, 20__, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 20__ or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the District may select the maturities of the 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, or portions thereof, within such maturity to be redeemed.

Mandatory Redemption

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

Selection of Bonds for Redemption

If less than all of a particular series of the Bonds are to be redeemed, the District may select the maturities of such series of Bonds to be redeemed. If less than all the Bonds of any maturity of a particular series of Bonds 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 of such series, 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.

Bonds may be redeemed only in integral multiples of \$5,000 of principal amount. If a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in integral multiples of \$5,000. In selecting portions of Bonds for redemption, the Registrar shall treat each Bond as representing that number of Bonds of \$5,000 denomination which is obtained by dividing the principal amount of such Bond by \$5,000. Upon surrender of any Bond for redemption in part, the Registrar, in accordance with the Bond Order, shall authenticate and deliver in exchange therefor a Bond or Bonds of like type, maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

Notice of Redemption

No fewer than thirty (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, in the name of the District, 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 all prerequisites to such redemption required by the respective Bond Order have been met, including moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed having been received by the Paying Agent/Registrar prior to the giving of notice of such redemption, such notice shall state that said redemption may, at the option of the District, be conditional upon the satisfaction of all prerequisites and receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, and if such prerequisites to the redemption and sufficient moneys are not received, such notice shall be of no force and effect, the District shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the 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 any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the Beneficial Owners. Any such selection of Bonds to be so redeemed will not be governed by the 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 defease the provisions of the Bond Order and 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 (but not limited to) 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 sufficient to make such payment and/or (2) pursuant to an escrow or trust agreement, cash and/or Defeasance 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 on the Bonds to the date of maturity or earlier redemption, if any; provided, however, that if any of such Bonds are to be redeemed prior to their respective dates of maturity, provision shall have been made for giving notice of redemption as provided in the Bond Order. Any surplus amount not required to accomplish such defeasance shall be returned to the District. The Bond Order provides that "Defeasance Securities" means: (i) direct non-callable obligations of United States of America, including obligations that are unconditionally guaranteed by the United States of America; (ii) non-callable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; and (iii) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, which, in the case of (i), (ii) or (iii), 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 Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance.

District officials may further limit the permitted Defeasance Securities in connection with the sale of the Bonds. In the event the District restricts such eligible securities and obligations, the final Official Statement will reflect the new authorized Defeasance Securities. There is no assurance that current State 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 as Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category.

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

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

Amendments to Bond Order

In the Bond Order, the District has reserved the right to amend the Bond Order without the consent of or notice to any beneficial owner for the purpose of amending the bond order 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 consent of the holders who own in the aggregate a majority of the principal amount of the Bonds then outstanding, amend, add to, or rescind any of the provisions of the Bond Order as it relates to the Bonds; provided 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, or interest on the Bonds,

reduce the principal amount thereof, the redemption price, or the rate of interest thereon or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Bonds, (ii) give any preference to any Bond over any other Bond, or (iii) reduce the aggregate principal amount of Bonds of such series required to be held by Beneficial Owners of such series for consent to any such amendment, addition, or rescission.

Default and Remedies

The Bond Order does not specify events of default with respect to the Bonds. 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" attached hereto for a description of the procedures to be followed for payment of the Bonds by the Permanent School Fund in the event the District fails to make a payment on the Bonds when due. The opinion of Bond Counsel (defined herein) will note that all opinions relative to the enforceability of the Bond Order and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity which permit the exercise of judicial discretion.

Payment Record

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

Legality

The Bonds are offered when, as, and if issued, and subject to the receipt of an approving opinion of the Attorney General of the State of Texas and the opinion of the District's Bond Counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas.

Delivery

When issued; anticipated to occur on or about August 27, 2025 (the "Date of Delivery").*

Future Issues

Following the issuance of the Bonds, the District is expected to have \$0^{*} in authorized but unissued ad valorem tax bonds remaining. Aside from the Bonds, the District does not anticipate the issuance of additional new money ad valorem tax-supported debt in the next twelve months. In addition, the District may incur other financial obligations payable from its collection of taxes and other sources of revenue, including maintenance tax notes payable from its collection of maintenance and operations taxes, public property finance contractual obligations payable from its collection of debt service taxes, delinquent tax notes, and leases for various purposes payable from State appropriations and surplus maintenance and operations taxes.

* Preliminary, subject to change.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

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

Record Date for Interest Payment

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

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

Registration, Transferability and Exchange

In the event the Book-Entry-Only System should be discontinued, interest on the Bonds will be payable to the registered owner appearing on the bond registration books of the Paying Agent/Registrar on the Record Date and such interest shall be paid by the Paying Agent/Registrar. The principal of the Bonds is payable at maturity or redemption, upon their presentation and surrender to the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions are authorized by law to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. So long as Cede & Co. is the registered owner of the Bonds, payments of the principal and interest on the Bonds will be made as described in "Book-Entry-Only System."

Limitation on Transfer of Bonds

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

Use of Certain Terms in Other Sections of This Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the 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. Reference is made to Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Valuation of Taxable Property

The Property Tax Code provides for 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" herein.

Unless extended by the Legislature, through December 31, 2026 an appraisal district is prohibited from increasing the appraised value of real property during the 2024 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5 million dollars (the "Maximum Property Value") to an amount exceeding the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. The Maximum Property Value may

be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the effective Maximum Property Value. For the 2025 tax year, the Maximum Property Value was increased to \$5,160,000. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2023 Legislative Sessions".

State-Mandated Homestead Exemptions

During the 89th Regular Session, the Legislature considered a general appropriations act and legislation affecting the Finance System and ad valorem taxation procedures and exemptions, and investments, among other legislation affecting school districts and the administrative agencies that oversee school districts. Subject to the Governor's signing of the relevant legislation and contingent on voter approval at a Statewide election to be held on November 4, 2025, legislation passed by both houses of the Legislature would increase: (1) the State mandated general homestead exemption from \$100,000 to \$140,000, and (2) the additional exemption on the residence homesteads of those at least sixty-five (65) years of age or disabled from \$10,000 to \$60,000.

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

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 taxable value of all residence homesteads (but not less than \$5,000); and (2) an additional exemption of at least \$3,000 of the taxable value of the residence homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option residence homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2) above may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

Cities, counties and school districts are prohibited from repealing or reducing a general optional homestead exemption that was granted in tax year 2022 through December 31, 2027.

State-Mandated Freeze on School District Taxes

Except for increases attributable to certain improvements, a school district is prohibited from increasing the total ad valorem tax on the residence homestead of persons sixty-five (65) years of age or older or of disabled persons above the amount of tax imposed in the year such residence homestead qualified for such exemption. This freeze is transferable to a different residence homestead if a qualifying taxpayer moves and, under certain circumstances, is also transferable to the surviving spouse of a person sixty-five (65) years of age or older, but not the disabled. The total amount of ad valorem taxes that may be imposed for general elementary and secondary public school purposes on the residence homestead of a person who is 65 years of age or older or disabled may be adjusted to reflect any statutory reduction from the preceding tax year in the MCR of the M&O taxes imposed for those purposes on the homestead.

Personal Property

Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property. Subject to voter approval at a Statewide election to be held on November 4, 2025, legislation passed by the Legislature and signed by the Governor during the 89th Regular Session would provide a person to an exemption from taxation by a taxing unit of \$125,000 of the appraised value of tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit. A person who leases tangible personal property is also entitled to a tax exemption of \$125,000, regardless of where the property is located in the taxing unit.

Freeport and Goods-In-Transit Exemptions

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

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or 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 retail manufactured housing inventory, or a dealer's motor vehicle, vessel and outboard motor, or heavy equipment inventory.

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

Other Exempt Property

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

Temporary Exemption for Qualified Property Damaged by a Disaster

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

Tax Increment Reinvestment Zones

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

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

Tax Limitation Agreements

The Texas Economic Development Act (former Chapter 313, Texas Tax Code), previously allowed school districts to grant limitations on appraised property values to certain corporations and limited liability companies to encourage economic development within the school district. Generally, during the 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" herein.

Tax Abatement Agreements

Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

In the 88th Legislative Session, House Bill 5 (“HB 5” or “The Texas Jobs, Energy, Technology, and Innovation Act”) was adopted to create an economic development program, subject to state oversight, which would attract jobs and investment to Texas through school district property tax abatement agreements with businesses. HB5 was codified as Chapter 403, Subchapter T, Texas Government Code (“Chapter 403”) and had an effective date of January 1, 2024. Under Chapter 403, a school district may offer a 50% abatement on taxable value for maintenance and operations property taxes for certain eligible projects, except that projects in a federally designated economic opportunity zone receive a 75% abatement. Chapter 403 also provides a 100% abatement of maintenance and operations taxes for eligible property during a project’s construction period. Taxable valuation for purposes of the debt services taxes securing bonds cannot be abated under Chapter 403. Eligible projects must involve manufacturing, dispatchable power generation facilities, technology research/development facilities, or critical infrastructure projects and projects must create and maintain jobs, as well as meet certain minimum investment requirements. The District is still in the process of reviewing Chapter 403 and cannot make any representations as to what impact, if any, Chapter 403 will have on its finances or operations.

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

District and Taxpayer Remedies

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

Owners of certain property (being (i) commercial real and personal property, (ii) real and personal property of utilities, (iii) industrial and manufacturing real and personal property, and (iv) multifamily residential real property) with a taxable value in excess of the current year “minimum eligibility amount,” as determined by the State Comptroller of Public Accounts, and situated in a county with a population of 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 \$61,349,201 for the 2025 tax year and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

Levy and Collection of Taxes

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

District’s Rights in the Event of Tax Delinquencies

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

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

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

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

THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT

The Appraisal District has the responsibility for appraising property in the District as well as other taxing units 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 \$100,000 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.

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	12% ^(a)	6%	18%

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

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

Possible Effects of Changes in Law on District Bonds

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

Overview

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

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

2025 Legislative Session

The regular session of the 89th Texas Legislature (the “Legislature”) commenced on January 14, 2025 and concluded on June 2, 2025 (the “89th Regular Session”). The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor’s discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Governor has called a special session to begin on July 21, 2025. The initial agenda, which may be supplemented at any time, for the special session includes the following items: (i) flood warning systems, (ii) flood emergency communications, (iii) relief funding for hill country floods, (iv) natural disaster preparation and recovery, (v) eliminating the STAAR test, (vi)

cutting property taxes, (vii) protecting children from THC, (viii) regulating hemp-derived products, (ix) protecting unborn children, (x) banning taxpayer-funded lobbying, (xi) protecting human trafficking victims, (xii) police personnel records, (xiii) protecting women's spaces, (xiv) attorney general election powers, (xv) redistricting, (xvi) title theft and deed fraud, (xvii) water project incentives, and (xviii) the state judicial department. The Governor has also identified several bills that were vetoed or filed without signature that will be placed on the upcoming special session agenda for further consideration. Additional special sessions may be called by the Texas Governor.

During the 89th Regular Session, the Legislature considered a general appropriations act and legislation affecting the Finance System and ad valorem taxation procedures and exemptions, and investments, among other legislation affecting school districts and the administrative agencies that oversee school districts. Subject to voter approval at a Statewide election to be held on November 4, 2025, legislation passed by both houses of the Legislature would increase: (1) the State mandated general homestead exemption from \$100,000 to \$140,000, (2) the additional exemption on the residence homesteads of those at least sixty-five (65) years of age or disabled from \$10,000 to \$60,000, and (3) the exemption for tangible personal property used in the production of income from the current \$2,500 to \$125,000. Additionally, the Legislature passed legislation that would authorize roughly \$8.5 billion in funding for public schools and would provide districts with a \$55 per-student increase to their base funding beginning September 1, 2025, as well as provide districts with additional funding for teacher and staff salaries, educator preparation, special education, safety requirements and early childhood learning. Finally, legislation passed by the Legislature and signed into law by the Governor will create an education savings account program (commonly referred to as vouchers) for students that attend private schools or home school. The legislation becomes effective September 1, 2025, when the state fiscal biennium begins for purposes of this program, and the amount spent for purposes of the program for the 2025-2027 biennium may not exceed \$1 billion. The legislation applies beginning with the 2026-2027 school year. Beginning on September 1, 2027, the legislation requires that the amount appropriated for purposes of the program for a state fiscal biennium must be established by the legislature by appropriation for that biennium. Such program could impact attendance in the District by incentivizing students to homeschool or attend private schools, which could negatively affect the District's attendance based funding.

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

Local Funding for School Districts

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

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

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

In calculating and making available school districts' MCRs for the 2025-2026 school year, the TEA shall calculate and make available the rates as if the increase in the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, as proposed by the 89th Legislature, Regular Session, 2025, took effect. Such calculation for the 2025-2026 school year expires September 1, 2026. Subject to voter approval at a Statewide election to be held on November 4, 2025, the residential homestead exemption under Section 1-b(c), Article VIII, Texas Constitution would increase (1) the State mandated general homestead exemption from \$100,000 to \$140,000, and

(2) the additional exemption on the residence homesteads of those at least sixty-five (65) years of age or disabled from \$10,000 to \$60,000. If adopted, the proposed constitutional amendment takes effect for the tax year beginning January 1, 2025.

If the increase in the residence homestead as proposed by constitutional amendment does not take effect, beginning on September 1, 2025, and up until September 1, 2029, the Commissioner may adjust school districts' MCRs for the 2025-2026 school year accordingly. Before making an adjustment, the Commissioner shall notify and must receive approval from the Legislative Budget Board and the office of the Governor.

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

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

School districts may levy an Enrichment Tax Rate at a level of their choice, subject to the limitations described under "TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate"; however to levy any of the Enrichment Tax Rate in a given year, a school district must levy a Tier One Tax Rate equal to the school district's MCR. 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" herein.

State Funding for School Districts

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

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

The Finance System also provides an Existing Debt Allotment ("EDA") to subsidize debt service on eligible outstanding school district bonds, an Instructional Facilities Allotment ("IFA") to subsidize debt service on newly issued bonds, and a New Instructional Facilities Allotment ("NIFA") to subsidize operational expenses associated with the opening of a new instructional facility. IFA primarily addresses the debt service needs of property-poor school districts. For the 2026-2027 State fiscal biennium, the Legislature appropriated funds in the amount of \$1,072,511,740 for the EDA, IFA, and NIFA.

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

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

The Basic Allotment for school districts with a Tier One Tax Rate equal to the school district's MCR, is \$6,160 plus the guaranteed yield increment adjustment (the "GYIA") for each student in ADA and is revised downward for a school district with a Tier One Tax Rate lower than the school district's MCR. The GYIA is established by October 1 of each even-numbered year for the subsequent biennium. For the 2026-27 biennium, the GYIA is set at \$55. The Basic Allotment is then supplemented for all school districts by various weights to account

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

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

Tier Two. Tier Two supplements Tier One funding and provides two levels of enrichment with different guaranteed yields (i.e., Golden Pennies and Copper Pennies) depending on the school district's Enrichment Tax Rate. Golden Pennies generate a guaranteed yield equal to Basic Allotment multiplied by 0.0284. For the 2026-2027 State fiscal biennium, school districts are guaranteed a yield on each Golden Penny levied of \$129.52 per student in WADA. Copper Pennies generate a guaranteed yield per student in WADA equal to the school district's Basic Allotment multiplied by 0.008. For the 2026-2027 State fiscal biennium, school districts are guaranteed a yield on each Copper Penny levied of \$49.72 per student in WADA.

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

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

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

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

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

For the 2026-2027 school year, school districts will be held harmless and entitled to additional state aid to the extent that state and local revenue used to service eligible debt is less than the state and local revenue that would have been available to the district under state law providing for state aid to districts to account for increases in the general residence homestead exemption and the elderly or disabled tax ceiling as such state law existed on January 1, 2025, if any increase in a residence homestead exemption under the Texas Constitution, and any additional limitation on tax increases under the elderly or disabled tax ceiling had not occurred.

Local Revenue Level in Excess of Entitlement

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

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

Options for Local Revenue Levels in Excess of Entitlement. Under Chapter 49, a school district has six (6) options to reduce local revenues to a level that does not exceed the school district's respective entitlements: (1) a school district may consolidate by agreement with one or more school districts to form a consolidated school district; all property and debt of the consolidating school districts vest in the consolidated school district; (2) a school district may detach property from its territory for annexation by a property-poor school district; (3) a school district may purchase attendance credits from the State; (4) a school district may contract to educate nonresident students from a property-poor school district by sending money directly to one or more property-poor school districts; (5) a school district may execute an agreement to provide students of one or more other school districts with career and technology education through a program designated as an area program for career and technology education; or (6) a school district may consolidate by agreement with one or more school districts to form a consolidated taxing school district solely to levy and distribute either M&O taxes or both M&O taxes and I&S taxes. A Chapter 49 school district may also exercise any combination of these remedies. Options (3), (4) and (6) require prior approval by the Chapter 49 school district's voters. A district that enters into an agreement to exercise an option to reduce the district's local revenue level in excess of entitlement under options (3), (4), or (5) for the 2025-2026 school year and that has not previously held an election to exercise said options may request and may receive approval from the Commissioner to delay the date of the election otherwise required to be ordered before September 1. The Commissioner shall set a date by which each district that receives approval to delay an election must order the election and requires the Commissioner, not later than the 2026-2027 school year, to order detachment and annexation of district property or consolidation as necessary to reduce the district's excess local revenue to the level established by law for a district that receives approval to delay an election and subsequently fails to hold the election or does not receive voter approval at the election. A district that receives approval of a request to delay the date of an election shall pay for credit purchased in equal monthly payments as determined by the Commissioner beginning March 15, 2026, and ending August 15, 2026. Alternatively, the district may pay for credit purchased with one lump sum payment made not later than August 15, 2026, provided that the district notifies the Commissioner of the district's election to pay through a lump sum not later than March 15, 2026.

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 2024-2025 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. As a district with local revenue less than the maximum permitted level, the District may benefit in the future by agreeing to accept taxable property or funding assistance from, or agreeing to consolidate with, a property-rich district to enable such district to reduce its wealth per student to the permitted level.

A district's "excess local 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 property to debt could become diluted. If the District were to detach property voluntarily, a portion of its outstanding debt (including the Bonds) could be assumed by the district to which the property is annexed, in which case timely payment of the Bonds could become dependent in part on the financial performance of the annexing district.

TAX RATE LIMITATIONS

M&O Tax Rate Limitations

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

The maximum M&O tax rate per \$100 of taxable assessed value that may be adopted by an independent 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 district and the State, and is subject to recalculation annually. For any year, the highest possible MCR for an independent 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" herein.

Section 45.0031 of the Texas Education Code, as amended, requires a school district to demonstrate to the Attorney General of the State 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 debt pursuant to

Chapter 45, Texas Education Code and are subject to the 50-cent Test under Section 45.0031, Texas Education Code. The District has not utilized projected values or 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 I&S tax-supported debt obligations, including the Bonds.

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

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

DEBT LIMITATIONS

Under State law, there is no explicit bonded indebtedness limitation, although the tax rate limits described above under "TAX RATE LIMITATIONS" effectively impose a limit on the incurrence of debt. Such tax rate limits require school districts to demonstrate the ability

to pay “new debt” from a tax rate of \$0.50. In demonstrating compliance with the requirement, a district may take into account State equalization payments and, if compliance with such requirement is contingent on receiving state assistance, a district may not adopt a tax rate for a year for purposes of paying the principal of and interest on the bonds unless the district credits to the interest and sinking fund for the bonds the amount of State assistance received or to be received in that year. The State Attorney General reviews a district’s calculations showing the compliance with such test as a condition to the legal approval of the debt. As stated above, the Bonds are issued as new debt and subject to this limitation.

EMPLOYEE BENEFITS, RETIREMENT PLAN AND OTHER POST-EMPLOYMENT BENEFITS

The District contributes to the Teacher Retirement System of Texas (the “System”), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the District but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates primarily under the provisions of the Texas Constitution and Texas Government Code, Title 8, Subtitle C. See “Notes to the Financial Statements – M. Defined Benefit Pension Plan” as set out in the audited financial statements of the District for the year ended August 31, 2024, as set forth in APPENDIX B attached hereto.

The District contributes to the Texas Public School Retired Employees Group Insurance Program (“TRS-Care”), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the TRS. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under TRS. See “Notes to the Financial Statements – N. Defined Other Post-Employment Benefit Plans” in the audited financial statements of the District for the year ended August 31, 2024, as set forth in APPENDIX B attached hereto. On August 31, 2024, the District’s proportionate share of its net OPEB liability was \$3,200,590.

