OFFICIAL NOTICE OF SALE, BID FORM
and
PRELIMINARY OFFICIAL STATEMENT

$54,500,000*

AMARILLO INDEPENDENT SCHOOL DISTRICT

(Potter and Randall Counties, Texas)

Unlimited Tax School Building Bonds
Series 2018

Bids Due
January 16, 2018
at 10:00 a.m., Central Time

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

This Official Notice of Sale does not alone constitute an invitation for bids but is merely notice of sale of the Bonds defined and described herein. The invitation for bids on the Bonds is being made by means of this Official Notice of Sale, the Official Bid Form, and the Preliminary Official Statement.

OFFICIAL NOTICE OF SALE

$54,500,000*
AMARILLO INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Potter and Randall Counties, Texas)

UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2018

THE SALE

BONDS OFFERED FOR SALE AT COMPETITIVE BID: The Board of Trustees (the "Board") of the Amarillo Independent School District (the "District" or the "Issuer") is offering for sale at competitive bid its $54,500,000* Unlimited Tax School Building Bonds, Series 2018 (the "Bonds"). Bidders may submit bids for the Bonds by either of the following methods:

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

BIDS BY INTERNET: Interested bidders may, at their option and risk, submit their bid by electronic media, as described below, by 10:00 A.M., Central time, on January 16, 2018. Bidders submitting a bid by internet **shall not** be required to submit signed Official Bid Forms prior to the award. Any prospective bidder that intends to submit an electronic bid must submit its electronic bid via the facilities of the i-Deal, LLC Parity System ("PARITY") and should, as a courtesy, register with PARITY by 9:00 A.M., Central time, on January 16, 2018 indicating their intent to submit a bid by internet.

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

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

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

BIDS BY FACSIMILE: Interested bidders may, at their option and risk, submit their bid by facsimile to the District's Financial Advisor, SAMCO Capital Markets, Inc., Attention: Mr. Doug Whitt at (214) 279-8683 by 10:00 A.M., Central time, on January 16, 2018. Bidders submitting a bid by facsimile **shall not** be required to submit signed Official Bid Forms prior to the award. Any prospective bidder that intends to submit a bid by facsimile should, as a courtesy, submit an email message to dwhitt@samcocapital.com by 9:00 A.M., Central time, on January 16, 2018 indicating their intent to submit a bid by facsimile.

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

PLACE AND TIME OF BID OPENING: The bids for the Bonds will be opened at the District's offices at 10:00 A.M. Central time, on January 16, 2018.

AWARD OF THE BONDS: In the order authorizing the Bonds to be adopted on December 18, 2017 (the "Bond Order"), the Board will delegate authority to certain District officials (each, a "Designated Financial Officer") the authority to execute a pricing certificate (the "Pricing Certificate") to establish the final terms and effectuate the sale of the Bonds, which terms will be evidenced in the Pricing Certificate (the Bond Order and the Pricing Certificate are collectively referred to herein as the "Order"). Upon the opening of the bids as described above, the Designated Financial Officer shall award the Bonds by executing the Official Bid Form and the Pricing Certificate. The District, acting through the Designated Financial Officer, reserves the right to reject any and all bids and to waive any irregularities except time of submission.

THE BONDS

DESCRIPTION: The Bonds will be dated January 15, 2018 (the "Dated Date"). Interest on the Bonds will accrue from the Dated Date and will be due on August 1, 2018, and each February 1 and August 1 thereafter until maturity or prior redemption. The Bonds will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Bonds will be made available for purchase in the principal amount of $5,000 or any integral multiple thereof. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by BOKF, NA, Dallas, Texas as Paying Agent/Registrar, to the Securities Depository, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" in the Preliminary Official Statement.)

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

MATURITY SCHEDULE: The Bonds will be stated to mature on February 1 in each of the following years in the following amounts:

Maturity	Principal Amount*	Interest Rate (%)**	Maturity	Principal Amount*	Interest Rate (%)**	Maturity	Principal Amount*	Interest Rate (%)**
2019	$1,845,000		2028	$1,795,000		2036	$2,780,000	4.00
2020	800,000		2029	2,100,000	4.00	2037	2,895,000	4.00
2021	815,000		2030	2,185,000	4.00	2038	3,010,000	4.00
2022	910,000		2031	2,275,000	4.00	2039	3,150,000	5.00
2023	925,000		2032	2,370,000	4.00	2040	3,310,000	5.00
2024	950,000		2033	2,465,000	4.00	2041	3,480,000	5.00
2025	965,000		2034	2,565,000	4.00	2042	3,660,000	5.00
2026	980,000		2035	2,670,000	4.00	2043	3,845,000	5.00
2027	1,755,000							