In June 2012, the Government Accounting Standards Board (“GASB”) issued Statement No. 68 *Accounting and Financial Reporting for Pensions*, which was later amended by GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*, each in an effort to improve accounting and financial reporting by state and local governments related to pensions. GASB Statement No. 68 requires reporting entities, such as the District, to recognize their proportionate share of the net pension liability and operating statement activity related to changes in collective pension liability. Reporting entities, such as the District, that contribute to the TRS pension plan will report a liability on the face of their government-wide financial statements. Such reporting began with the District’s fiscal year ending August 31, 2015. See “CHANGE IN NET ASSETS” in APPENDIX B attached hereto. GASB Statement No. 68 applies only to pension benefits and does not apply to OPEB or TRS-Care related liabilities. At the conclusion of the 2023-2024 fiscal year, the District had a net pension liability of \$6,331,687.

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

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

Under State law, the District is authorized to make investments meeting the requirements of the Public Funds Investment Act, Texas Government Code, Chapter 2256, as amended (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 are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation 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 of the District 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 PFI 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 Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund, 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 fewer that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (13) no-load money market mutual funds registered with and regulated by the United States SEC that provide the District with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); (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; and (15) for bond proceeds, guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract and are pledged to the District and deposited with the District or a third party selected and approved by the District.

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

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

Under State law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for District funds, the maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such

investments consistent with the PFIA. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

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

LEGAL MATTERS

Legal Opinions

The delivery of the Bonds is subject to the approval of the Attorney General of Texas, who will deliver his opinion, to the effect that the Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property in the District, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Orrick, Herrington & Sutcliffe LLP, Bond Counsel, which will deliver its opinion to the effect that the Bonds are valid and legally binding obligations of the District (the "Bond Opinion"). The form of Bond Counsel's opinion is attached hereto as Appendix C. Though it may represent the Municipal Advisor and the Underwriter from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the District in connection with the issuance of the Bonds. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds which would affect the provision made for their payment or security, or in any manner questioning the validity of said Bonds will also be furnished to the Underwriter. 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 and subcaptions "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 Underwriter by its counsel, Winstead PC, San Antonio, Texas, whose compensation is contingent on the sale and delivery of the Bonds.

The legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues 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

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

TAX MATTERS

Opinion

In the opinion of 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 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 to be subject to or exempted from state 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.

CONCENTRATION OF TAX BASE AND EXPOSURE TO OIL AND GAS INDUSTRY

As shown in "TABLE 5 - Largest Taxpayers" of "APPENDIX A – SELECTED FINANCIAL INFORMATION REGARDING THE DISTRICT" the top ten taxpayers in the District currently account for, in the aggregate, over 32% of the District's tax base. The valuation of oil & gas pipelines and other oil & gas facilities within the State (such as those comprising a portion of the District's tax base), as determined by respective appraisal districts, have been subject to litigation related to the taxable value of such property. In addition, a significant portion of the District's assessed valuation is comprised of industries related to oil and gas, which are subject to fluctuation in terms of market valuation and availability (and events such as COVID-19 have significantly increased the volatility in this market sector in the past). Accordingly, the District makes no representation regarding the continued valuation of any of top ten taxpayers or the generation of future tax revenues therefrom. If any major taxpayer (or a combination of taxpayers) were to default in the payment of taxes, the ability of the District to timely pay debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax lien (which, in the event of bankruptcy, certain laws may preclude until the automatic stay is lifted). Such process is time-consuming and can only occur annually; in the alternative, the District may sell tax anticipation notes until such amounts could be collected, if ever. See "THE BONDS – Default and Remedies" and "THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT." Bondholders may become reliant upon the Permanent School Fund Guarantee in the event of a payment default by the District. See "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM."

CONTINUING DISCLOSURE

In the Bond Order, the District will make 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 an "obligated person" with respect to the Bonds, within the meaning of the Securities and Exchange Commission's Rule 15c2-12. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be available to the public free of charge from the MSRB via the EMMA at www.emma.msrb.org, as further described below under "Availability of Information from MSRB." See "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" for a description of the TEA's continuing disclosure undertaking to provide certain updated financial information and operating data annually with respect to the Permanent School Fund and the State, as the case may be, and to provide timely notice of certain specified events related to the guarantee, to the MSRB.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually via EMMA. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement in APPENDIX A under Tables numbered 1 through 5 and Tables numbered 7 through 13, attached hereto. The District will update and provide this information within six months after the end of each fiscal year. Financial information and operating data to be provided hereunder may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement, other offering document, or financial report) available to the public on the MSRB's Internet Web site or filed with the SEC in such format and manner as permitted by Rule 15c2-12. The updated information will include audited financial statements if the District commissions an audit and it is completed by the required time. If audited financial statements are not available within twelve (12) months after any such fiscal year end, the District will provide to the MSRB unaudited financial statements within such 12-month period and audited financial statements when and if such audited financial statements become available. Any such financial statements will be 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.

The District's current fiscal year end is August 31st. Accordingly, the District must provide updated information included in the above-referenced tables by the last day of February in each year, and audited financial statements (or unaudited financial statements, if the audit of such financial statements is not yet available) for the preceding fiscal year must be provided by August 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the District otherwise would be required to provide financial information and operating data pursuant to this Section.

Notice of Certain Events

The District shall provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (not more than ten (10) business days after occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary

course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) the 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 Rule 15c2-12, which includes certain debt, debt-like, and debt-related obligations), if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the District, any of which reflect financial difficulties.

Neither the Bonds nor the 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 first paragraph of this subcaption is considered to occur when any of the following occur; the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District, 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. Additionally, the District intends the words used in clauses (15) and (16) of the first paragraph of this subcaption and the definition of "financial obligation" in these clauses to have the same meanings as when they are used in Rule 15c2-12, as evidenced by SEC Release No. 34-83885, dated August 20, 2018. "Financial Obligation" is defined in the Bond Order as a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in Rule 15c2-12) has been provided to the MSRB consistent with Rule 15c2-12. Neither the Bonds nor the Bond Order make any provision for debt service reserves or liquidity enhancement or credit enhancement (except with respect to the Permanent School Fund Guarantee).

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."

Availability of Information

The District has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of certain specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell the 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 the Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell the Bonds in the offering described herein in compliance with Rule 15c2-12, taking into account any amendments or interpretations of Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment 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 of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of Rule 15c2-12 or any court of final jurisdiction enters judgment that such provisions of Rule 15c2-12 are invalid, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling the Bonds in the primary offering of the Bonds. If the District so amends the agreement, it has agreed to 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 financial information and operating data so provided.

Compliance with Prior Agreements

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

CYBERSECURITY

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

OTHER PERTINENT INFORMATION

Authenticity of Financial Information

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

Registration and Qualification of Bonds for Sale

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

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

Municipal Bond Rating

The Bonds are 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 opinions of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants, and representations contained in any of the bond documentation with respect to the federal income tax status of the Bonds.

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

Underwriting

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

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

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

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

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

CUSIP numbers are included solely for the convenience of the owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the Underwriter, the District, or the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein. Further, CUSIP numbers are subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a partial defeasance of the Bonds.

Use of Audited Financial Statements

Coy Barton, C.P.A., Dumas, Texas ("Coy Barton"), 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. Coy Barton has not performed any procedures relating to this Official Statement.

Weather Events

The District is located in West Central Texas. Land located in this area is susceptible to high winds, tornados, fires and arid conditions. If a future weather event significantly damages all or part of the properties comprising the tax base within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenue and/or necessitate an increase in the District's tax rate. Under certain conditions, State law allows school districts to increase property tax rates without voter approval upon the occurrence of certain disasters, such as a tornado or flooding, upon a request by the Texas Governor for federal disaster assistance in the area in which the District is located. There can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will carry flood or the appropriate, applicable other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds or that insurance proceeds will be used to rebuild or repay any damaged improvements within the District or be sufficient for such purposes. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected. In such event, the Beneficial Owners may become reliant on the Permanent School Fund Guarantee to receive debt service payments. See "APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM."

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, Rule 15c2-12.

Miscellaneous

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. There is no guarantee that any of the assumptions or estimates contained herein will be realized. 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 statutes, documents and orders for further information. Reference is made to original documents in all respects.

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

The Bond Order will approve the form and content of this Official Statement and any addenda, supplement or amendment thereto and will authorize its further use in the reoffering of the Bonds by the Underwriter.

PERRYTON INDEPENDENT SCHOOL DISTRICT

/s/ _____
President, Board of Trustees

ATTEST:

/s/ _____
Secretary, Board of Trustees

APPENDIX A

SELECTED FINANCIAL INFORMATION REGARDING THE DISTRICT

TABLE 1 - Valuation, Exemption & Tax Supported Debt ⁽¹⁾

2025 Certified Net Taxable Valuation	\$1,227,372,811
Outstanding Unlimited Tax Debt (August 31, 2024) ⁽²⁾	\$38,563,712
Plus: The Bonds ⁽³⁾	\$14,250,000
Total Direct Debt ⁽⁴⁾	\$52,813,712
As a % of Assessed Valuation	4.30%

⁽¹⁾ Source: Ochiltree County Appraisal District. Taxable values contained in Appendix A do not reflect potential increase in homestead exemptions.

⁽²⁾ Includes Unlimited Tax Qualified School Construction Bonds, Taxable Series 2011A Cumulative Sinking Fund Deposits as payments.

⁽³⁾ Preliminary, subject to change.

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

TABLE 2 - Assessed Valuation by Category ⁽¹⁾

	Tax Year 2025	Tax Year 2024	Tax Year 2023	Tax Year 2022	Tax Year 2021
Real Property	\$2,042,755,941	\$1,751,592,857	\$1,711,671,111	\$1,687,459,232	\$1,408,250,361
Personal Property	58,351,464	63,212,638	68,089,254	53,667,664	67,124,274
Market Value	\$2,101,107,405	\$1,814,805,495	\$1,779,760,365	\$1,741,126,896	\$1,475,374,635
Less: Exemptions	(873,734,594)	(610,422,263)	(548,971,316)	(462,990,303)	(433,617,559)
Net Taxable Value	\$1,227,372,811	\$1,204,383,232	\$1,230,789,049	\$1,278,136,593	\$1,041,757,076

⁽¹⁾ Source: Ochiltree County Appraisal District. Taxable values contained in Appendix A do not reflect potential increase in homestead exemptions.

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
2021	9,283	\$1,159,823,505	\$124,941	\$12,580,587	1.08%	\$1,355
2022	8,938	1,041,757,076	116,554	11,840,275	1.14%	1,325
2023	8,688	1,278,136,593	138,792	35,834,962	2.80%	1,204
2024	8,236	1,230,789,049	149,440	33,749,650	2.74%	4,098
2025	7,734	1,204,383,232	155,726	47,229,337 ⁽⁴⁾	3.92%	6,107

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

⁽²⁾ Source: Ochiltree County Appraisal District. Taxable values contained in Appendix A do not reflect potential increase in homestead exemptions.

⁽³⁾ Includes Unlimited Tax Qualified School Construction Bonds, Taxable Series 2011A Cumulative Sinking Fund Deposits as payments.

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

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

Fiscal Year Ended 08/31	Tax Year	Taxable Assessed Valuation	Tax Rate	Tax Levy	Current ⁽²⁾	Total ⁽²⁾
2021	2020	\$1,159,823,505	\$1.0564	\$10,891,596	97.84%	99.31%
2022	2021	1,041,757,076	1.0734	9,868,914	98.24%	100.10%
2023	2022	1,278,136,593	0.9446	11,042,246	97.93%	99.12%
2024	2023	1,230,789,049	1.0280	11,513,041	98.64%	100.56%
2025	2024	1,204,383,232	1.0255	11,037,055	97.20%	97.20% ⁽³⁾

⁽¹⁾ Source: Ochiltree County Appraisal District and the District's Audited Financial Statements. Taxable values contained in Appendix A do not reflect potential increase in homestead exemptions.

⁽²⁾ Excludes penalties and interest.

⁽³⁾ Source: District's Unaudited Records as of June 30, 2025.

TABLE 5 - Largest Taxpayers ⁽¹⁾

Taxpayer Name	Property Type	AV	% of Total
Palo Duro Wind Energy VLA	Wind Farm/Turbines	\$96,224,490	7.99%
Mewbourne Oil Company	Oil & Gas	89,471,271	7.43%
Courson Oil & Gas Inc	Oil & Gas	38,647,510	3.21%
Seaboard Foods LLC	Meat Products	35,357,228	2.94%
ETC Texas Pipeline Ltd	Oil & Gas Pipeline	29,960,370	2.49%
Capturepoint LLC	Oil & Gas	27,028,100	2.24%
Southwestern Public Service	Electric Utility/Power Plant	24,639,740	2.05%
Quanah Panhandle LLC	Oil & Gas	22,316,630	1.85%
Presidio Petroleum LLC	Oil & Gas	17,585,768	1.46%
DCP Midstream LP	Oil & Gas	12,210,100	1.01%
Top 10 Totals:		\$393,441,207	32.67%

⁽¹⁾ Source: Ochiltree County Appraisal District.

⁽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 minerals and related business activities. Adverse developments in economic conditions, especially in the oil and natural gas industry, 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.

TABLE 6 - Estimated Overlapping Debt Statement ⁽¹⁾

Taxing Body	Amount	As Of	Percent Overlapping	Amount Overlapping
Ochiltree Co	\$4,285,000	6/30/2025	92.82%	\$3,977,337
Total Overlapping Debt				\$3,977,337
Perryton Independent School District ⁽²⁾				\$52,813,712
Total Direct and Overlapping Debt ⁽²⁾				\$56,791,049
Ratio of Net Direct & Overlapping Debt to Net Taxable Valuation ⁽²⁾				4.63%
Per Capita Direct & Overlapping Debt ⁽²⁾				\$7,343.04

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

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

TABLE 7 – Pro-Forma Unlimited Tax Debt Service Requirements ⁽¹⁾

Plus: The Bonds ⁽²⁾⁽³⁾					
Fiscal Year Ending 8/31	Outstanding Debt Service	Principal	Interest	Total	New Total Debt Service Requirements
2025	\$2,164,488	\$-	\$3,958	\$3,958	\$2,168,447
2026	2,162,488	1,065,000	686,771	1,751,771	3,914,259
2027	2,165,188	1,070,000	659,250	1,729,250	3,894,438
2028	2,151,425	880,000	605,750	1,485,750	3,637,175
2029	2,149,125	925,000	561,750	1,486,750	3,635,875
2030	2,145,525	975,000	515,500	1,490,500	3,636,025
2031	2,146,075	1,025,000	466,750	1,491,750	3,637,825
2032	2,145,525	1,075,000	415,500	1,490,500	3,636,025
2033	2,148,925	1,125,000	361,750	1,486,750	3,635,675
2034	2,149,888	1,180,000	305,500	1,485,500	3,635,388
2035	2,149,563	1,240,000	246,500	1,486,500	3,636,063
2036	2,147,988	1,305,000	184,500	1,489,500	3,637,488
2037	1,065,125	2,385,000	119,250	2,504,250	3,569,375
2038	2,730,125	-	-	-	2,730,125
2039	2,726,875	-	-	-	2,726,875
2040	2,729,625	-	-	-	2,729,625
2041	2,727,875	-	-	-	2,727,875
2042	2,731,625	-	-	-	2,731,625
2043	2,730,375	-	-	-	2,730,375
2044	2,729,125	-	-	-	2,729,125
2045	2,727,138	-	-	-	2,727,138
2046	2,726,438	-	-	-	2,726,438
2047	2,726,819	-	-	-	2,726,819
2048	2,728,075	-	-	-	2,728,075
Total	\$56,905,422	\$14,250,000	\$5,132,729	\$19,382,729	\$76,288,151
Average Annual Debt Service Requirements ⁽²⁾					\$3,178,673
Maximum Annual Debt Service Requirements ⁽²⁾					\$3,914,259

⁽¹⁾ Includes Unlimited Tax Qualified School Construction Bonds, Taxable Series 2011A Cumulative Sinking Fund Deposits as payments.

⁽²⁾ Preliminary, subject to change.

⁽³⁾ Interest calculated at assumed rates for purposes of illustration. Preliminary, subject to change.

Table 8 - Interest and Sinking Fund Budget Projection

Interest & Sinking Fund Balance, 09/01/24 (Beginning) ⁽¹⁾		\$647,665
Tax Supported Debt Service Requirements for FYE Ended 2025 ⁽²⁾	\$2,168,447	
Projected Interest & Sinking Fund Local Revenue	3,131,396	
Additional State Aid for Homestead Exemption (ASAHE) for Facilities ⁽³⁾	173,511	
Transfers In/(Out)		
Projected Interest & Sinking Fund Balance, 08/31/25 (Ending)		\$1,784,126
Net Increase/(Decrease) in Fund Balance		\$1,136,461

⁽¹⁾ The District's Audited Financial Statements.

⁽²⁾ Amount shown is less interest subsidy.

⁽³⁾ Texas Education Agency 2024-2025 Summary of Finances dated May 23, 2025.

TABLE 9 - Authorized But Unissued Bonds ⁽¹⁾

Date Authorized	Purpose	Amount Authorized	Amount Previously Issued	Amount This Issue ⁽¹⁾⁽²⁾	Authorized but Unissued
5/6/2025	School Building	\$35,126,000	\$20,167,250	\$14,958,750	\$0
5/6/2025	Stadium	\$4,832,750	\$4,832,750	\$0	\$0

⁽¹⁾ Source: Preliminary, subject to change.

⁽²⁾ Includes any premium allocations that the District intends to apply against voted authorization. Preliminary, subject to change.

TABLE 10 - Other Obligations ⁽¹⁾

As of August 31, 2024, other obligations of the District included the following Loan:						
General Long-Term Debt Description:	Interest Rate	Original Amount	Balance 09/01/2023	Retired	Balance 08/31/2024	
State Energy Conservation Office Energy Lighting Project - Loan	2.000%	\$606,206	\$405,235	\$60,045	\$345,190	
Total Long-Term Debt:					\$345,190	

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

TABLE 11 - Schedule of General Fund Revenues and Expenditure History ⁽¹⁾

For Fiscal Year ended August 31	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
REVENUES:					
Total Local and Intermediate Sources	\$8,999,534	\$10,717,083	\$9,034,663	\$10,215,017	\$12,697,206
State Program Revenues	11,463,055	9,406,016	10,779,930	9,860,129	9,360,189
Federal Program Revenues	113,688	445,112	251,162	245,399	232,074
Total Revenues	\$20,576,277	\$20,568,211	\$20,065,755	\$20,320,545	\$22,289,469
EXPENDITURES:					
Instruction	\$10,594,108	\$10,542,913	\$11,312,288	\$12,039,111	\$12,304,937
Instructional Resources & Media Services	319,306	374,908	386,266	379,781	354,595
Curriculum & Instructional Staff Development	273,899	250,530	165,819	58,580	71,339
Instructional Leadership	40,402	38,489	38,243	127,492	114,076
School Leadership	1,273,275	1,285,570	1,274,960	1,374,276	1,261,532
Guidance, Counseling, & Evaluation Services	434,882	386,885	487,787	502,340	484,723
Health Services	240,203	247,530	254,532	265,453	250,946
Student Transportation	705,597	530,190	466,433	769,064	478,151
Food Services	-	-	-	-	-
Extracurricular Activities	1,406,583	1,442,097	1,347,662	1,249,358	1,266,902
General Administration	1,274,739	1,151,249	1,122,424	1,042,412	1,314,349
Facilities Maintenance & Operations	2,710,929	2,508,824	2,417,572	2,256,424	2,143,778
Security and Monitoring Services	61,186	69,920	29,557	36,279	60,324
Data Processing Services	183,644	187,311	156,258	154,592	167,606
Community Services	-	-	-	-	-
Debt Service:					
Principal on Long-Term Debt	60,045	58,859	57,697	56,557	27,858
Interest on Long-Term Debt	7,803	8,989	10,152	11,292	6,066
Debt Service Cost and Fees	-	-	-	-	-
Capital Outlay:					
Facilities Acquisition and Construction	-	311,208	148,615	198,604	213,686
Intergovernmental					
Contracted Instructional Services Between Schools	-	-	-	-	-
Payments to Fiscal Agents/Member Districts of SSA	241,092	221,630	246,982	247,690	199,160
Other Intergovernmental	249,942	220,470	214,569	221,397	244,707
Total Expenses	\$20,077,635	\$19,837,572	\$20,137,816	\$20,990,702	\$20,964,735
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$498,642	\$730,639	(\$72,061)	(\$670,157)	\$1,324,734
Other Financing Sources and (Uses):					
Sale of Real or Personal Property	\$70	\$1,457	\$2,434	\$5,082	\$200
Non-Current Loans	-	-	-	-	606,206
Transfers In	698,974	423,806	447,753	514,868	427,768
Other Resources	-	-	-	-	-
Transfers Out (Use)	(128,557)	(50,000)	(40,000)	(258,048)	(260,094)
Other Uses	-	-	-	-	-
Total Other Financing Sources and (Uses)	\$570,487	\$375,263	\$410,187	\$261,902	\$774,080
Net Change in Fund Balances	\$1,069,129	\$1,105,902	\$338,126	(\$408,255)	\$2,098,814
Fund Balances - Beginning	\$7,975,807	\$6,869,905	\$10,131,779	\$10,540,034	\$8,441,220
Fund Balances – Ending	\$9,044,936	\$7,975,807	\$6,869,905	\$10,131,779	\$10,540,034

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

⁽²⁾ The Estimated General Fund Balance as of August 31, 2025 is expected to be approximately \$8,829,625.

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

For Fiscal Year Ended August 31	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
ASSETS:					
Cash & Cash Equivalents	\$1,371,442	\$835,722	\$829,528	\$203,997	\$285,777
Investments - Current	8,750,000	8,300,000	7,518,000	7,565,000	7,515,000
Property Taxes - Delinquent	568,166	655,957	568,203	581,152	1,046,278
Allowance for uncollectible taxes (credit)	(198,858)	(229,585)	(198,871)	(203,403)	(366,197)
Due from Other Governments	27,212	64,610	40,182	40,891	44,156
Accrued Interest	136,292	142,520	26,294	3,439	34,645
Due from Other Funds	221,894	219,202	123,049	432,958	344,081
Other Receivables	1,176	4,705	2,705	6,684	23,807
Inventories	233,596	241,709	215,310	195,722	189,520
Prepayments	-	23,702	382	-	-
Total Assets	\$11,110,920	\$10,258,542	\$9,124,782	\$8,826,440	\$9,117,067
LIABILITIES:					
Current Liabilities:					
Accounts Payable	\$74,841	\$120,552	\$160,285	\$201,815	\$179,243
Payroll Deductions and Withholdings Payable	-	14,824	415	-	1,642
Accrued Wages Payable	963,345	997,556	874,570	963,087	1,084,123
Due to Other Funds	-	-	50,728	3,000	-
Due to Other Governments	-	699,205	783,278	730,106	205,040
Accrued Expenditures	18,981	20,101	16,269	18,904	21,400
Unearned Revenue	639,509	4,125	-	-	5,504
Total Liabilities	\$1,696,676	\$1,856,363	\$1,885,545	\$1,916,912	\$1,496,952
DEFERRED INFLOWS OF RESOURCES:					
Unavailable Revenue - Property Taxes	369,308	426,372	369,332	377,749	680,081
Total Deferred Inflows of Resources	\$369,308	\$426,372	\$369,332	\$377,749	\$680,081
FUND BALANCES:					
Nonspendable Fund Balances:					
Inventories	233,596	241,709	215,310	195,722	189,520
Prepaid Items	-	23,702	-	-	-
Restricted Fund Balance:	-	-	382	-	-
Retirement of Long-Term Debt	-	-	-	-	-
Other Restricted Fund Balance	-	-	-	-	-
Assigned Fund Balance:	-	-	-	-	-
Other Assigned Fund Balance	3,700,000	3,000,000	-	-	-
Unassigned Fund Balance	5,111,340	4,710,396	6,654,213	6,336,057	6,750,514
Total Fund Balances	9,044,936	7,975,807	6,869,905	6,531,779	6,940,034
Total Liabilities, Deferred Inflow of Resources and Fund Balances	\$11,110,920	\$10,258,542	\$9,124,782	\$8,826,440	\$9,117,067

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

TABLE 13 - Current Investments (1)

	<u>Percent</u>	<u>Fair Value</u>
Total Certificate of Deposit	100.00%	\$25,641,649
Total	100.00%	\$25,641,649

⁽¹⁾ Source: District's records as of July 1, 2025

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, 2024.

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, 2024

PERRYTON INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
For the Year Ended August 31, 2024

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PERRYTON INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
For the Year Ended August 31, 2024

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CERTIFICATE OF BOARD

Perryton Independent School District
Name of School District

Ochiltree
County

179901
Co.-Dist. Number

We, the undersigned, certify that the attached Annual Financial Reports of the above-named school district were reviewed and (check one) X approved disapproved for the year ended August 31, 2024, at a meeting of the Board of Trustees of such school district on the 18th day of November 2024.

Jed Symons
Signature of Board Secretary

Wes Beal
Signature of Board President

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

COY BARTON, C.P.A.

CERTIFIED PUBLIC ACCOUNTANT

116 EAST SEVENTH

P.O. BOX 800 - TELEPHONE 806-935-4188

DUMAS, TEXAS 79029

MEMBER OF

THE AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

THE AICPA'S PRIVATE COMPANIES
PRACTICE SECTION

TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Unmodified Opinions on Basic Financial Statements

To the Board of Trustees
Perryton Independent School District
P.O. Box 1048
Perryton, Texas

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinion

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* 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 Perryton Independent School District and to meet our other ethical responsibilities, in accordance with the

relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Perryton Independent School District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Perryton Independent School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 13, budgetary comparison information on page 85, and pension and other post-retirement benefit obligation (OPEB) related information on pages 86 through 89 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 Perryton Independent School District's basic financial statements. The accompanying supplementary information such as the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other

additional procedures in accordance with GAAS. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the required Texas Education Agency (TEA) schedules but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2024, on our consideration of Perryton Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Perryton Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Perryton Independent School District's internal control over financial reporting and compliance.

Coy Barton, CPA
Dumas, Texas

November 13, 2024

PERRYTON INDEPENDENT SCHOOL DISTRICT
Introductory to Management's Discussion and Analysis
For the Year Ended August 31, 2024

To the Citizens and Taxpayers of Perryton Independent School District:

The Annual Financial Report of Perryton Independent School District for the year ended August 31, 2024, is hereby submitted with the District responsible for the completeness and fairness of these financial statements.

The financial statements are presented in the following sections: Introductory, Management's Discussion and Analysis, Basic Financial Statements, Notes to the Financial Statements, Required Supplementary Information, Required TEA Schedules, and Reports on Internal Control, on Compliance and Other Matters, and Federal Awards.

This financial report is designed to provide the citizens and taxpayers of Perryton Independent School District information concerning the financial condition of the District.

The increase of state and federal compliance requirements has provided challenges to the District's Board of Trustees and administration. Budgeting continues to be a major priority to provide quality education for the students and responsible fiscal decision making for the patrons of this District.

The District is making improvements each year to the District's plant and equipment in order to maintain our school for future years. The future appears to be good for the District with the continued good stewardship by the Board of Trustees and administration.

Sincerely,

Greg Brown

Greg Brown
Superintendent

PERRYTON INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the management of Perryton Independent School District, discuss and analyze the District's financial performance for the year ended August 31, 2024. Please read it in conjunction with our transmittal letter on page 6, the Independent Auditor's Report on pages 2-5 and the District's Basic Financial Statements, which begin on page 14.

FINANCIAL HIGHLIGHTS

The District's net position increased by \$5,432,722 compared to last year for governmental activities. The business-type activities decreased by \$172,479 compared to last year.

The District's total combined fund balance was \$35,080,668 at August 31, 2024.

During the year, the District had expenses that were \$5,432,722 less than the \$31,714,504 generated in tax and other revenues for governmental activities. This compares to last year when expenses were less than revenues by \$3,323,601.

The total cost of the District's programs, after charges for service and operations grants, decreased \$2,758,650 from last year.

The General Fund reported a fund balance this year of \$9,044,936, an increase of \$1,069,129.

The District's long-term debt at August 31, 2024, was \$34,094,840 for governmental activities. The District's long-term debt at August 31, 2024, was \$88,626 for business-type activities.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 14 and 15). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 16) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short-term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were

Perryton Independent School District
Management's Discussion and Analysis (continued)

sold to departments within the District or to other government entities and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

The notes to the financial statements (starting on page 25) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The sections labeled Required TEA Schedules and Reports on Internal Control, on Compliance and Other Matters, and Federal Awards contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 14. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the fiscal year, and the Statement of Activities includes all the revenues and expenses generated by the District's operations during the twelve month period. These apply the accrual basis of accounting which is the basis used by private sector companies.

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

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

Perryton Independent School District
Management's Discussion and Analysis (continued)

In the Statement of Net Position and the Statement of Activities, we have the following activities:

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 16 and provide detailed information about the most significant funds - not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the Every Student Succeeds Act from the U.S. Department of Education. The District's management establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's two kinds of funds – governmental and proprietary – use different accounting approaches.

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

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District accounts for resources held for others in a fiduciary capacity in custodial funds. The District's custodial funds are the Activity or Class Funds. The custodial funds are accounted for on a spending or "economic resources" measurement focus and the accrual basis of accounting in accordance with GASB Statement No. 84, *Fiduciary Activities*.

Perryton Independent School District
Management's Discussion and Analysis (continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District implemented GASB Statement No. 34 in prior years. We have presented both current and prior year data and discussed significant changes in accounts. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net position of the District's governmental activities increased from \$20,221,594 to \$25,654,316. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, was \$(3,883,986) at August 31, 2024.

Table I
Perryton Independent School District
NET POSITION

	Governmental Activities 2024	Business-type Activities 2024	Total 2024	Total 2023
Current and other assets	\$ 37,322,056	\$ 56,476	\$ 37,378,532	\$ 37,314,900
Capital assets	39,356,722	78,433	39,435,155	38,670,252
Total Assets	76,678,778	134,909	76,813,687	75,985,152
Deferred Outflows of Resources	3,198,784	-	3,198,784	3,277,699
Long-term liabilities	44,895,189	71,672	44,966,861	47,544,418
Current liabilities	1,251,794	17,524	1,269,318	2,334,944
Total Liabilities	46,146,983	89,196	46,236,179	49,879,362
Deferred Inflows of Resources	8,076,263	-	8,076,263	8,943,703
Net Position:				
Net Investment in Capital Assets	28,810,148	-	28,810,148	26,407,762
Restricted	728,154	-	728,154	1,075,910
Unrestricted	(3,883,986)	45,713	(3,838,273)	(7,043,886)
Total Net Position	\$ 25,654,316	\$ 45,713	\$ 25,700,029	\$ 20,439,786

Perryton Independent School District
Management's Discussion and Analysis (continued)

Table II
Perryton Independent School District
CHANGES IN NET POSITION

	Governmental Activities 2024	Business-type Activities 2024	Total 2024	Total 2023
Revenues:				
Program Revenues:				
Charges for services	\$ 354,298	\$ 488,167	\$ 842,465	\$ 1,697,906
Operating grants, capital grants, and contributions	7,395,085	-	7,395,085	8,188,419
General Revenues:				
Property taxes	11,435,982	-	11,435,982	11,006,535
State aid - formula	9,490,040	-	9,490,040	7,107,532
Investment earnings	1,755,826	-	1,755,826	453,884
Other	1,283,273	-	1,283,273	529,399
Total Revenues	31,714,504	488,167	32,202,671	28,983,675
Expenses:				
Instruction, curriculum, and media services	12,860,893	-	12,860,893	12,662,603
Instructional and school leadership	1,444,480	-	1,444,480	1,456,230
Guidance, social work, health, transportation	1,988,175	-	1,988,175	1,896,156
Food services	1,330,522	-	1,330,522	1,411,548
Extracurricular activities	1,738,369	-	1,738,369	1,591,621
General administration	1,242,964	-	1,242,964	1,143,768
Plant maintenance, security, and data processing	3,235,117	-	3,235,117	3,076,464
Community services	(31,242)	-	(31,242)	(29,863)
Debt services	1,736,581	-	1,736,581	952,928
Payments related to Shared Services Arrangements	485,981	-	485,981	583,155
Other intergovernmental charges	249,942	-	249,942	220,470
Enterprise Funds	-	660,646	660,646	545,883
Total Expenses	26,281,782	660,646	26,942,428	25,510,963
Increase (decrease) in net position	5,432,722	(172,479)	5,260,243	3,472,712
Beginning Net Position	20,221,594	218,192	20,439,786	16,967,074
Ending Net Position	\$ 25,654,316	\$ 45,713	\$ 25,700,029	\$ 20,439,786

Perryton Independent School District
Management's Discussion and Analysis (continued)

The District's total revenues increased by \$3,218,996. The total cost of all programs and services was more than last year.

The District took actions this year to carefully monitor expenditures during the year.

The cost of all governmental activities this year was \$26,281,782 compared to \$24,965,080 last year. However, as shown in the Statement of Activities on page 15, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$11,435,982 because some of the costs were paid by those who directly benefited from the programs (\$354,298), by other governments and organizations that subsidized certain programs with grants and contributions (\$7,395,085), or by state formula grants (\$9,490,040).

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 16) reported a combined fund balance of \$35,080,668, which is more than last year's total of \$34,268,559. The fund balance in the District's General Fund increased by \$1,069,129.

Over the course of the year, the Board of Trustees revised the District's budget. These budget amendments fall into two categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August 2023). The second category involved amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

The District's General Fund balance of \$9,044,936 reported on page 16 differs from the General Fund's budgetary fund balance of \$7,567,257 reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund on page 85. This is principally due to unspent expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2024, the District had \$39,356,722 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount has increased \$781,415 from last year.

Perryton Independent School District
Management's Discussion and Analysis (continued)

The following additions were made during the year:

Buildings and improvements	\$ 502,090
Furniture and equipment	125,553
Vehicles	72,379
Construction in progress	<u>1,691,530</u>
Total	<u>\$ 2,391,552</u>

The District's fiscal year 2025 capital budget calls for \$-0- in expenditures. More detailed information about the District's capital assets is presented in Note III.G. to the financial statements.

Debt

At year-end, the District had \$33,749,650 in bonds which was \$2,085,312 less than the \$35,834,962 last year. More detailed information about the District's long-term liabilities is presented in Note III.J. to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal year 2025 budget and tax rates. Two of those factors are the improving economy and the continued underfunding of schools by the state legislature.

Amounts available for appropriation in the General Fund budget are \$21,368,882. Budgeted expenditures are expected to increase by \$888,481 compared to 2024, and we expect the fund balance to remain the same for 2025.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

PERRYTON INDEPENDENT SCHOOL DISTRICT
Statement of Net Position
August 31, 2024

EXHIBIT A-1

		1	2	3
		Primary Government		
Data			Business	
Control		Governmental	Type	
Codes		Activities	Activities	Total
ASSETS				
1110	Cash and Cash Equivalents	\$ 2,666,845	\$ 57,476	\$ 2,724,321
1120	Current Investments	32,710,848	-	32,710,848
1220	Property Taxes - Delinquent	655,028	-	655,028
1230	Allowance for Uncollectible Taxes	(229,260)	-	(229,260)
1240	Due from Other Governments	385,254	-	385,254
1250	Accrued Interest	586,861	-	586,861
1260	Internal Balances	1,000	(1,000)	-
1290	Other Receivables, Net	270,450	-	270,450
1300	Inventories	275,030	-	275,030
Capital Assets:				
1510	Land	355,041	-	355,041
1520	Buildings and Improvements, Net	36,012,756	-	36,012,756
1530	Furniture and Equipment, Net	670,009	-	670,009
1540	Vehicles, Net	627,366	-	627,366
1550	Right-to-Use Leased Assets, Net	-	78,433	78,433
1580	Construction in Progress	1,691,550	-	1,691,550
1000	Total Assets	76,678,778	134,909	76,813,687
DEFERRED OUTFLOWS OF RESOURCES				
1701	Deferred Charge for Refunding	253,873	-	253,873
1705	Deferred Outflow Related to TRS Pension	2,238,248	-	2,238,248
1706	Deferred Outflow Related to TRS OPEB	706,663	-	706,663
1700	Total Deferred Outflows of Resources	3,198,784	-	3,198,784
LIABILITIES				
2110	Accounts Payable	75,777	570	76,347
2130	Short Term Right-to-Use Leases Payable	-	16,954	16,954
2140	Interest Payable	93,447	-	93,447
2160	Accrued Wages Payable	1,047,748	-	1,047,748
2180	Due to Other Governments	10,486	-	10,486
2200	Accrued Expenses	24,336	-	24,336
Noncurrent Liabilities:				
2501	Due Within One Year: Loans, Note, Leases, etc.	831,568	-	831,568
Due in More than One Year:				
2502	Bonds, Notes, Loans, Leases, etc.	34,531,344	71,672	34,603,016
2540	Net Pension Liability (District's Share)	6,331,687	-	6,331,687
2545	Net OPEB Liability (District's Share)	3,200,590	-	3,200,590
2000	Total Liabilities	46,146,983	89,196	46,236,179
DEFERRED INFLOWS OF RESOURCES				
2605	Deferred Inflow Related to TRS Pension	1,094,614	-	1,094,614
2606	Deferred Inflow Related to TRS OPEB	6,981,649	-	6,981,649
2600	Total Deferred Inflows of Resources	8,076,263	-	8,076,263
NET POSITION				
3200	Net Investment in Capital Assets and Right-to-Use Lease Restricted:	28,810,148	-	28,810,148
3820	Restricted for Federal and State Programs	24,029	-	24,029
3850	Restricted for Debt Service	704,125	-	704,125
3900	Unrestricted	(3,883,986)	45,713	(3,838,273)
3000	Total Net Position	\$ 25,654,316	\$ 45,713	\$ 25,700,029

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, 2024

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 12,262,655	\$ -	\$ 4,925,096
12 Instructional Resources and Media Services	314,573	-	-
13 Curriculum and Instructional Staff Development	283,665	-	67,322
21 Instructional Leadership	237,148	-	32,518
23 School Leadership	1,207,332	-	9,428
31 Guidance, Counseling, and Evaluation Services	1,050,627	-	642,453
32 Social Work Services	36,941	-	-
33 Health Services	232,526	-	-
34 Student (Pupil) Transportation	668,081	-	-
35 Food Services	1,330,522	305,476	1,023,106
36 Extracurricular Activities	1,738,369	48,822	-
41 General Administration	1,242,964	-	-
51 Facilities Maintenance and Operations	2,952,696	-	366,755
52 Security and Monitoring Services	104,256	-	83,518
53 Data Processing Services	178,165	-	-
61 Community Services	(31,242)	-	-
72 Debt Service - Interest on Long-Term Debt	1,734,731	-	-
73 Debt Service - Bond Issuance Cost and Fees	1,850	-	-
93 Payments Related to Shared Services Arrangements	485,981	-	244,889
99 Other Intergovernmental Charges	249,942	-	-
[TG] Total Governmental Activities:	26,281,782	354,298	7,395,085
BUSINESS-TYPE ACTIVITIES:			
01 Enterprise Fund	660,646	488,167	-
[TB] Total Business-Type Activities:	660,646	488,167	-
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 26,942,428	\$ 842,465	\$ 7,395,085
Data			
Control	General Revenues:		
Codes	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
\$ (7,337,559)	\$ -	\$ (7,337,559)
(314,573)	-	(314,573)
(216,343)	-	(216,343)
(204,630)	-	(204,630)
(1,197,904)	-	(1,197,904)
(408,174)	-	(408,174)
(36,941)	-	(36,941)
(232,526)	-	(232,526)
(668,081)	-	(668,081)
(1,940)	-	(1,940)
(1,689,547)	-	(1,689,547)
(1,242,964)	-	(1,242,964)
(2,585,941)	-	(2,585,941)
(20,738)	-	(20,738)
(178,165)	-	(178,165)
31,242	-	31,242
(1,734,731)	-	(1,734,731)
(1,850)	-	(1,850)
(241,092)	-	(241,092)
(249,942)	-	(249,942)
(18,532,399)	-	(18,532,399)
-	(172,479)	(172,479)
-	(172,479)	(172,479)
(18,532,399)	(172,479)	(18,704,878)
8,050,397	-	8,050,397
3,385,585	-	3,385,585
9,490,040	-	9,490,040
1,755,826	-	1,755,826
1,283,273	-	1,283,273
23,965,121	-	23,965,121
5,432,722	(172,479)	5,260,243
20,221,594	218,192	20,439,786
\$ 25,654,316	\$ 45,713	\$ 25,700,029

PERRYTON INDEPENDENT SCHOOL DISTRICT
Balance Sheet
Governmental Funds
August 31, 2024

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 1,371,442	\$ -	\$ 1,050,583
1120 Investments - Current	8,750,000	384,127	22,952,138
1220 Property Taxes - Delinquent	568,166	86,862	-
1230 Allowance for Uncollectible Taxes	(198,858)	(30,402)	-
1240 Due from Other Governments	27,212	8,934	-
1250 Accrued Interest	136,292	371	432,841
1260 Due from Other Funds	221,894	-	-
1290 Other Receivables	1,176	254,233	-
1300 Inventories	233,596	-	-
1000 Total Assets	<u>\$ 11,110,920</u>	<u>\$ 704,125</u>	<u>\$ 24,435,562</u>
LIABILITIES			
2110 Accounts Payable	\$ 74,841	\$ -	\$ -
2160 Accrued Wages Payable	963,345	-	-
2170 Due to Other Funds	-	-	-
2180 Due to Other Governments	-	-	-
2200 Accrued Expenditures	18,981	-	-
2300 Unearned Revenue	639,509	-	-
2000 Total Liabilities	<u>1,696,676</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	369,308	56,460	-
2600 Total Deferred Inflows of Resources	<u>369,308</u>	<u>56,460</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	233,596	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	24,435,562
3480 Retirement of Long-Term Debt	-	647,665	-
3490 Other Restricted Fund Balance	-	-	-
Assigned Fund Balance:			
3570 Capital Expenditures for Equipment	3,700,000	-	-
3590 Other Assigned Fund Balance	-	-	-
3600 Unassigned Fund Balance	5,111,340	-	-
3000 Total Fund Balances	<u>9,044,936</u>	<u>647,665</u>	<u>24,435,562</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 11,110,920</u>	<u>\$ 704,125</u>	<u>\$ 24,435,562</u>

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

Other Funds		Total Governmental Funds	
\$	244,820	\$	2,666,845
	624,583		32,710,848
	-		655,028
	-		(229,260)
	349,108		385,254
	17,357		586,861
	70,392		292,286
	15,041		270,450
	41,434		275,030
\$	<u>1,362,735</u>	\$	<u>37,613,342</u>
\$	936	\$	75,777
	84,403		1,047,748
	291,286		291,286
	10,486		10,486
	5,355		24,336
	17,764		657,273
	<u>410,230</u>		<u>2,106,906</u>
	-		425,768
	<u>-</u>		<u>425,768</u>
	-		233,596
	24,029		24,029
	280,979		24,716,541
	-		647,665
	412,763		412,763
	-		3,700,000
	234,734		234,734
	-		5,111,340
	<u>952,505</u>		<u>35,080,668</u>
\$	<u>1,362,735</u>	\$	<u>37,613,342</u>

PERRYTON INDEPENDENT SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
August 31, 2024

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 35,080,668
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 \$61,115,500 and the accumulated depreciation was \$22,540,193. In addition, long-term liabilities, including bonds payable, 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.	2,335,110
2 Current year capital outlays and long-term debt principal payments 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 capital outlays and debt principal payments is to increase net position. These payments must be reclassified and shown as reductions to these liabilities increasing net position.	4,536,909
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 Statement No. 68. The net position related to TRS included a deferred resource outflow in the amount of \$2,238,248, a deferred resource inflow in the amount of \$1,094,614, and a net pension liability in the amount of \$6,331,687. This resulted in a decrease in net position.	(5,188,053)
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 Statement No. 75. The net position related to TRS included a deferred resource outflow in the amount of \$706,663, a deferred resource inflow in the amount of \$6,981,649, and a net OPEB liability in the amount of \$3,200,590. This resulted in a decrease in net position.	(9,475,576)
5 The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(1,610,137)
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 as revenue, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.	(24,605)
29 Net Position of Governmental Activities	\$ 25,654,316

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, 2024

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 8,999,534	\$ 3,481,754	\$ 1,117,845
5800 State Program Revenues	11,463,055	246,041	-
5900 Federal Program Revenues	113,688	269,046	-
5020 Total Revenues	20,576,277	3,996,841	1,117,845
EXPENDITURES:			
Current:			
0011 Instruction	10,594,108	-	-
0012 Instructional Resources and Media Services	319,306	-	-
0013 Curriculum and Instructional Staff Development	273,899	-	-
0021 Instructional Leadership	40,402	-	-
0023 School Leadership	1,273,275	-	-
0031 Guidance, Counseling, and Evaluation Services	395,394	-	-
0032 Social Work Services	39,488	-	-
0033 Health Services	240,203	-	-
0034 Student (Pupil) Transportation	705,597	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	1,406,583	-	-
0041 General Administration	1,274,739	-	-
0051 Facilities Maintenance and Operations	2,710,929	-	-
0052 Security and Monitoring Services	61,186	-	-
0053 Data Processing Services	183,644	-	-
Debt Service:			
0071 Principal on Long-Term Liabilities	60,045	2,085,312	-
0072 Interest on Long-Term Liabilities	7,803	1,684,738	-
0073 Bond Issuance Cost and Fees	-	1,850	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	-	1,691,530
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	241,092	-	-
0099 Other Intergovernmental Charges	249,942	-	-
6030 Total Expenditures	20,077,635	3,771,900	1,691,530
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	498,642	224,941	(573,685)
OTHER FINANCING SOURCES (USES):			
7912 Sale of Real and Personal Property	70	-	-
7915 Transfers In	698,974	-	-
8911 Transfers Out (Use)	(128,557)	-	-
7080 Total Other Financing Sources (Uses)	570,487	-	-
1200 Net Change in Fund Balances	1,069,129	224,941	(573,685)
0100 Fund Balance - September 1 (Beginning)	7,975,807	-	25,009,247
1300 Change from Non-Major to Major Fund	-	422,724	-
3000 Fund Balance - August 31 (Ending)	\$ 9,044,936	\$ 647,665	\$ 24,435,562

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

	Other Funds	Total Governmental Funds
\$	1,159,301	\$ 14,758,434
	460,554	12,169,650
	4,022,494	4,405,228
	5,642,349	31,333,312
	1,551,532	12,145,640
	-	319,306
	22,108	296,007
	210,861	251,263
	22,077	1,295,352
	767,970	1,163,364
	-	39,488
	3,656	243,859
	-	705,597
	1,491,351	1,491,351
	166,234	1,572,817
	21,416	1,296,155
	19,436	2,730,365
	99,779	160,965
	-	183,644
	-	2,145,357
	-	1,692,541
	-	1,850
	358,899	2,050,429
	244,889	485,981
	-	249,942
	4,980,208	30,521,273
	662,141	812,039
	-	70
	187,957	886,931
	(758,374)	(886,931)
	(570,417)	70
	91,724	812,109
	1,283,505	34,268,559
	(422,724)	-
\$	952,505	\$ 35,080,668

PERRYTON INDEPENDENT SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities
For the Year Ended August 31, 2024

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ 812,109
Current year capital outlays and long-term debt principal payments 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 current year capital outlays and debt principal payments is to increase the change in net position.	4,536,909
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.	(1,610,137)
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, adjusting current year revenue to show the revenue earned from the current year's tax levy, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase the change in net position.	516,306
GASB Statement No. 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$492,380. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in the change in net position totaling \$237,497. Finally, the proportionate share to the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$317,541. The net result is a decrease in the change in net position.	(62,658)
GASB Statement No. 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$123,614. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in the change in net position totaling \$125,413. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense increased the change in net position by \$1,241,992. The net result is an increase in the change in net position.	1,240,193
Change in Net Position of Governmental Activities	\$ 5,432,722

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, 2024

EXHIBIT D-1

	Business-Type Activities
	Total Enterprise Funds
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 57,476
Total Current Assets	<u>57,476</u>
Noncurrent Assets:	
Capital Assets:	
Right-to-Use Lease Asset, Net	78,433
Total Noncurrent Assets	<u>78,433</u>
Total Assets	<u>135,909</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	570
Right-to-Use Lease Liabilities Payable	16,954
Due to Other Funds	1,000
Total Current Liabilities	<u>18,524</u>
Noncurrent Liabilities:	
Right-to-Use Lease Liability - Long Term	71,672
Total Noncurrent Liabilities	<u>71,672</u>
Total Liabilities	<u>90,196</u>
NET POSITION	
Unrestricted Net Position	45,713
Total Net Position	<u>\$ 45,713</u>

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, 2024

EXHIBIT D-2

	Business-Type Activities
	Total Enterprise Funds
<hr/>	
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 422,351
State Program Revenues	35,874
Federal Revenues	29,942
Total Operating Revenues	<u>488,167</u>
OPERATING EXPENSES:	
Payroll Costs	468,996
Professional and Contracted Services	28,402
Supplies and Materials	134,325
Other Operating Costs	7,568
Depreciation Expense	16,512
Interest Expense	4,843
Total Operating Expenses	<u>660,646</u>
Operating Income (Loss)	(172,479)
Total Net Position - September 1 (Beginning)	<u>218,192</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 45,713</u></u>

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

PERRYTON INDEPENDENT SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended August 31, 2024

EXHIBIT D-3

	Business-Type Activities
	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 422,351
Cash Received from Other Revenue	71,328
Cash Payments to Employees for Services	(468,996)
Cash Payments for Suppliers	(134,325)
Cash Payments for Other Operating Expenses	(45,582)
Net Cash Used for Operating Activities	(155,224)
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Payments on Right-to-Use Liabilities	(14,407)
<u>Cash Flows from Investing Activities:</u>	
Proceeds from Certificate of Deposits	175,000
Net Increase in Cash and Cash Equivalents	5,369
Cash and Cash Equivalents at Beginning of Year	52,107
Cash and Cash Equivalents at End of Year	\$ 57,476
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income (Loss):	\$ (172,479)
Adjustments to Reconcile Operating Income to Net Cash Used for Operating Activities:	
Depreciation	16,512
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Receivables	5,512
Increase (decrease) in Accounts Payable	(5,769)
Increase (decrease) in Due to Other Funds	1,000
Net Cash Used for Operating Activities	\$ (155,224)
<u>Reconciliation of Total Cash and Cash Equivalents:</u>	
Cash and Cash Equivalents on Balance Sheet	\$ 57,476

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

PERRYTON INDEPENDENT SCHOOL DISTRICT
Statement of Net Position
Fiduciary Funds
August 31, 2024

EXHIBIT E-1

	Private Purpose Trust Funds	Custodial Fund
ASSETS		
Cash and Cash Equivalents	\$ 5,134	\$ 2,126
Investments - Current	10,993	200,000
Accrued Interest	115	-
Total Assets	<u>16,242</u>	<u>\$ 202,126</u>
NET POSITION		
Restricted for Campus Activities	-	202,126
Restricted for Scholarships	16,242	-
Total Net Position	<u>\$ 16,242</u>	<u>\$ 202,126</u>

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

PERRYTON INDEPENDENT SCHOOL DISTRICT
Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended August 31, 2024

EXHIBIT E-2

	Private Purpose Trust Funds	Custodial Fund
ADDITIONS:		
Student Fund Raisers	\$ -	\$ 362,002
Earnings from Temporary Deposits	569	-
Total Additions	<u>569</u>	<u>362,002</u>
DEDUCTIONS:		
Student Activities	-	374,636
Other Deductions	1,000	-
Total Deductions	<u>1,000</u>	<u>374,636</u>
Change in Fiduciary Net Position	(431)	(12,634)
Total Net Position - September 1 (Beginning)	<u>16,673</u>	<u>214,760</u>
Total Net Position - August 31 (Ending)	<u>\$ 16,242</u>	<u>\$ 202,126</u>

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

PERRYTON INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2024

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Perryton Independent School District (the District) is a public education agency operating under the applicable laws and regulations of the State of Texas. The District prepares its basic financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) applicable to governmental units. The District also complies with the appropriate version of the Texas Education Agency's (TEA) Financial Accountability System Resource Guide (FASRG) and the requirements of contracts and grants of agencies from which it receives funds. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

A. Reporting Entity

The Board of Trustees (the Board), a seven-member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public. The Board has the exclusive power and duty to govern and oversee the management of the District. All powers and duties not specifically delegated by statute to the TEA or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgement for the lawful exercise of those powers and duties by the Board. The District is not included in any other governmental "reporting entity" as defined in governmental accounting and financial reporting standards. There are no component units included within the reporting entity.

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

B. Basis of Accounting and Presentation

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the government-wide entity as a whole. These statements report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities normally are supported by taxes, state foundation funds, grants, and intergovernmental revenues.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bond issuance costs are charged to expense.

PERRYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

August 31, 2024

B. Basis of Accounting and Presentation (continued)

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

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 "Operating 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 or 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.

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions but are reported separately in the Statement of Activities. Depreciation expense is specifically identified by function and is included in the direct expense to each function allocated. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Interfund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet 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. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds. Since the resources in the fiduciary funds cannot be used for the District's operations, they are not included in the government-wide statements. Major governmental funds are reported as separate columns in the fund financial statements.

PERRYTON INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2024

B. Basis of Presentation, Basis of Accounting (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Revenues from local sources consist primarily of property taxes. No amounts have been recorded for property tax revenues collected after August 31, 2024. State revenues 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.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and claims and judgements are recorded only when payment is due.

In the fund financial statements, governmental fund types recognize bond issue costs in the current period. The face amount of the debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Premiums and discounts on bonds issued, as well as applicable gain or loss on refinancing of bonds, are recognized on the Statement of Net Position and amortized over the life of the applicable bonds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. Interest income earned on the operating cash account is considered operating revenue. All other revenues are non-operating.

The fiduciary fund financial statements were reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

PERRYTON INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2024

B. Basis of Presentation, Basis of Accounting (continued)

Governmental Fund Types

The District reports the following major governmental funds:

1. **General Fund** - This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.
2. **Debt Service Fund** - The District accounts for resources accumulated and payments made from principal and interest on long-term general obligation debt of governmental funds in a debt service fund.
3. **Capital Projects Fund** - The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in capital projects fund. The fund does not have a legally adopted budget.

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

Governmental Funds:

1. **Special Revenue Funds** - The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specific project periods.

Proprietary Funds:

1. **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:

1. **Custodial Funds** - 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.
2. **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.

PERRYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

August 31, 2024

C. Basis of Accounting Applicable to all Financial Statements

Capital assets, which include land, buildings, equipment and vehicles, right of use assets, and construction in progress, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' useful lives are not capitalized.

Revenues from state and federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant. Funds received but unexpended are reflected as deferred revenues, and funds expended but not yet received are shown as receivables. If balances have not been expended by the end of the project period, grantors generally require the District to refund all or part of the unused amount.

Supplies and materials are considered expenditures when purchased.

When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

In accordance with the FASRG, the District has adopted and installed an accounting system which exceeds the minimum requirements prescribed by the State Board of Education and was approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Accounting Code Section of the FASRG. Mandatory codes are utilized in the form provided in that section.

The proprietary fund types 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 Balance Classification

Non-spendable: Represents amounts that are not in spendable form or are legally or contractually required to be maintained intact, such as inventories.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of bonds and are restricted by State statute. Capital projects are restricted by State statute and are legally segregated for funding of capital improvements.

PERRYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

August 31, 2024

D. Fund Balance Classification (continued)

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Trustees. These amounts cannot be used for any other purpose unless the Board of Trustees removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed.

Assigned: Represents amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted or committed. The governing body has delegated authority to the Superintendent. Should the Board of Trustees opt not to commit any balances, it will implicitly defer to the designee to make appropriate assignments.

Unassigned: This classification includes the residual fund balance for the General Fund.

The District would typically use Restricted fund balances first, followed by Committed resources, then Assigned, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

E. Net Position on the Statement of Net Position

Net position on the Statement of Net Position includes the following:

Net Investment in Capital Assets – this component of net position represents the difference between capital assets less accumulated depreciation and the outstanding balance of debt, which is directly attributable to the acquisition, construction, or improvement of those assets.

Restricted for Federal and State Programs – this component of net position represents the difference between assets and liabilities of the child nutrition special revenue fund that consists of assets with constraints placed on their use by the state.

Restricted for Debt Service – this component of net position represents the difference between assets and liabilities of the Debt Service Fund that consists of assets with constraints placed on their use by creditors.

Restricted for Capital Projects – this component of net position represents additional funds in the Capital Projects Fund that consists of assets with legal constraints on their use.

Restricted for Other Purposes – this component of net position represents the difference between assets and liabilities with constraints placed on their use.

PERRYTON INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2024

E. Net Position on the Statement of Net Position (continued)

Unrestricted – the difference between assets and liabilities that is not reported in Net Investment in Capital Assets or Net Position Restricted.

F. Financial Statement Amounts

1. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and State Treasurer's Investment Pools.

Investments for the District are reported at fair value. The State Treasurer's Investment Pools are operated in accordance with appropriate state laws and regulations. The reported value of the pools is the same as the fair value of the pool shares.

2. Property Taxes

Property taxes are levied by October 1st on assessed value listed as of the prior January 1st for all real and business personal property 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 1st of the year following the year in which imposed. On January 31st 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 when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables are based upon historical experience in collecting property taxes. As of August 31, 2024, the amount deemed uncollectible by this estimate was \$229,260. 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.

PERRYTON INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2024

F. Financial Statement Amounts (continued)

3. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide. Certain payments to vendors reflect the cost applicable to future periods and are recorded as prepaid items. The District reports inventories of supplies at weighted average cost including consumable maintenance, instructional, office, athletic, transportation items, and food supplies. Supplies are recorded as expenditures when they are consumed. The school supplies inventories, at August 31, 2024, were \$233,596 for the General Fund. Food service inventory was \$41,434, for the National Breakfast and Lunch Program at August 31, 2024.

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair market value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	25-50
Vehicles	7-15
Equipment and furniture	7-20
Right-to-use lease assets	10

PERRYTON INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2024

F. Financial Statement Amounts (continued)

5. Interfund Activity

Interfund activity results from loans, services provided, reimbursements, or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide Statement of Activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line on the government-wide Statement of Net Position.

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premiums 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. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

PERRYTON INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2024

F. Financial Statement Amounts (continued)

8. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The Texas Education Agency requires the display of these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide database for policy development and funding plans.

9. Compensated Absences

The District allows for ten days of compensated absences during the year. This includes five days from state policy and five days from local policy. Unused days are accumulated for future benefit but are not paid by the District at termination or retirement. Twelve month employees get an additional three days of local.

10. Group Self-Insurance Pool

The District participates in a group self-insurance pool with TRS Active Care. The District has no risks or liabilities associated with the health insurance plan.

G. Pensions

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.

H. Other Post-Employment Benefits (OPEB)

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

PERRYTON INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2024

I. Encumbrance Accounting

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 the time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no outstanding encumbrances at August 31, 2024.

J. GASB Statement No. 100 – Accounting Changes and Error Corrections

The District reclassified the fund balance at the beginning of the year for Fund 461 – Campus Activity Funds from restricted – other to other assigned balance. The results of this change was to reclassify beginning fund balance to the correct fund balance classification for this particular fund. The following is the results of this change:

Beginning Fund Balance for Fund 461

Other restricted fund balance	\$ 162,824
Correction	(162,824)
Reclassification to other assigned fund balance	<u>162,824</u>
Adjusted beginning fund balance	<u><u>\$ 162,824</u></u>

The District had the Debt Service Fund change from non-major in the prior year to Major Fund in the current year. This change is as follows:

Beginning Debt Service Fund

Balance - nonmajor	\$ 422,724
Change in Fund Balance due to change to Major Fund	(422,724)
Major Fund beginning balance for Debt Service	<u>422,724</u>
Adjusted Fund Balance for Debt Service Fund	<u><u>\$ 422,724</u></u>

PERRYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

August 31, 2024

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Data

The Board of Trustees adopts an “appropriated budget” for the General Fund, Food Service Fund of the special revenue funds, and Debt Service Fund. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the other two reports are in Exhibits J-2 and J-3.

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

1. Prior to August 20th, the District prepares a budget for the next succeeding fiscal year beginning September 1st. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.
3. Prior to September 1st, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end.

Because the District has a policy of careful budgetary control, several amendments were necessary during the year. The following significant amendments were made during the current year:

General Fund

Function 11 - Instruction	<u>\$ 290,624</u>
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Child Nutrition

Function 35 - Food Services	<u>\$ 155,084</u>
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PERRYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

August 31, 2024

A. Budgetary Data (continued)

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

	August 31, 2024 Fund Balance
Appropriated Budget Funds - Food Service	\$ 105,265
Nonappropriated Budget Funds	-
All Special Revenue Funds	<u>\$ 105,265</u>

B. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None Reported	Not Applicable

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Cash, Cash Equivalents, and Investments

Cash and Cash Equivalents

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits

State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the District complies with this law, it has no custodial credit risk for deposits.

PERRYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

August 31, 2024

A. Cash, Cash Equivalents, and Investments (continued)

During the year, the District's deposits were covered by depository insurance and collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name. At August 31, 2024, the District's deposits were covered with depository insurance in the amount of \$500,000 and collateralized with securities held by the pledging financial institution's trust department or agent in the District's name in the amount of \$18,771,108.

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 limiting all deposits denominated in a foreign currency. The District was not exposed to any foreign currency risk at August 31, 2024.

As of August 31, 2024, the following are the District's cash and cash equivalents with respective maturities and credit rating:

	<u>Fair Value</u>	<u>Percent</u>	<u>Maturity in Less than 1 Year</u>	<u>Maturity in 1-10 Years</u>	<u>Maturity in Over 10 Years</u>	<u>Credit Rating</u>
<u>Type of Deposit</u>						
FDIC Insured Accounts	\$ 2,724,321	100%	\$ 2,724,321	\$ -	\$ -	N/A
Certificate of Deposits	<u>32,710,848</u>	<u>100%</u>	<u>32,710,848</u>	<u>-</u>	<u>-</u>	AAAm
Total Cash and Cash Equivalents	<u>\$ 35,435,169</u>	<u>100%</u>	<u>\$ 35,435,169</u>	<u>\$ -</u>	<u>\$ -</u>	

Investments

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

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

PERRYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

August 31, 2024

A. Cash, Cash Equivalents, and Investments (continued)

Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality not less than an "A"; (4) no load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas Public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the District 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.

Additional policies and contractual provisions governing investments for Perryton Independent School District are specified below:

Credit Risk

To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the District limits investments that comply with the Public Funds Investment Act and all federal, state, and local statutes, rules, or regulations. As of August 31, 2024, the District had certificates of deposit at Perryton National Bank in Perryton, Texas. (\$32,710,848)

Custodial Credit Risk for Investments

To limit the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in possession of an outside party, the District requires counterparties to register the securities in the name of the District and hand them over to the District or its designated agent. This includes securities in securities lending transactions. The District had certificates of deposit at Perryton National Bank at August 31, 2024.

PERRYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

August 31, 2024

A. Cash, Cash Equivalents, and Investments (continued)

Concentration of Credit Risk

To limit the risk of loss attributed to the magnitude of the District's investment in a single issuer, the District's investment policy emphasizes safety of principal and liquidity. The policy requires prudence with respect to single investments. During the year, the District invested in certificates of deposit under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and Public Funds Investments Act, Chapter 2256, Texas Government Code. The District was not exposed to any concentration of credit risk for the year ended August 31, 2024.

Interest Rate Risk

To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires that internally created pool fund groups have a maximum dollar weighted maturity of 180 days and other investments shall not exceed one year from time of purchase unless specifically authorized by the Board for a given investment. The District was not exposed to any investment rate risk at August 31, 2024.

Foreign Currency Risk for Investments

The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by not investing in foreign investments. The District was not exposed to any foreign currency risk for investments at August 31, 2024.

Other Credit Risk Exposure

The District had no other known credit risk exposure at August 31, 2024.

Defaults and Recovery of Prior Period Losses

The District had no defaults or prior period losses for the year ended August 31, 2024.

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

PERRYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

August 31, 2024

A. Cash, Cash Equivalents, and Investments (continued)

level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

As of August 31, 2024, Perryton Independent School District had no investments subject to the fair value measurement.

B. Property Taxes

Property taxes are levied by October 1st on the assessed value listed as of the prior January 1st 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 1st of the year following the year in which imposed. On January 31st 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.

The assessed value of the property tax roll on August 1, 2023, upon which the levy for the 2023-2024 fiscal year was based, was \$1,299,283,265. The roll was subsequently decreased to a year-end assessed value of \$1,119,945,623.

The tax rates assessed for the year ended August 31, 2024, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$0.738 and \$0.29 per \$100 valuation, respectively, for a total of \$1.028 per \$100 valuation.

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.

PERRYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

August 31, 2024

D. Interfund Balances and Transfers

Interfund balances at August 31, 2024, consisted of the following amount:

Due to General Fund from:

Other Nonmajor Funds	\$ 220,894
Enterprise Fund	<u>1,000</u>

Total Due to General Fund	<u><u>\$ 221,894</u></u>
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Due to Other Nonmajor Funds from:

Other Nonmajor Funds	<u><u>\$ 70,392</u></u>
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Interfund transfers for the year ended August 31, 2024, consisted of the following amount:

Transfers to Other Nonmajor Funds from:

General Fund	\$ 128,557
Other Nonmajor Funds	<u>59,400</u>

Total Transfer to Other Nonmajor Funds	<u><u>\$ 187,957</u></u>
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Transfer to General Fund from:

Other Nonmajor Funds	<u><u>\$ 698,974</u></u>
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The purpose of these interfund balances and interfund transfers is to allow for ease of funding the daily operations of the District. These interfund balances are expected to be repaid in the next fiscal year.

E. Disaggregation of Receivables and Payables

Receivables at August 31, 2024, were as follows:

	Property Taxes (Net)	Other Governments	Due From Other Funds	Other	Total Receivables
Governmental Activities:					
General Fund	\$ 369,308	\$ 27,212	\$ 221,894	\$ 137,468	\$ 755,882
Debt Service Fund	56,460	8,934	-	254,604	319,998
Capital Projects Fund	-	-	-	432,841	432,841
Nonmajor Governmental Activities	-	349,108	70,392	32,398	451,898
Total - Governmental Activities	<u><u>\$ 425,768</u></u>	<u><u>\$ 385,254</u></u>	<u><u>\$ 292,286</u></u>	<u><u>\$ 857,311</u></u>	<u><u>\$ 1,960,619</u></u>
Amounts not scheduled for collection during the subsequent year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

PERRYTON INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2024

E. Disaggregation of Receivables and Payables (continued)

Business-type Activities:

None

Governmental Activities	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Property Taxes (Net):					
Delinquent taxes receivable (ad valorem)	\$ 568,166	\$ 86,862	\$ -	\$ -	\$ 655,028
Less allowance for uncollectible taxes	(198,858)	(30,402)	-	-	(229,260)
Total - Property Taxes (Net)	<u>\$ 369,308</u>	<u>\$ 56,460</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 425,768</u>

The allowance for uncollectible taxes is calculated by the District. The allowance is 35% of the delinquent taxes receivable, which appears reasonable.

Governmental Activities	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Receivable - Other Governments:					
Receivable - State	\$ -	\$ -	\$ -	\$ 349,108	\$ 349,108
Receivable - Other Governments	27,212	8,934	-	-	36,146
Total Receivable - Other Governments	<u>\$ 27,212</u>	<u>\$ 8,934</u>	<u>\$ -</u>	<u>\$ 349,108</u>	<u>\$ 385,254</u>

Business-type Activities:

None

PERRYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

August 31, 2024

E. Disaggregation of Receivables and Payables (continued)

Governmental Activities	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Other Receivables:					
Receivable - Federal interest subsidy	\$ -	\$ 254,233	\$ -	\$ -	\$ 254,233
Accrued Interest	136,292	371	432,841	17,357	586,861
Miscellaneous vendors	1,176	-	-	15,041	16,217
Total Other Receivables	\$ 137,468	\$ 254,604	\$ 432,841	\$ 32,398	\$ 857,311

Business-type Activities:

None

All receivables (net) are expected to be collected within one year.

Payables at August 31, 2024, were as follows:

	Accounts Payable	Loans, Leases, Bonds, and Other Liabilities Payable- Current Year	Salaries and Benefits	Due To Other Funds	Due to Other Governments	Other	Total Payables
Governmental Activities:							
General Fund	\$ 74,841	\$ -	\$ 963,345	\$ -	\$ -	\$ 658,490	\$ 1,696,676
Debt Service Fund	-	-	-	-	-	-	-
Capital Projects Fund	-	-	-	-	-	-	-
Other Nonmajor Funds	936	-	84,403	291,286	10,486	23,119	410,230
Total - Governmental Activities	\$ 75,777	\$ -	\$ 1,047,748	\$ 291,286	\$ 10,486	\$ 681,609	\$ 2,106,906
Amounts not scheduled for payment during the subsequent year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business-type Activities:							
Enterprise Fund	\$ 570	\$ 16,954	\$ -	\$ 1,000	\$ -	\$ -	\$ 18,524

PERRYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

August 31, 2024

F. Deferred Outflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and, therefore, will *not* be recognized as an outflow of resources (expenditure/expense) until that time. The District has three types of this item, which arises only under a full accrual basis of accounting, that qualifies for reporting in this category. Accordingly, these items, *Deferred Charge for Refunding Bonds*, *Deferred Outflows Related to TRS Pension*, and *Deferred Outflows Related to TRS OPEB* are reported only in the Government-wide Statement of Net Position. The Government-wide Statement of Net Position reports the District's share of deferred charges for refunding bonds, the District's share of the unrecognized plan deferred outflows of resources which TRS uses in calculating the end net pension liability, as well as the District's contributions to TRS in the current fiscal year, and the District's share of the unrecognized OPEB deferred outflows of resources which TRS uses in calculating the end net OPEB liability. These amounts are deferred and recognized as an outflow of resources in the period that the amounts become available.

PERRYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

August 31, 2024

G. Capital Asset Activity

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

	Primary Government				Ending Balance
	Beginning Balance	Additions	Retirements/ Amortization	Other Reclassifications	
Governmental Activities:					
Land	\$ 355,041	\$ -	\$ -	\$ -	\$ 355,041
Total Assets Not Being Depreciated	355,041	-	-	-	355,041
Buildings and improvements	55,700,521	502,090	-	441,557	56,644,168
Right to-use leased assets	-	-	-	-	-
Furniture and equipment	1,940,533	125,553	-	-	2,066,086
Vehicles	2,677,828	72,379	-	-	2,750,207
Construction in progress	441,577	1,691,530	-	(441,557)	1,691,550
Total Assets Being Depreciated	60,760,459	2,391,552	-	-	63,152,011
Totals at Historical Cost	61,115,500	2,391,552	-	-	63,507,052
Less Accumulated Depreciation for:					
Buildings and improvements	19,261,014	1,370,398	-	-	20,631,412
Right to-use leased assets	-	-	-	-	-
Furniture and equipment	1,293,155	102,922	-	-	1,396,077
Vehicles	1,986,024	136,817	-	-	2,122,841
Total Accumulated Depreciation	22,540,193	1,610,137	-	-	24,150,330
Total Capital Assets, Net	\$ 38,575,307	\$ 781,415	\$ -	\$ -	\$ 39,356,722

Capital asset activity for the District for Business-type Activities for the year ended August 31, 2024, was as follows:

	Primary Government				Ending Balance
	Beginning Balance	Additions	Retirements/ Amortization	Other Reclassifications	
Business-type Activities:					
Right-to-use assets	\$ 127,969	\$ -	\$ -	\$ -	\$ 127,969
Less Accumulated Depreciation for:					
Right to-use leased assets	33,024	-	16,512	-	49,536
Total Business-type Activities	\$ 94,945	\$ -	\$ 16,512	\$ -	\$ 78,433

PERRYTON INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2024

G. Capital Asset Activity (continued)

Depreciation expense was charged to governmental functions as follows:

Data Control Codes	Expense	Amount
11	Instruction	\$ 853,111
12	Instructional resources and media services	11,518
13	Curriculum and Instructional Development	993
21	Instructional leadership	2,771
23	School leadership	6,968
31	Guidance, Counseling, and Evaluation Services	6,399
33	Health Services	3,166
34	Student (pupil) transportation	57,511
35	Food services	16,382
36	Extracurricular activities	225,102
41	General administration	5,774
51	Facilities maintenance and operations	404,822
52	Security and monitoring services	15,366
61	Community Services	254
	Total Depreciation Expense	<u>\$ 1,610,137</u>

Depreciation/Amortization expense was charged to business-type activities as follows:

Data Control Codes	Expense	Amount
61	Community Service	<u>\$ 16,512</u>

Construction in progress for governmental activities was as follows as of August 31, 2024:

Project	Total Estimated Costs	Amount	Percent Complete	Estimate Completion Date
Wright Elementary School Project	<u>\$ 4,383,763</u>	<u>\$ 1,691,530</u>	39%	September 2025

PERRYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

August 31, 2024

H. Short-Term Debt Payable

The District accounts for short-term debts for maintenance purposes through the General Fund. Short-term debts include notes made in accordance with the provisions of the Texas Education Code Section 45.108.

I. Deferred Inflows of Resources

In addition to liabilities, both the Governmental Funds Balance Sheet and the Statement of Net Position will sometimes report 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) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three types of items that qualify for reporting in this category. One item, which arises only under a modified accrual basis of accounting, is *unavailable revenue*. Unavailable revenue is reported only in the Governmental Funds Balance Sheet. The governmental funds report unavailable revenue from property taxes. The next items are *Deferred Inflow Related to TRS Pension* and *Deferred Inflow Related to TRS OPEB*, which arises only under a full accrual basis of accounting and are reported only in the Government-wide Statement of Net Position. The Government-wide Statement of Net Position reports the District's share of unrecognized plan deferred inflows of resources, which TRS uses in calculating the ending net pension liability and net other post-employment benefit liability. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

J. Bonds, Right-to-use Liabilities, and Long-term Liabilities

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, 2024, was \$1,110,938. The current year interest paid was \$275,453. 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

PERRYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

August 31, 2024

J. Bonds, Right-to-use Liabilities, and Long-term Liabilities (continued)

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, 2024, the District earned \$269,046 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 Balances 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 sales 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, 2024 was \$5,330,000. The current year interest paid was \$175,850. 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 \$26,552.

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 were 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, 2024.

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 form 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, 2024, was \$3,888,712. The current year's accreted interest on the Series 2017 capital appreciation bonds was \$23,064 and the accumulated accreted interest was \$126,904 as of August 31, 2024. The current year interest paid was \$149,200. 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 \$45,568.

PERRYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

August 31, 2024

J. Bonds, Right-to-use Liabilities, and Long-term Liabilities (continued)

The District follows the reporting guidance of GASB Statement No. 65 for the reporting of the Series 2017 Bonds. Under GASB Statement No. 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 \$29,279.

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.

The District issued the Unlimited Tax School Building Bond, Series 2023 of \$24,745,000 in August 2023. The Bonds were issued as follows:

Par Amount	\$	24,745,000
Net Premium	\$	608,365
Net Bond Issuance Costs	\$	353,365

The Bonds were issued by Section 45.001 and 45.003(b)(1), Texas Education Code, as amended for the Construction, acquisition, rehabilitation, renovation, expansion, improvement and equipment of school buildings in the District; paying costs of issuing of Bonds; and the construction, acquisition, rehabilitation, renovation, expansion, improvement and equipment of stadium facilities, including concession, dressing room, restroom, weight room, locker room and offices. The District will levy taxes in the Debt Service Fund for the purpose of paying principal and interest when due. The District paid \$1,084,235 interest in the current year. Interest is due each August 15th and February 15th beginning February 15, 2024, at 5% through February 15, 2044, and 4.125% until maturity at August 15, 2048. Principal is due in the amount of \$1,325,000 on August 15, 2024, and principal payments varying from \$1,665,000 to \$2,620,000 beginning August 15, 2038, until final payment on August 15, 2048.

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

PERRYTON INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2024

J. Bonds, Right-to-use Liabilities, and Long-term Liabilities (continued)

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, 2024 was \$345,190. The current year interest paid was \$7,803.

A summary of changes in bonds payable and loans payable for the year ended August 31, 2024 is as follows:

Bonds Payable	Interest Rate Payable	Original Amounts	Interest Paid Current Year	Payable/ Amounts Outstanding 9/1/23	Additions	Retired	Payable/ Amounts Outstanding 8/31/24
Unlimited Tax School Building Bonds, Series 2011A&B Serial & Term Bonds	4.649% to 5.00%	\$ 10,000,000	\$ 275,453	\$ 1,481,250	\$ -	\$ 370,312	\$ 1,110,938
Unlimited Tax School Building Bonds, Series 2012 Serial & Term Bonds	2.00% to 3.25%	9,180,000	175,850	5,695,000	-	365,000	5,330,000
Unlimited Tax School Refunding Bonds, Series 2017 Serial Bonds	2.00% to 4.00%	3,900,000	149,200	3,755,000	-	25,000	3,730,000
Unlimited Tax School Refunding Bonds, Series 2017 Capital Appreciation Bonds	2.50%	158,712	-	158,712	-	-	158,712
Unlimited Tax School Building Bonds Series 2023	4.125% to 5.00%	24,745,000	1,084,235	24,745,000	-	1,325,000	23,420,000
Total Bond Payable				35,834,962	-	2,085,312	33,749,650
<u>Loans Payable</u>							
State Energy Conservation Office Energy Lighting Project - Loan LC35	2.00%	606,206	7,803	405,235	-	60,045	345,190
Total Long Term Debt Payable				\$ 36,240,197	\$ -	\$ 2,145,357	\$ 34,094,840

	Balance 9/1/23	Additions	Current Year Reductions/ Amortization	Balance 8/31/24
Unamortized premium on bond issuance	\$ 1,219,747	\$ -	\$ (78,579)	\$ 1,141,168
Unamortized deferred charge on bond refunding	\$ 283,152	\$ -	\$ (29,279)	\$ 253,873
Accumulated accreted interest on capital appreciation bonds	\$ 103,840	\$ 23,064	\$ -	\$ 126,904

PERRYTON INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2024

J. Bonds, Right-to-use Liabilities, and Long-term Liabilities (continued)

Debt service requirements for bonds are as follows as of August 31, 2024:

Year Ending August 31,	Principal	Interest	Total Requirements
2025	\$ 770,313	\$ 1,378,475	\$ 2,148,788
2026	780,313	1,366,475	2,146,788
2027	954,024	1,354,175	2,308,199
2028	410,000	1,582,713	1,992,713
2029	820,000	1,329,125	2,149,125
2030-2034	4,540,000	6,195,938	10,735,938
Thereafter	25,475,000	9,901,769	35,376,769
Total	<u>\$ 33,749,650</u>	<u>\$ 23,108,670</u>	<u>\$ 56,858,320</u>

Debt service requirements for loans are as follows as of August 31, 2024:

Year Ending August 31,	Principal	Interest	Total Requirements
2025	\$ 61,255	\$ 6,593	\$ 67,848
2026	62,490	5,359	67,849
2027	63,749	4,100	67,849
2028	65,033	2,815	67,848
2029	66,344	1,504	67,848
2030-2034	26,319	254	26,573
Thereafter	-	-	-
Total	<u>\$ 345,190</u>	<u>\$ 20,625</u>	<u>\$ 365,815</u>

The District has recorded a right-to-use lease asset as a result of implementing GASB Statement No. 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 Statement No. 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, 2024.

PERRYTON INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2024

J. Bonds, Right-to-use Liabilities, and Long-term Liabilities (continued)

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, 2024, the District has recognized a right-to-use asset net of accumulated amortization of \$94,945 and a lease liability of \$103,023 related to the agreement. During the fiscal year, the District recorded \$78,433 in amortization expense and \$88,626 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, 2024:

Business-type Activities		Interest Rate Payable*	Interest Paid Current Year	Payable/ Amounts Outstanding 9/1/23	Additions	Principal Paid	Payable/ Amounts Outstanding 8/31/24
Right-to-Use Leases Payable	Lease Term						
Building space	122 Months	5.00%	\$ 4,843	\$ 103,033	\$ -	\$ 14,407	\$ 88,626
Total Right-to-Use Lease Payable				<u>\$ 103,033</u>	<u>\$ -</u>	<u>\$ 14,407</u>	<u>\$ 88,626</u>

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

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

Year Ending August 31,	Principal	Interest	Total Requirements
2025	\$ 16,954	\$ 4,046	\$ 21,000
2026	17,821	3,179	21,000
2027	18,733	2,267	21,000
2028	19,691	1,309	21,000
2029	15,427	323	15,750
2030-2034	-	-	-
Thereafter	-	-	-
Total	<u>\$ 88,626</u>	<u>\$ 11,124</u>	<u>\$ 99,750</u>

PERRYTON INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2024

K. Unearned Revenues

Unearned revenue as of August 31, 2024, in the fund financial statements consisted of the following:

	General Fund	Non-Major Governmental Funds
Local Sources	\$ 116,819	\$ -
National School Lunch & Breakfast Program	-	17,764
State Foundation Revenues	522,690	-
Total Unearned Revenue	<u>\$ 639,509</u>	<u>\$ 17,764</u>

L. Subscription Based Information Technology Arrangements – GASB Statement No. 96

1. General Description:

Perryton Independent School District has no existing arrangements and no new arrangements subject to the requirements of GASB Statement No. 96. The agreements can be described in groups – those related to the provision of assisting students, those related to the training of teaching and their support personnel, and those used for administrative purposes. The District makes monthly, quarterly, or annual payments and the agreements are for varying terms. The SBITA liability should be the present value of the payments using the District's incremental borrowing rate. The liability is amortized providing the principal and interest components of the payments over the SBITA term. The SBITA Asset is measured as the SBITA Liability plus any capitalized expenditures/expenses incurred in the initial implementation stage. The SBITA asset is depreciated (amortized) using a straight-line depreciation method over the term of the SBITA arrangement. The Board of Perryton Independent School District will set a materiality threshold for any potential SBITA arrangements in a future board meeting. There was one arrangement below the level with an aggregate annual expenditure of approximately \$35,000.

2. The Total Amount of the Subscription Assets and Accumulated Amortization:

	Term in Months	Total Asset Amounts	Total Accumulated Amortization
Governmental Funds:			

None

PERRYTON INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2024

L. Subscription Based Information Technology Arrangements – GASB Statement No. 96
(continued)

3. Outflows of Resources:

There were no outflows of resources paid for any SBITA arrangements.

4. The SBITA Liabilities and Associated Principal and Interest Requirements:

<u>Interest Rate</u>	<u>Beginning Liability</u>	<u>Term in Months</u>	<u>Ending Balance</u>
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Governmental Funds:

None

The future principal and interest SBITA arrangement payments as of fiscal year-end are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Governmental Funds:			
<u>Year Ended August 31</u>			
2025			
2026			
2027		None	
2028			
2029			
2030-2034			
2035-after			

5. Commitments and Impairments:

There were no commitments made before the commencement of the SBITA term(s).
There were also no impairments or modifications to be reported during this fiscal year.

PERRYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

August 31, 2024

M. Defined Benefit Pension Plan

Summary of Significant Accounting Policies

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 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.

Plan Description

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

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

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://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.

PERRYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

August 31, 2024

M. Defined Benefit Pension Plan (continued)

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (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 five 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 five years of service credit or earlier than 55 with thirty years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the plan description previously.

Texas Government Code, Title 8, 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 16, Section 67 of the Texas Constitution which requires the Texas Legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation paid to members of the system during the fiscal year.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2019 through 2025. Contribution rates can be found in the TRS 2023 ACFR, Note 11, on page 88.

PERRYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

August 31, 2024

M. Defined Benefit Pension Plan (continued)

The following table shows contribution rates by type of contributor for the fiscal years 2023 and 2024 and the contributions by type of contributions reported by TRS which were received by TRS during the TRS measurement year (FY 2023). The reported contributions from the member and the employers are included in the calculation of the District's proportionate share of the net pension liability.

	<u>Contribution Rates</u>	
	<u>2023</u>	<u>2024</u>
Member	8.0%	8.25%
Non-Employer Contributing Entity (State)	8.0%	8.25%
Employers	8.0%	8.25%
District's Measurement Year Employer Contributions	\$	492,380
District's Measurement Year Member Contributions	\$	1,234,275
District's Measurement Year NECE (State) Contributions	\$	924,975

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. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

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

PERRYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

August 31, 2024

M. Defined Benefit Pension Plan (continued)

In addition to the employer contributions listed previously, there is a surcharge and employer is subject to:

- All public schools, charter schools, and regional educational service centers must contribute 1.8% of the member's salary beginning in fiscal year 2023, gradually increasing to 2.0% in fiscal year 2025. This surcharge amount is 1.9% for fiscal year 2023.
- 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.

Net Pension Liability

Components of the net pension liability of the plan as of August 31, 2023, are disclosed below: (From TRS Annual Comprehensive Financial Report 2023, p. 89.)

Table 11.E.1: Net Pension Liability

Components of Liability	Amount
Total Pension Liability	\$ 255,860,886,500
Less: Plan Fiduciary Net Position	(187,170,535,558)
Net Pension Liability	<u>\$ 68,690,350,942</u>
Net Position as Percentage of Total Pension Liability	73.15%

PERRYTON INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2024

M. Defined Benefit Pension Plan (continued)

Actuarial Assumptions

The total pension liability in the August 31, 2022, actuarial valuation was determined using the following actuarial assumptions: *Actuarial Assumptions can be found in the 2023 TRS ACFR, Note 11, page 89.*

Table 11.F.1: Actuarial Methods and Assumptions

<u>Component</u>	<u>Result</u>
Valuation Date	August 31, 2022, rolled forward to August 31, 2023
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term Expected Rate	7.00%
Municipal Bond Rate as of August 2023	4.13%
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)	2122
Inflation	2.30%
Salary Increases	2.95% to 8.95% including inflation
Ad Hoc Post-Employment Benefit Changes	None

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

Discount Rate

A single discount rate of 7.00% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.00%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the Legislature during the 2019 session. It is assumed that future employer and state contributions will be 9.50% of payroll in fiscal year 2024 increasing to 9.56% in fiscal year 2025 and thereafter. This includes all employer and state contributions for active and rehired retirees.

PERRYTON INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2024

M. Defined Benefit Pension Plan (continued)

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

The long-term rate of return on pension plan investments is 7.00%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2023 (see page 56 of the 2023 TRS ACFR), are summarized below:

Table 3.A.1: Asset Allocations

Asset Class	Target Allocation %**	Long-Term Expected Geometric Real Rate of Return***	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.A.	18.0%	4.0%	1.00%
Non-U.S. Developed	13.0%	4.5%	0.90%
Emerging Markets	9.0%	4.8%	0.70%
Private Equity*	14.0%	7.0%	1.50%
Stable Value			
Government Bonds	16.0%	2.5%	0.50%
Absolute Return*	0.0%	3.6%	0.00%
Stable Value Hedge Funds	5.0%	4.1%	0.20%
Real Return			
Real Estate	15.0%	4.9%	1.10%
Energy, Natural Resources and Infrastructure	6.0%	4.8%	0.40%
Commodities	0.0%	4.4%	0.00%
Risk Parity			
Risk Parity	8.0%	4.5%	0.40%
Asset Allocation Leverage			
Cash	2.0%	3.7%	0.00%
Asset Allocation Leverage	(6.0)%	4.4%	(0.10)%
Inflation Expectation			2.30%
Volatility Drag****			(0.90)%
Expected Return	100%		8.00 %

*Absolute Return includes Credit Sensitive Investments.

**Target allocations are based on the FY2023 policy model.

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

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

PERRYTON INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2024

M. Defined Benefit Pension Plan (continued)

Discount Rate Sensitivity Analysis

The following table presents the District's Net Pension Liability of the plan using the discount rate of 7.00%, and what the Net Pension Liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

	1.0% Decrease in Discount Rate (6.00%)	Current Single Discount Rate (7.00%)	1.0% Increase in Discount Rate (8.00%)
District's proportionate share of the Net Pension Liability:	\$ 9,466,223	\$ 6,331,687	\$ 3,725,319

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At August 31, 2024, Perryton Independent School District reported a liability of \$6,331,687 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Perryton Independent School District. The amount recognized by Perryton Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Perryton Independent School District were as follows:

District's proportionate share of the collective net pension liability	\$ 6,331,687
State's proportionate share that is associated with the District	12,360,688
Total	\$ 18,692,375

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

At August 31, 2023, the employer's proportion of the collective net pension liability was 0.009217724%, which was a decrease of 0.0011364080% from its proportion measured as of August 31, 2022.

PERRYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

August 31, 2024

M. Defined Benefit Pension Plan (continued)

Changes in Actuarial Assumptions Since the Prior Actuarial Valuation

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

Changes in Benefits

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

For the year ended August 31, 2024, Perryton Independent School District recognized pension expense of \$2,421,395 and revenue of \$1,866,357 for support provided by the State in the Government Wide Statement of Activities.

At August 31, 2024, Perryton Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (The amounts shown below will be the cumulative layers from the current and prior years combined.)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$ 225,600	\$ 76,670
Changes in actuarial assumptions	598,854	146,553
Net difference between projected and actual investment earnings	921,414	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	-	871,391
Contributions paid to TRS subsequent to the measurement date	492,380	-
Total	<u>\$ 2,238,248</u>	<u>\$ 1,094,614</u>

PERRYTON INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2024

M. Defined Benefit Pension Plan (continued)

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

<u>Year ended August 31:</u>	<u>Pension Expense Amount</u>
2025	\$ 45,893
2026	(41,671)
2027	591,248
2028	93,672
2029	(37,888)
Thereafter	-

N. Defined Other Post-Employment Benefit Plans

Summary of Significant Accounting Policies

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

Plan Description

The Perryton Independent School District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined benefit other post-employment (OPEB) plan that has a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

PERRYTON INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2024

N. Defined Other Post-Employment Benefit Plans (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.

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 presented in the following table:

TRS-Care Monthly 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

PERRYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

August 31, 2024

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

Contributions

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

Texas Insurance Code, Section 1575.202 establishes the state's contribution rate which is 1.25% 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 or charter school. 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 as reported for the District by TRS for the TRS measurement year. The District and member contributions reported are included in the calculation of the District's proportionate share of the Net TRS-Care Liability for the measurement period.

Contribution Rates

	2023	2024
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding Remitted by Employers	1.25%	1.25%
District's Measurement Year Employer Contributions	\$	123,614
District's Measurement Year Member Contributions	\$	97,247
District's Measurement Year NECE (State) Contributions	\$	151,330

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

PERRYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

August 31, 2024

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

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

Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2022. Updated procedures were used to roll forward the total OPEB liability to August 31, 2023. The actuarial valuation was determined using the following actuarial 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 updated based on the experience study performed for TRS for the period ending August 31, 2021. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2022, TRS pension actuarial valuation that was rolled forward to August 31, 2023:

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

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

PERRYTON INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2024

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

Table 9.F.1: Actuarial Methods and Assumptions

<u>Component</u>	<u>Result</u>
Valuation Date	August 31, 2022, rolled forward to August 31, 2023
Actuarial Cost Method	Individual Entry-Age Normal
Inflation	2.30%
Single Discount Rate	4.13% as of August 31, 2023
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Salary Increases	2.95% - 8.95%, including inflation
Ad-Hoc Post-Employment Benefit Changes	None

From 2023 TRS ACFR, Note 9, page 79.

The initial medical trend rates were 8.50% for Medicare retirees and 7.25% for non-Medicare retirees. There was an initial prescription drug trend rate of 8.25% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of thirteen years.

Discount Rate

A single discount rate of 4.13% was used to measure the total OPEB liability. This was an increase of 0.22% in the discount rate since the previous year. The Discount Rate can be found in the 2023 TRS ACFR on page 80. Because the investments are held in cash and there is no intentional objective to advance fund the benefits, the Single Discount Rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate is the Fidelity "20-year Municipal GO AA Index" as of August 31, 2023, using the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

PERRYTON INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2024

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

Sensitivity of the Net OPEB Liability:

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (4.13%) in measuring the net OPEB liability.

	<u>1% Decrease in Discount Rate (3.13%)</u>	<u>Current Single Discount Rate (4.13%)</u>	<u>1% Increase in Discount Rate (5.13%)</u>
District's proportionate share of the net OPEB liability	\$ 3,769,629	\$ 3,200,590	\$ 2,736,241

Healthcare Cost Trend Rates Sensitivity Analysis

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$ 2,635,526	\$ 3,200,590	\$ 3,927,548

PERRYTON INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2024

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At August 31, 2024, Perryton Independent School District reported a liability of \$3,200,590 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 Perryton Independent School District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 3,200,590
State's proportionate share that is associated with the District	<u>3,862,004</u>
Total	<u>\$ 7,062,594</u>

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

At August 31, 2023, the employer's proportion of the collective Net OPEB Liability was 0.014457251% compared to the 0.015640766% as of August 31, 2022. This is a decrease of 0.001183515%.

Changes in Actuarial Assumptions Since the Prior Actuarial Valuation

The following were changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability (TOL) since the prior measurement period: These can be found in the 2023 TRS ACFR on page 80.

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

Changes in Benefit Terms

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

For the year ended August 31, 2024, Perryton Independent School District recognized OPEB expense of \$(1,942,194) and revenue of \$(825,615) for support provided by the State.

PERRYTON INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2024

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

At August 31, 2024, Perryton Independent School 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 actuarial experience	\$ 144,802	\$ 2,692,690
Changes in actuarial assumptions	436,857	1,959,806
Net Difference between projected and actual investment earnings	1,383	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	7	2,329,153
Contributions paid to TRS subsequent to the measurement date	123,614	-
Total	<u>\$ 706,663</u>	<u>\$ 6,981,649</u>

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

Year ended August 31:	OPEB Expense Amount
2025	\$ (1,382,977)
2026	(1,236,184)
2027	(1,037,446)
2028	(885,411)
2029	(715,875)
Thereafter	(1,140,707)

PERRYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

August 31, 2024

O. On-Behalf Payments – Teacher Retirement/ TRS-Care

The revenues from “On-Behalf” payments of matching teacher retirement for active members of the District is in accordance with GASB. The District contributes matching funds for personnel funded from federal sources and, if applicable, statutory minimum funds for qualifying personnel. The State provides the matching funds on behalf of the members. The District’s on-behalf payments for the fiscal years ended August 31, 2024, 2023, and 2022 were \$1,295,562, \$1,204,635, and \$1,209,484, respectively. On-Behalf payments are reported as state revenue in the financial statements.

P. Medicare Part D and TRS-Care - On-Behalf Payments

Federal Government Retiree Drug Subsidy – Medicare Part D allows for the TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain drug expenditures for eligible TRS-Care participants. On-behalf payments must be recognized as equal revenues and expenditures/expenses by each reporting entity. Payments made on-behalf of the District for the years ended August 31, 2024, 2023, and 2022 were \$83,116, \$73,340, and \$62,368, respectively. The revenues from “On-Behalf” payments for other post-employment benefits (TRS-Care) for the years ended August 31, 2024, 2023, and 2022 are \$-0-, \$-0-, and \$-0-, respectively.

Q. Health Care Coverage

During the year ended August 31, 2024, the employees of the District were covered by a health insurance plan (the Plan) with TRS Active Care. The District contributed premiums of up to \$275 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay premiums for dependents. All contracts were paid to a third party administrator acting on behalf of the self-funded pool. The Plan was authorized by Section 21.922, Texas Education Code. The contract between Perryton Independent School District and the third party administrator is automatically renewed each year and terms of coverage and contribution costs are included in the contractual provisions. The District is only a participant in the self-funded pool and does not share in the risks and liabilities of the pool.

Because the District is only a participant, stop-loss coverage and unpaid claims do not apply to the District. Latest financial statements for the health insurance plan are available for the year ended August 31, 2024, and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

PERRYTON INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2024

R. Changes in Long-Term Liabilities

Long-term activity for the year ended August 31, 2024, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General obligation bonds	\$35,834,962	\$ -	\$ 2,085,312	\$ 33,749,650	\$ 770,313
Loans Payable	405,235	-	60,045	345,190	61,255
Right to-use leased asset liabilities	-	-	-	-	-
Total Governmental Activities					
Long-Term Liabilities	<u>\$36,240,197</u>	<u>\$ -</u>	<u>\$2,145,357</u>	<u>34,094,840</u>	<u>\$ 831,568</u>
Less due within one year				(831,568)	
Unamortized premium on bonds				1,141,168	
Accumulated accreted interest				126,904	
Total Long-Term Liabilities					
Due in More Than One Year				<u>\$ 34,531,344</u>	
Business-type Activities:					
Right-to-use leased asset liabilities	<u>\$ 103,033</u>	<u>\$ -</u>	<u>\$ 14,407</u>	<u>\$ 88,626</u>	<u>\$ 16,954</u>
Less due within one year				(16,954)	
Due in More Than One Year				<u>\$ 71,672</u>	

S. Workers' Compensation Insurance

The District participates in the Public Workers' Compensation Program (the "Program") self-insurance fund for workers' compensation insurance. The District, as a member of the Program, pays a contribution for the fund year to cover the servicing costs of program administration, claims handling, loss control, and stop-loss coverage, as well as all claims expenses. The District's required contribution for the year ended August 31, 2024, was \$141,137, and was recorded as an insurance expenditure.

The Public Workers' Compensation Program purchases aggregate excess and specific excess reinsurance for protection against losses in excess of applicable retentions. The reinsurance (stop loss insurance) for the District was \$450,000 - \$750,000. Both aggregate excess and specific excess reinsurance is provided by Safety National Casualty Corporation. All risks and liabilities are not shared by Perryton Independent School District; they are the liability of the Public Workers' Compensation Program.

PERRYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

August 31, 2024

T. Fund Balances – Governmental Funds

As of August 31, 2024, fund balances of the governmental funds are classified as follows:

Non-spendable - amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the District's Board of Trustees. The District's Board of Trustees is the highest level of decision making authority for the District. Commitments may be established, modified, or rescinded only through resolutions approved by the District's Board of Trustees.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the Superintendent may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

PERRYTON INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2024

T. Fund Balances – Governmental Funds (continued)

As of August 31, 2024, fund balances are composed of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Inventories	\$ 233,596	\$ -	\$ -	\$ -	\$ 233,596
Prepays	-	-	-	-	-
Total Nonspendable	<u>233,596</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>233,596</u>
Restricted:					
Federal or state funds grant restriction	-	-	-	24,029	24,029
Capital acquisition and contractual obligations	-	-	24,435,562	280,979	24,716,541
Retirement of long-term debt	-	647,665	-	-	647,665
Other restricted	-	-	-	412,763	412,763
Total Restricted	<u>-</u>	<u>647,665</u>	<u>24,435,562</u>	<u>717,771</u>	<u>25,800,998</u>
Assigned:					
Capital expenditures	3,700,000	-	-	-	3,700,000
Other assigned	-	-	-	234,734	234,734
Total Assigned	<u>3,700,000</u>	<u>-</u>	<u>-</u>	<u>234,734</u>	<u>3,934,734</u>
Unassigned funds	<u>5,111,340</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,111,340</u>
Total Fund Balances	<u>\$ 9,044,936</u>	<u>\$ 647,665</u>	<u>\$24,435,562</u>	<u>\$ 952,505</u>	<u>\$35,080,668</u>

The total restricted funds in the Nonmajor Governmental Funds, Debt Service and Capital Projects Fund are \$717,771, \$647,665, and \$24,435,562, respectively.

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

PERRYTON INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2024

U. Net Position

Net Position Exhibit A-1 consisted of the following at August 31, 2024:

Governmental Activities

Net investment in Capital Assets	\$ 28,810,148
Restricted for Federal and State Programs	24,029
Restricted for Debt Service	704,125
Unrestricted	<u>(3,883,986)</u>
Total Net Position	<u>\$ 25,654,316</u>

Business-type Activities

Enterprise Funds	
Unrestricted	<u>\$ 45,713</u>

V. Revenue from Local and Intermediate Sources

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

Governmental Activities	General Fund	Debt Service Fund	Capital Projects Fund	Other Nonmajor Funds	Total
Property taxes	\$ 8,107,461	\$ 3,370,340	\$ -	\$ -	\$11,477,801
Penalties, interest, and other tax-related income	255,077	19,575	-	-	274,652
Investment income	497,468	91,839	1,117,845	48,674	1,755,826
Food sales	-	-	-	305,476	305,476
Cocurricular student activities	48,822	-	-	-	48,822
Other	90,706	-	-	805,151	895,857
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Totals	<u>\$ 8,999,534</u>	<u>\$ 3,481,754</u>	<u>\$1,117,845</u>	<u>\$1,159,301</u>	<u>\$14,758,434</u>

PERRYTON INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2024

W. Joint Venture - Shared Services 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, Lefors ISD, and Darrouzett ISD. Specifically, the District is administering 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.

Fund 313 - Shared Services Arrangements - IDEA - Part B, Formula

Revenue

Federal revenues distributed by Texas Education Agency	\$	900,881
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Expenditures

Function

11	Instruction	\$	147,598
13	Curriculum and Instructional Staff Development		530
31	Guidance, Counseling, and Evaluation Services		536,111
93	Payments to Fiscal Agent/Member Districts of SSA		216,642

Total Expenditures	\$	900,881
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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, Booker ISD, Follett ISD, Lefors ISD, and Darrouzett ISD. Specifically, the District is administering 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.

Fund 314 - Shared Services Arrangements - IDEA - Part B, Preschool

Revenue

Federal revenues distributed by Texas Education Agency	\$	28,247
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Expenditures

Function

93	Payments to Fiscal Agent/Member Districts of SSA	\$	28,247
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PERRYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

August 31, 2024

W. Joint Venture - Shared Services Arrangements (continued)

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, Darrouzett 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. Revenues of the SSA are summarized below:

Fund 437 - Shared Services Arrangements - Special Education

Revenues

Local revenue from members	\$ 444,527
Other revenues	20,000
Earnings - investments	11,019
State revenues	<u>20,515</u>
Total Revenues	<u><u>\$ 496,061</u></u>

Expenditures

Function

11	Instruction	\$ 166,472
13	Curriculum and Instructional Staff Development	940
21	Instructional Leadership	178,343
31	Guidance, Counseling, and Evaluation Services	125,518
41	General Administration	8,510
51	Facilities, Maintenance and Operations	<u>11,580</u>

Total Expenditures	<u><u>\$ 491,363</u></u>
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PERRYTON INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2024

W. Joint Venture - Shared Services Arrangements (continued)

The District's participation in the SSA Special Education is presented below:

General Fund

Expenditures

93-6492	Payments to Fiscal Agent of Shared Services Arrangements	<u>\$ 241,092</u>
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The District's participation is 54% of the shared services arrangement.

X. Federal Source Revenues – Not Considered for Inclusion in the Schedule of Expenditures of Federal Awards – General Fund

The District accounts for the School Health and Related Services (SHARS) in the General Fund. The District recognized in the General Fund federal revenues for the year ended August 31, 2024, as follows:

	<u>FALN Number</u>	<u>Amount</u>
School Health and Related Services (not considered federal financial assistance for inclusion in the Schedule of Expenditures of Federal Awards)	None	<u>\$ 102,568</u>

Y. Insurance Recoveries

The District had the following insurance recovery for the year ended August 31, 2024:

1. Property Casualty Alliance of Texas –

On July 21, 2024, a leak in the fire system caused damage to the Junior High School building. On August 27, 2024, \$155,732 was received. The original cost of the building was \$21,913,112. The book value of the building at the time of the incident was \$17,282,775, and the economic loss was \$-0-. The building was still under repair and there was no impairment of the assets as of August 31, 2024. The insurance proceeds were reported as unearned revenue, \$112,579, and as other local revenue, \$43,153.

PERRYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

August 31, 2024

Y. Insurance Recoveries (continued)

2. Property Casualty Alliance of Texas –

On May 22, 2023, a 2016 Dodge Caravan was damaged due to a hailstorm and tornado. On October 12, 2023, \$3,497 was received. The original cost of the vehicle was \$19,349. The book value at the time of the incidents was \$3,870, and the economic loss was \$-0-. The vehicle was repaired and there was no impairment of the asset as of August 31, 2024. The insurance proceeds are reported as other local revenue.

3. Property Casualty Alliance of Texas –

On May 22, 2023, a 2020 Dodge Caravan was damaged due to a hailstorm and tornado. On October 12, 2023, and October 31, 2023, checks totaling \$3,715 were received. The original cost of the vehicle was \$27,176. The book value at the time of the incident was \$18,344, and the economic loss was \$-0-. The vehicle was repaired and there was no impairment of the asset as of August 31, 2024. The insurance proceeds are reported as other local revenue.

4. Property Casualty Alliance of Texas –

On May 22, 2023, a 2019 Dodge Caravan was damaged due to a hailstorm and tornado. On November 27, 2023, \$3,591 was received. The original cost of the vehicle was \$22,900. The book value at the time of the incident was \$11,259, and the economic loss was \$-0-. The vehicle was repaired and there was no impairment of the asset as of August 31, 2024. The insurance proceeds are reported as other local revenue.

5. Property Casualty Alliance of Texas –

On May 22, 2023, a 2019 Honda Odyssey was damaged due to a hailstorm and tornado. On January 31, 2024, \$6,239 was received. The original cost of the vehicle was \$27,707. The book value at the time of the incident was \$14,315, and the economic loss was \$-0-. The vehicle was repaired and there was no impairment of the asset as of August 31, 2024. The insurance proceeds are reported as other local revenue.

PERRYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

August 31, 2024

Z. Chapter 313 Agreement

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 \$170,546 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 reviewed at the Texas Comptroller's website: <https://www.comptroller.texas.gov/economy/local/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 § 33.01(a), or its successor statute.

PERRYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

August 31, 2024

Z. Chapter 313 Agreement (continued)

Interest on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code § 33.01(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 2024, which is year 10 of the agreement, the M&O tax rate was \$0.7655 per \$100, with property constructed by Palo Duro Wind Energy, LLC valued at \$106,495,733 without considering the limit and \$10,000,000 with the limit. When calculated, the District forgoes collecting \$738,675 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 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, 2024, Palo Duro Wind Energy, LLC made payments totaling \$170,546 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 for the District's fiscal year ending August 31, 2024:

	Project without the Chapter 313 Agreement	Project with the Chapter 313 Agreement	Difference (Impact on the District)
Palo Duro Wind Energy, LLC			
Project Value	\$ 106,495,733	\$ 10,000,000	\$ (96,495,735)
Maintenance & operations tax rate/ \$100 valuation	0.7655	0.7655	0.7655
Taxes assessed on project value for the 2023 tax levy	\$ 815,225	\$ 76,550	\$ (738,675)

PERRYTON INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2024

AA. Property/Casualty Insurance

During the year ended August 31, 2024, the District participated in the Edwards Risk Management Fund.

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

Based on the information we have available as of today, for the year ended August 31, 2024, the District will have no additional liability beyond the contractual obligations for payment of contributions.

BB. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended August 31, 2024, the District purchased insurance to cover general liabilities. There were no significant reductions in coverage in the past year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

CC. 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, 2024, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

DD. Debt Issuances and Defeasance of Debt

The District had no debt issuances during the year ended August 31, 2024.

The District had no defeasance of debt for the year ended August 31, 2024.

PERRYTON INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2024

EE. Litigation

The District is a defendant in one lawsuit at August 31, 2024. The lawsuit is in preliminary stage at the time of the audit report, and the District's management plans to have their legal counsel vigorously defend the lawsuit.

FF. Subsequent Events

The District has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were available to be issued (November 13, 2024), and had the following subsequent event that was required to be disclosed:

On August 19, 2024, the Perryton Independent School District school board adopted a \$1,089,359 deficit budget and subsequently ordered for a VATRE (Voter Approval Tax Rate Election) to ratify the school board's election of a \$0.7655 tax rate. The FY 25 MCR set by TEA is \$0.6855. The VATRE was held on November 5, 2024. The \$0.03 increase is expected to increase state and local revenues a combined \$1,089,359. The result of the election was that it passed.

REQUIRED SUPPLEMENTARY INFORMATION

PERRYTON INDEPENDENT SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended August 31, 2024

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 8,774,595	\$ 8,774,595	\$ 8,999,534	\$ 224,939
5800 State Program Revenues	11,461,563	11,461,563	11,463,055	1,492
5900 Federal Program Revenues	460,000	460,000	113,688	(346,312)
5020 Total Revenues	20,696,158	20,696,158	20,576,277	(119,881)
EXPENDITURES:				
Current:				
0011 Instruction	10,876,205	11,166,829	10,594,108	572,721
0012 Instructional Resources and Media Services	393,707	404,057	319,306	84,751
0013 Curriculum and Instructional Staff Development	344,560	372,878	273,899	98,979
0021 Instructional Leadership	40,406	42,706	40,402	2,304
0023 School Leadership	1,307,840	1,335,440	1,273,275	62,165
0031 Guidance, Counseling, and Evaluation Services	401,531	411,881	395,394	16,487
0032 Social Work Services	38,633	40,933	39,488	1,445
0033 Health Services	245,927	252,827	240,203	12,624
0034 Student (Pupil) Transportation	678,221	706,321	705,597	724
0036 Extracurricular Activities	1,445,427	1,469,577	1,406,583	62,994
0041 General Administration	1,355,273	1,371,373	1,274,739	96,634
0051 Facilities Maintenance and Operations	2,986,216	3,029,916	2,710,929	318,987
0052 Security and Monitoring Services	75,555	79,784	61,186	18,598
0053 Data Processing Services	223,490	224,640	183,644	40,996
Debt Service:				
0071 Principal on Long-Term Liabilities	58,000	60,100	60,045	55
0072 Interest on Long-Term Liabilities	10,500	8,400	7,803	597
Capital Outlay:				
0081 Facilities Acquisition and Construction	100,000	100,000	-	100,000
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	241,098	241,098	241,092	6
0099 Other Intergovernmental Charges	230,000	251,000	249,942	1,058
6030 Total Expenditures	21,052,589	21,569,760	20,077,635	1,492,125
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(356,431)	(873,602)	498,642	1,372,244
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	3,000	70	(2,930)
7915 Transfers In	506,431	612,052	698,974	86,922
8911 Transfers Out (Use)	(150,000)	(150,000)	(128,557)	21,443
7080 Total Other Financing Sources (Uses)	356,431	465,052	570,487	105,435
1200 Net Change in Fund Balances	-	(408,550)	1,069,129	1,477,679
0100 Fund Balance - September 1 (Beginning)	7,975,807	7,975,807	7,975,807	-
3000 Fund Balance - August 31 (Ending)	\$ 7,975,807	\$ 7,567,257	\$ 9,044,936	\$ 1,477,679

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, 2024

	FY 2024 Plan Year 2023	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021
District's Proportion of the Net Pension Liability (Asset)	0.009217724%	0.010354132%	0.011043973%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 6,331,687	\$ 6,146,982	\$ 2,812,509
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	12,360,688	11,978,301	5,436,440
Total	<u>\$ 18,692,375</u>	<u>\$ 18,125,283</u>	<u>\$ 8,248,949</u>
District's Covered Payroll	\$ 14,855,586	\$ 15,010,047	\$ 14,910,418
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	42.62%	40.95%	18.86%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.15%	75.62%	88.79%

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

<u>FY 2021</u> <u>Plan Year 2020</u>	<u>FY 2020</u> <u>Plan Year 2019</u>	<u>FY 2019</u> <u>Plan Year 2018</u>	<u>FY 2018</u> <u>Plan Year 2017</u>	<u>FY 2017</u> <u>Plan Year 2016</u>	<u>FY 2016</u> <u>Plan Year 2015</u>	<u>FY 2015</u> <u>Plan Year 2014</u>
0.011229761%	0.012030729%	0.012896931%	0.013099831%	0.01334571%	0.0134683%	0.0088058%
\$ 6,014,431	\$ 6,253,949	\$ 7,098,784	\$ 4,188,620	\$ 5,043,145	\$ 4,760,865	\$ 2,352,150
11,760,426	11,168,250	12,708,661	7,747,292	9,126,899	8,714,462	7,175,727
<u>\$ 17,774,857</u>	<u>\$ 17,422,199</u>	<u>\$ 19,807,445</u>	<u>\$ 11,935,912</u>	<u>\$ 14,170,044</u>	<u>\$ 13,475,327</u>	<u>\$ 9,527,877</u>
\$ 15,143,858	\$ 14,274,619	\$ 14,735,960	\$ 14,619,634	\$ 14,244,306	\$ 13,552,136	\$ 12,729,266
39.72%	43.81%	48.17%	28.65%	35.40%	35.13%	18.48%
75.54%	75.24%	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 the Year Ended August 31, 2024

	2024	2023	2022
Contractually Required Contribution	\$ 492,380	\$ 237,497	\$ 490,386
Contribution in Relation to the Contractually Required Contribution	(492,380)	(237,497)	(490,386)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 15,319,788	\$ 14,855,586	\$ 15,010,047
Contributions as a Percentage of Covered Payroll	3.21%	1.60%	3.27%

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

2021	2020	2019	2018	2017	2016	2015
\$ 471,622	\$ 463,549	\$ 424,447	\$ 424,169	\$ 429,336	\$ 424,027	\$ 398,804
(471,622)	(463,549)	(424,447)	(424,169)	(429,336)	(424,027)	(398,804)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 14,910,418	\$ 15,143,858	\$ 14,274,619	\$ 14,735,960	\$ 14,619,634	\$ 14,244,306	\$ 13,552,136
3.16%	3.06%	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
Teacher Retirement System of Texas
For the Year Ended August 31, 2024

	FY 2024 Plan Year 2023	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.014457251%	0.015640766%	0.016377824%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 3,200,590	\$ 3,745,026	\$ 6,317,659
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	3,862,004	4,568,343	8,464,254
Total	<u>\$ 7,062,594</u>	<u>\$ 8,313,369</u>	<u>\$ 14,781,913</u>
District's Covered Payroll	\$ 14,855,586	\$ 15,010,047	\$ 14,910,418
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	21.54%	24.95%	42.37%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	14.94%	11.52%	6.18%

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

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

<u>FY 2021</u> <u>Plan Year 2020</u>	<u>FY 2020</u> <u>Plan Year 2019</u>	<u>FY 2019</u> <u>Plan Year 2018</u>	<u>FY 2018</u> <u>Plan Year 2017</u>
0.016876343%	0.01749499%	0.018577182%	0.021835306%
\$ 6,415,460	\$ 8,273,594	\$ 9,275,757	\$ 9,495,355
8,620,841	10,993,757	12,600,500	11,542,468
<u>\$ 15,036,301</u>	<u>\$ 19,267,351</u>	<u>\$ 21,876,257</u>	<u>\$ 21,037,823</u>
\$ 15,143,858	\$ 14,274,619	\$ 14,735,960	\$ 14,619,634
42.36%	57.96%	62.95%	64.95%
4.99%	2.66%	1.57%	0.91%

PERRYTON INDEPENDENT SCHOOL DISTRICT
Schedule of District's Contributions for Other Post-Employment Benefits (OPEB)
Teacher Retirement System of Texas
For the Year Ended August 31, 2024

	2024	2023	2022
Contractually Required Contribution	\$ 123,614	\$ 125,413	\$ 123,611
Contribution in Relation to the Contractually Required Contribution	(123,614)	(125,413)	(123,611)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 15,319,788	\$ 14,855,586	\$ 15,010,047
Contributions as a Percentage of Covered Payroll	0.81%	0.84%	0.82%

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

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

2021	2020	2019	2018
\$ 127,415	\$ 128,535	\$ 127,687	\$ 141,831
(127,415)	(128,535)	(127,687)	(141,831)
\$ -	\$ -	\$ -	\$ -
\$ 14,910,418	\$ 15,143,858	\$ 14,274,619	\$ 14,735,960
0.85%	0.85%	0.89%	0.96%

PERRYTON INDEPENDENT SCHOOL DISTRICT

Notes to Required Supplementary Information

For the Year Ended August 31, 2024

A. Notes to Schedules for the TRS Pension

Changes of Benefit terms.

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

Changes of Assumptions.

There were no changes in assumptions.

B. Notes to Schedules for the TRS OPEB Plan

Changes in Benefits.

There were no changes in benefits.

Changes in Assumptions.

The single discount rate changed from 3.91 percent as of August 31, 2022, to 4.13 percent as of August 31, 2023. This change decreased the total OPEB liability.

REQUIRED TEA SCHEDULES

PERRYTON INDEPENDENT SCHOOL DISTRICT
Schedule of Delinquent Taxes Receivable
For the Year Ended August 31, 2024

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2015 and prior years	Various	Various	\$ Various
2016	1.040000	0.060000	1,928,241,883
2017	1.040000	0.090000	1,350,995,051
2018	1.040000	0.085000	1,335,863,706
2019	1.040000	0.085000	1,375,304,898
2020	0.970000	0.085000	1,401,370,265
2021	0.966400	0.090000	1,031,010,602
2022	0.963400	0.110000	1,040,821,071
2023	0.854600	0.090000	1,168,986,449
2024 (School year under audit)	0.738000	0.290000	1,119,945,623
1000 TOTALS			

8000 Total Taxes Refunded Under Section 26.1115, Tax Code

Ochiltree County Appraisal District October 1st tax roll current year adjustments must be applied to the tax levy after October 1st due to taxpayer protests and valuation adjustments. Tax rates are per \$100 of assessed valuation. The District had \$170,546 for Chapter 313 agreements for the year. The District had \$33,178 of refunds to report under Section 26.115 of the tax code.

(10) Beginning Balance 9/1/2023	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2024	(99) Taxes Refunded Under Section 26.1115c
\$ 105,691	\$ -	\$ 757	\$ 79	\$ 3	\$ 104,858	
21,768	-	421	24	-	21,323	
33,429	-	765	72	(7,722)	24,870	
31,182	-	1,460	121	-	29,601	
49,938	-	10,736	886	(3)	38,313	
74,971	-	12,982	1,144	-	60,845	
82,610	-	18,400	1,724	(1,581)	60,905	
91,092	-	19,712	2,308	(1,789)	67,283	
228,684	-	108,929	11,492	(16,482)	91,781	
-	11,513,041	7,933,299	3,352,490	(72,003)	155,249	
<u>\$ 719,365</u>	<u>\$ 11,513,041</u>	<u>\$ 8,107,461</u>	<u>\$ 3,370,340</u>	<u>\$ (99,577)</u>	<u>\$ 655,028</u>	

\$ 33,178

PERRYTON INDEPENDENT SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Child Nutrition Program
For the Year Ended August 31, 2024

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 373,352	\$ 373,352	\$ 309,936	\$ (63,416)
5800 State Program Revenues	43,683	43,683	54,236	10,553
5900 Federal Program Revenues	924,000	1,020,367	968,870	(51,497)
5020 Total Revenues	1,341,035	1,437,402	1,333,042	(104,360)
EXPENDITURES:				
Current:				
0035 Food Services	1,441,035	1,596,119	1,491,351	104,768
6030 Total Expenditures	1,441,035	1,596,119	1,491,351	104,768
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(100,000)	(158,717)	(158,309)	408
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	100,000	100,000	78,557	(21,443)
1200 Net Change in Fund Balances	-	(58,717)	(79,752)	(21,035)
0100 Fund Balance - September 1 (Beginning)	79,752	79,752	79,752	-
3000 Fund Balance - August 31 (Ending)	\$ 79,752	\$ 21,035	\$ -	\$ (21,035)

PERRYTON INDEPENDENT SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Debt Service Fund
For the Year Ended August 31, 2024

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 3,600,388	\$ 3,600,388	\$ 3,481,754	\$ (118,634)
5800 State Program Revenues	160,000	160,000	246,041	86,041
5900 Federal Program Revenues	260,000	260,000	269,046	9,046
5020 Total Revenues	4,020,388	4,020,388	3,996,841	(23,547)
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Liabilities	2,127,319	2,127,319	2,085,312	42,007
0072 Interest on Long-Term Liabilities	1,891,469	1,891,169	1,684,738	206,431
0073 Bond Issuance Cost and Fees	1,600	1,900	1,850	50
6030 Total Expenditures	4,020,388	4,020,388	3,771,900	248,488
1200 Net Change in Fund Balances	-	-	224,941	224,941
0100 Fund Balance - September 1 (Beginning)	422,724	422,724	422,724	-
1300 Change from Non-Major to Major Fund	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ 422,724	\$ 422,724	\$ 647,665	\$ 224,941

PERRYTON INDEPENDENT SCHOOL DISTRICT
State Compensatory Education and Bilingual Education Program Expenditures
For the Year Ended August 31, 2024

Section A: Compensatory Education Programs

AP1	Did your district expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the district have written policies and procedures for its state compensatory education program?	Yes
AP3	Total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$1,994,861
AP4	Actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 24,26,28,29,30)	\$1,063,600

Section B: Bilingual Education Programs

AP5	Did your district expend any bilingual education program state allotment funds during the district's fiscal year?	Yes
AP6	Does the district have written policies and procedures for its bilingual education program?	Yes
AP7	Total state allotment funds received for bilingual education programs during the district's fiscal year.	\$421,270
AP8	Actual direct program expenditures for bilingual education programs during the district's fiscal year. (PIC 25)	\$292,287

**REPORTS ON INTERNAL CONTROL,
ON COMPLIANCE AND OTHER MATTERS,
AND FEDERAL AWARDS**

COY BARTON, C.P.A.

CERTIFIED PUBLIC ACCOUNTANT

116 EAST SEVENTH

P.O. BOX 800 - TELEPHONE 806-935-4188

DUMAS, TEXAS 79029

MEMBER OF

THE AMERICAN INSTITUTE OF
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THE AICPA'S PRIVATE COMPANIES
PRACTICE SECTION

TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

On Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Trustees
Perryton Independent School District
P.O. Box 1048
Perryton, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Perryton Independent School District as of and for the year ended August 31, 2024, and the related notes to the financial statements, which collectively comprise Perryton Independent School District's basic financial statements, and have issued our report thereon dated November 13, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Coy Barton, CPA
Dumas, Texas

November 13, 2024

COY BARTON, C.P.A.

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INDEPENDENT AUDITOR'S REPORT

On Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Trustees
Perryton Independent School District
P.O. Box 1048
Perryton, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Perryton Independent School District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Perryton Independent School District's major federal programs for the year ended August 31, 2024. Perryton Independent School 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, Perryton Independent School District complied, in all material respects, with the types of 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, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 Perryton Independent School 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 Perryton Independent School District's compliance with the compliance requirements referred to previously.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to previously 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 Perryton Independent School 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 previously occurred, whether due to fraud or error, and express an opinion on Perryton Independent School 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 generally accepted auditing standards, *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 judgement made by a reasonable user of the report on compliance about Perryton Independent School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement 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 Perryton Independent School 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 Perryton Independent School 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 Perryton Independent School 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 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 the internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance in the previous section 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.

Board of Trustees
Perryton Independent School District
Page 4

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.

Coy Barton, CPA
Dumas, Texas

November 13, 2024

PERRYTON INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2024

I. Summary of the Auditor's Results:

<u>PROGRAM</u>	<u>DESCRIPTION</u>
Type of Report on Financial Statements	Unmodified Opinion
Significant Deficiencies in Internal Control	None
Significant Deficiencies in Internal Control that were Material Weaknesses	None
Noncompliance Material to the Financial Statements	None
Significant Deficiencies in Internal Control over Major Programs	None
Significant Deficiencies in Internal Control over Major Programs that were Material Weaknesses	None
Type of Report on Compliance with Major Programs	Unmodified Opinion
Findings and Questioned Costs for Federal Awards as defined in Uniform Guidance, including significant deficiencies in internal control over major programs, material noncompliance, questioned costs when likely questioned cost greater than \$25,000, Auditor's report other than unmodified opinion, known fraud of federal award, and misrepresentation of status of prior findings	None
Known Questioned Cost greater than \$25,000 for a Federal Program which is not audited as a major program	None
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$750,000
Low-Risk Auditee Statements	The District was not classified as a low-risk auditee in the context of Uniform Guidance

PERRYTON INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2024

I. Summary of the Auditor's Results: (continued)

PROGRAM

Major Federal Programs

DESCRIPTION

FALN 84.425D COVID 19 - ESSER II - School
Emergency Relief
FALN 84.425U COVID 19 - ESSER III - School
Emergency Relief
FALN 84.425U COVID 19 - Learning Supports -
(TCLAS) ESSER III

Pass-through Entity

Texas Education Agency

Contact Person

Greg Brown - Superintendent
Perryton Independent School District
P.O. Box 1048
Perryton, Texas 79070
Telephone # (806) 435-5478

**II. Findings Relating to the Financial Statements which are Required to be Reported in
Accordance with *Generally Accepted Government Auditing Standards* :**

<u>FINDINGS</u>	<u>QUESTIONED COSTS</u>
Criteria	None
Condition Found	None
Questioned Costs Basis	None
Instances/Universe	None
Effect	None
Recommendations	None
Total All Questioned Costs	None

III. Findings and Questioned Costs for Federal Awards Including Audit Findings:

<u>FINDINGS</u>	<u>QUESTIONED COSTS</u>
None	None

PERRYTON INDEPENDENT SCHOOL DISTRICT
Schedule of Status of Prior Audit Findings
For the Year Ended August 31, 2024

<u>FINDING</u>	<u>PROGRAM</u>	<u>STATUS OF PRIOR YEAR'S FINDING/NONCOMPLIANCE</u>
None	None	None

PERRYTON INDEPENDENT SCHOOL DISTRICT
Corrective Action Plan
For the Year Ended August 31, 2024

FINDING	CORRECTIVE ACTION PLAN
None	None

PERRYTON INDEPENDENT SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2024

(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			
<u>Passed Through Region 10 Service Center</u>			
*IDEA-Part B, Formula	84.027 A	2366-00497110001	\$ 59,400
Total Passed Through Region 10 Service Center			59,400
<u>Passed Through Texas Education Agency</u>			
*IDEA - Part B, Formula	84.027 A	246600010569016000	149,580
*SSA - IDEA - Part B, Formula	84.027 A	246600011799016600	900,881
Total Assistance Listing Number 84.027			1,050,461
*IDEA - Part B, Preschool	84.173 A	246610010569016000	16,921
*SSA - IDEA - Part B, Preschool	84.173 A	246610011799016610	28,247
Total Assistance Listing Number 84.173			45,168
Total Special Education Cluster (IDEA)			1,155,029
Title III, Part A - English Language Acquisition	84.365 A	24671001179901	51,856
ESEA, Title II, Part A, Teacher Principal Training	84.367 A	24694501179901	64,125
*COVID 19 - ESSER II - School Emergency Relief	84.425 D	21-521001179901	10,185
*COVID 19 - ESSER III - School Emergency Relief	84.425 U	21-528001179901	1,165,661
*COVID 19 - Learning Supports - (TCLAS) ESSER III	84.425 U	21-528042179901	2,699
Total Assistance Listing Number 84.425			1,178,545
Career and Technical - Basic Grant	84.048 A	24420006179901	27,617
Title IV-Grants for Assessment and Related Activities	84.369 A	69552302	10,213
Title IV, Part A, Subpart 1	84.424 A	24680101179901	32,167
ESEA, Title I, Part A - Improving Basic Programs	84.010 A	24610101179901	430,426
Total Passed Through Texas Education Agency			2,890,578
TOTAL U.S. DEPARTMENT OF EDUCATION			2,949,978
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Health and Human Services Commission</u>			
Medicaid Administrative Claiming Program - MAC	93.778	HHS000537900085	11,120
Total Passed Through Texas Health and Human Services Commission			11,120
<u>Passed Through Texas Education Agency</u>			
*Head Start	93.600	06CH011606	103,646
Total Passed Through Texas Education Agency			103,646
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			114,766

PERRYTON INDEPENDENT SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2024

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the Texas Department of Agriculture</u>			
*School Breakfast Program	10.553		140,076
*National School Lunch Program - Cash Assistance	10.555		726,848
*National School Lunch Prog. - Non-Cash Assistance	10.555		101,946
Total Assistance Listing Number 10.555			828,794
Total Child Nutrition Cluster			968,870
Total Passed Through the Texas Department of Agriculture			968,870
TOTAL U.S. DEPARTMENT OF AGRICULTURE			968,870

TOTAL EXPENDITURES OF FEDERAL AWARDS**\$ 4,033,614**

*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, 2024

1. For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*.
 - (a) **General Fund** - is used to account for, among other things, resources related to the United States Department of Defense ROTC program and the United States Department of Education's Impact Aid.
 - (b) **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. Generally, unused balances are returned to the grantor at the close of specified project periods.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund or, in some instances, in the General Fund which are Governmental Fund type funds.

With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such funds are received, they are recorded as unearned revenues until earned.

3. The District must submit to the pass-through entity, no later than 90 calendar days (or an earlier date as agreed upon by the pass-through entity and District) after the end date of the period of performance, all financial, performance, and other reports as required by the terms and conditions of the Federal award. The Federal awarding agency or pass-through entity may approve extensions when requested and justified by the non-Federal entity, as applicable. (2 CFR 200.344(a))

Unless the Federal awarding agency or pass-through entity authorizes an extension, a non-Federal entity must liquidate all financial obligations incurred under the Federal award no later than 120 calendar days after the end date of the period of performance as specified in the terms and conditions of the Federal award. (2 CFR 200.344(b))

PERRYTON INDEPENDENT SCHOOL DISTRICT
Notes on Accounting Policies for Federal Awards
For the Year Ended August 31, 2024

4. Assistance Listing numbers for commodity assistance are the Assistance Listing numbers of the programs under which USDA donated the commodities.
5. Indirect cost reimbursement for federal programs for this fiscal year was received in the amount of \$-0-.
6. Reconciliation Information:

Amount reported on the Schedule of Expenditures of Federal Awards	\$4,033,614
SHARS Revenue reported in the General Fund	102,568
Federal interest subsidy (See Note II.J.)	<u>269,046</u>

Federal Program Revenue Reported on Exhibit C-3	<u>\$4,405,228</u>
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7. Perryton Independent School District has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION



Orrick, Herrington & Sutcliffe LLP
200 West 6th Street
Suite 2250
Austin, Texas 78701
orrick.com

_____, 2025

Perryton Independent School District
Unlimited Tax School Building Bonds, Series 2025

We have acted as bond counsel to Perryton Independent School District (the “Issuer”) in connection with the issuance of its Unlimited Tax School Building Bonds, Series 2025 (the “Bonds”), dated [_____] , 2025, in the aggregate principal amount of \$[_____]. The Bonds are authorized by a bond order adopted by the Board of Trustees of the Issuer authorizing their issuance (the “Order”).

In such connection, we have reviewed a transcript of certain certified proceedings pertaining to the issuance of the Bonds, including the Order, the tax certificate of the Issuer, dated the date hereof (the “Tax Certificate”), certificates of the Issuer and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

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 of each such document by each party thereto other than the Issuer and that each such document constitutes a valid and binding agreement of such party. 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 governmental 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 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 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 PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

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

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

History and Purpose

The PSF supports the State’s public school system in two major ways: distributions to the constitutionally established Available School Fund (the “ASF”), as described below, and the guarantee of school district and charter district issued bonds through the Guarantee Program. The PSF was created in 1845 and received its first significant funding with a \$2,000,000 appropriation by the Legislature in 1854 expressly for the benefit of the public schools of Texas, with the sole purpose of assisting in the funding of public education for present and future generations. The Constitution of 1876 described that the PSF would be “permanent,” and stipulated that certain lands and all proceeds from the sale of these lands should also constitute the PSF. Additional acts later gave more public domain land and rights to the PSF. In 1953, the U.S. Congress passed the Submerged Lands Act that relinquished to coastal states all rights of the U.S. navigable waters within state boundaries. If the State, by law, had set a larger boundary prior to or at the time of

admission to the Union, or if the boundary had been approved by Congress, then the larger boundary applied. After three years of litigation (1957-1960), the U.S. Supreme Court on May 31, 1960, affirmed Texas' historic three marine leagues (10.35 miles) seaward boundary. Texas proved its submerged lands property rights to three leagues into the Gulf of Mexico by citing historic laws and treaties dating back to 1836. All lands lying within that limit belong to the PSF. The proceeds from the sale and the mineral-related rental of these lands, including bonuses, delay rentals and royalty payments, become the corpus of the Fund. Prior to the approval by the voters of the State of an amendment to the constitutional provision under which the Fund was established and administered, which occurred on September 13, 2003 (the "Total Return Constitutional Amendment"), and which is further described below, only the income produced by the PSF could be used to complement taxes in financing public education, which primarily consisted of income from securities, capital gains from securities transactions, and royalties from the sale of oil and natural gas. The Total Return Constitutional Amendment provides that interest and dividends produced by Fund investments will be additional revenue to the PSF.

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

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

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

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

Audited financial information for the PSF is provided annually through the PSF Corporation's Annual Comprehensive Financial Report (the "Annual Report"), which is filed with the Municipal

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

Management and Administration of the Fund

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

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

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

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

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

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

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

Corporation, but such authorization does not affect the State Auditor's authority to conduct an audit of the PSF Corporation in accordance with State laws.

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

The Total Return Constitutional Amendment

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

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

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

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

Annual Distributions to the Available School Fund¹

<u>Fiscal Year Ending</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023²</u>	<u>2024</u>
PSF(CORP) Distribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$2,076	\$2,156
PSF(SBOE) Distribution	839	1,056	1,056	1,236	1,236	1,102	1,102	1,731	-	-
PSF(SLB) Distribution	-	-	-	-	300	600	600 ³	415	115	-
Per Student Distribution	173	215	212	247	306	347	341	432	440	430

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

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

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

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

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

<u>State Fiscal Biennium</u>	<u>2010-11</u>	<u>2012-13</u>	<u>2014-15</u>	<u>2016-17</u>	<u>2018-19</u>	<u>2020-21</u>	<u>2022-23</u>	<u>2024-25</u>	<u>2026-27</u>
<u>SBOE Distribution Rate¹</u>	2.5%	4.2%	3.3%	3.5%	3.7%	2.974%	4.18%	3.32%	3.45%

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

PSF Corporation Strategic Asset Allocation

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

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

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

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

Natural Resources	5.0%	0.0%	10.0%
Infrastructure	5.0%	0.0%	10.0%

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

Comparative Investment Schedule – PSF(CORP)

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

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

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

Investment Schedule - PSF(SLB)¹

Fair Value (in millions) August 31, 2024

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

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

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

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

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

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

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

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

The School District Bond Guarantee Program

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

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

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

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

Generally, the regulations that govern the School District Bond Guarantee Program (the "SDBGP Rules") limit guarantees to certain types of notes and bonds, including, with respect to refunding bonds issued by school districts, a requirement that the bonds produce debt service savings. The SDBGP Rules include certain accreditation criteria for districts applying for a guarantee of their bonds, and limit guarantees to districts that have less than the amount of annual debt service per

average daily attendance that represents the 90th percentile of annual debt service per average daily attendance for all school districts, but such limitation will not apply to school districts that have enrollment growth of at least 25% over the previous five school years. The SDBGP Rules are codified in the Texas Administrative Code at 19 TAC section 33.6 and are available at <https://tea.texas.gov/finance-and-grants/state-funding/facilities-funding-and-standards/bond-guarantee-program>.

The Charter District Bond Guarantee Program

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

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

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

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

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

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

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

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

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

Capacity Limits for the Guarantee Program

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

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

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

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

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

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

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

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

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

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

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

2017 Legislative Changes to the Charter District Bond Guarantee Program

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

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

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

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

Charter District Risk Factors

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

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

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

As described above, the Act includes a funding "intercept" function that applies to both the School District Bond Guarantee Program and the Charter District Bond Guarantee Program. However, school districts are viewed as the "educator of last resort" for students residing in the geographical territory of the district, which makes it unlikely that State funding for those school districts would be discontinued, although the TEA can require the dissolution and merger into another school district if necessary to ensure sound education and financial management of a school district. That is not the case with a charter district, however, and open-enrollment charter schools in the State have been dissolved by TEA from time to time. If a charter district that has bonds outstanding that

are guaranteed by the Charter District Bond Guarantee Program should be dissolved, debt service on guaranteed bonds of the district would continue to be paid to bondholders in accordance with the Charter District Bond Guarantee Program, but there would be no funding available for reimbursement of the PSF by the Comptroller for such payments. As described under “The Charter District Bond Guarantee Program,” the Act established the Charter District Reserve Fund, to serve as a reimbursement resource for the PSF.

Ratings of Bonds Guaranteed Under the Guarantee Program

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

Valuation of the PSF and Guaranteed Bonds

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

⁽¹⁾ SLB managed assets are included in the market value and book value of the Fund. In determining the market value of the PSF from time to time during a fiscal year, the current, unaudited values for PSF investment portfolios and cash held by the SLB are used. With respect to SLB managed assets shown in the table above, market values of land and mineral interests, internally managed real estate, investments in externally managed real estate funds and cash are based upon information reported to the PSF Corporation by the SLB. The SLB reports that information to the PSF Corporation on a quarterly basis. The valuation of such assets at any point in time is dependent upon a variety of factors, including economic conditions in the State and nation in general, and the values of these assets, and, in particular, the valuation of mineral holdings administered by the SLB, can be volatile and subject to material changes from period to period.

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

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

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

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

outstanding bond guarantees represented 76.33% of the Capacity Limit (which is currently the State Capacity Limit). January 31, 2025 values are based on unaudited data, which is subject to adjustment.

Permanent School Fund Guaranteed Bonds by Category⁽¹⁾

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

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

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

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

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

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

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

PSF Returns Fiscal Year Ended 8-31-2024¹

<u>Portfolio</u>	<u>Return</u>	<u>Benchmark Return²</u>
Total PSF(CORP) Portfolio	10.12	9.28
Domestic Large Cap Equities	27.30	27.14
Domestic Small/Mid Cap Equities	18.35	18.37
International Equities	18.82	18.08
Private Credit	1.41	0.93
Core Bonds	7.08	7.30
Absolute Return	11.50	8.87
Real Estate	(6.42)	(7.22)
Private Equity	4.62	4.23
High Yield	12.03	12.53
Natural Resources	12.36	6.42
Infrastructure	4.41	3.63
Bank Loans	3.02	3.23
Short Term Investment Portfolio	2.42	2.28

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

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

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

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

Other Events and Disclosures

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

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

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

PSF Continuing Disclosure Undertaking

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

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

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

Annual Reports

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

The TEA and the PSF Corporation may provide updated information in full text or may incorporate by reference certain other publicly-available documents, as permitted by Rule 15c2-12. The updated information includes audited financial statements of, or relating to, the State or the PSF, when and if such audits are commissioned and available. In the event audits are not available by the filing deadline, unaudited financial statements will be provided by such deadline, and audited

financial statements will be provided when available. Financial statements of the State will be prepared in accordance with generally accepted accounting principles as applied to state governments, as such principles may be changed from time to time, or such other accounting principles as the State Auditor is required to employ from time to time pursuant to State law or regulation. The financial statements of the Fund are required to be prepared to conform to U.S. Generally Accepted Accounting Principles as established by the Governmental Accounting Standards Board.

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

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

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

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

Event Notices

The TEA and the PSF Corporation will also provide timely notices of certain events to the MSRB. Such notices will be provided not more than ten business days after the occurrence of the event. The TEA or the PSF Corporation will provide notice of any of the following events with respect to the Guarantee Program: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if such event is material within the meaning of the federal securities laws; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Guarantee Program, or other material events affecting the tax status of the Guarantee Program; (7) modifications to rights of holders of bonds guaranteed by the Guarantee Program, if such event is material within the

meaning of the federal securities laws; (8) bond calls, if such event is material within the meaning of the federal securities laws, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (11) rating changes of the Guarantee Program; (12) bankruptcy, insolvency, receivership, or similar event of the Guarantee Program (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Guarantee Program in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Guarantee Program, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Guarantee Program); (13) the consummation of a merger, consolidation, or acquisition involving the Guarantee Program or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if such event is material within the meaning of the federal securities laws; (14) the appointment of a successor or additional trustee with respect to the Guarantee Program or the change of name of a trustee, if such event is material within the meaning of the federal securities laws; (15) the incurrence of a financial obligation of the Guarantee Program, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Guarantee Program, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Guarantee Program, any of which reflect financial difficulties. (Neither the Act nor any other law, regulation or instrument pertaining to the Guarantee Program make any provision with respect to the Guarantee Program for bond calls, debt service reserves, credit enhancement, liquidity enhancement, early redemption, or the appointment of a trustee with respect to the Guarantee Program.) In addition, the TEA or the PSF Corporation will provide timely notice of any failure by the TEA or the PSF Corporation to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information

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

Limitations and Amendments

The TEA and the PSF Corporation have agreed to update information and to provide notices of material events only as described above. The TEA and the PSF Corporation have not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The TEA and the PSF Corporation make no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell bonds at any future date. The TEA and the PSF Corporation disclaim any contractual or tort

liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the TEA and the PSF Corporation to comply with its agreement.

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

This continuing disclosure agreement may be amended by the TEA or the PSF Corporation from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the TEA or the PSF Corporation, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell guaranteed bonds in the primary offering of such bonds in compliance with Rule 15c2-12, taking into account any amendments or interpretations of Rule 15c2-12 since such offering as well as such changed circumstances and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding bonds guaranteed by the Guarantee Program consent to such amendment or (b) a person that is unaffiliated with the TEA or the PSF Corporation (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the holders and beneficial owners of the bonds guaranteed by the Guarantee Program. The TEA or the PSF Corporation may also amend or repeal the provisions of its continuing disclosure agreement if the SEC amends or repeals the applicable provision of Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling bonds guaranteed by the Guarantee Program in the primary offering of such bonds.

Compliance with Prior Undertakings

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

SEC Exemptive Relief

On February 9, 1996, the TEA received a letter from the Chief Counsel of the SEC that pertains to the availability of the "small issuer exemption" set forth in paragraph (d)(2) of Rule 15c2-12.

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