***See "CONDITIONS OF THE SALE - TYPES OF BIDS AND INTEREST RATES" herein.*

ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS: After selecting the winning bid, the aggregate principal amount of the Bonds and the principal amortization schedule may be adjusted as determined by the District and its Financial Advisor in $5,000 increments to reflect the actual interest rates and to create a substantially level debt service schedule for the District. Such adjustments will not change the aggregate principal amount of the Bonds by more than 10% from the amount set forth herein or change the principal amount due on the Bonds in any year by more than 20% (excluding the 2020 through 2023 maturities). The dollar amount bid for the Bonds by the winning bidder will be adjusted proportionately to reflect any increase or decrease in the aggregate principal amount of the Bonds finally determined to be issued. The District will use its best efforts to communicate to the winning bidder any such adjustment within four (4) hours after the opening of the bids. Purchaser's compensation will be based upon the final par amount after any adjustment thereto, subsequent to the receipt and tabulation of the winning bid, within the aforementioned parameters.

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

SERIAL BONDS AND/OR TERM BONDS: Bidders may provide that all of the Bonds be issued as serial maturities or may provide that maturities 2029 through 2043 be combined into term bonds (the "Term Bonds").

MANDATORY SINKING FUND REDEMPTION: If the successful bidder designates principal amounts of the Bonds to be combined into one or more Term Bonds, each such Term Bond will be subject to mandatory sinking fund redemption commencing on February 1 of the first year which has been combined to form such Term Bond and continuing on February 1 in each year thereafter until the stated maturity date of that Term Bond. The amount redeemed in any year will be equal to the principal amount for such year set forth in the table above under the caption "MATURITY SCHEDULE" (subject to adjustment, as provided in "ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS"). Term Bonds to be redeemed in any year by mandatory sinking fund redemption will be redeemed at par and will be selected by lot from among the Term Bonds then subject to redemption. The District, at its option, may credit against any mandatory sinking fund redemption requirement Term Bonds of the maturity then subject to redemption which have been purchased and canceled by the District and not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

OPTIONAL REDEMPTION: The Bonds maturing on or after February 1, 2029 are subject to redemption at the option of the District in whole or in part on February 1, 2028 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption.

AUTHORITY FOR ISSUANCE AND SECURITY FOR PAYMENT: The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, including Sections 45.001 and 45.003(b)(1) of the Texas Education Code, as amended, Chapter 1371, Texas Government Code, as amended, an election held in the District on November 7, 2017 and an order (the "Bond Order") to be adopted by the District's Board on December 18, 2017. In the Bond Order, the Board will delegate the authority to certain District officials to execute approval of a pricing certificate establishing the pricing terms for the Bonds (the pricing certificate, together with the Bond Order, are collectively referred to herein as the "Order"). The Bonds are direct and voted obligations of the District and are payable as to both principal and interest from ad valorem taxes to be levied annually on all taxable property within the District, without legal limitation as to rate or amount. (See "THE BONDS – Security" in the Preliminary Official Statement.)

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

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

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

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

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

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

CONDITIONS OF THE SALE

TYPES OF BIDS AND INTEREST RATES: The Bonds will be sold in one block, on an "All or None" basis, and at a price of not less than their par value, plus accrued interest on the Bonds from the Dated Date of the Bonds to the date of Initial Delivery (defined herein) of the Bonds. **No bid producing a cash premium on the Bonds that results in a dollar price of less than $107.00 nor greater than $115.00 will be considered; provided, however, that any bid is subject to adjustment as described under the caption "THE BONDS – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS."** Bidders are invited to name the rate(s) of interest to be borne by the Bonds, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/20 of 1% and the net effective interest rate for the Bonds (calculated in the manner required by Chapter 1204, as amended, Texas Government Code) must not exceed 15%. **The highest rate bid may not exceed the lowest rate bid by more than 300 basis points (or 3.00% in rate)**. **No limitation is imposed upon bidders as to the number of rates or changes which may be used**. All Bonds of one stated maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered. **The Bonds maturing February 1, 2019 through February 1, 2028 will bear rate(s) of interest determined by the bidder as specified above. The Bonds maturing February 1, 2029 through February 1, 2038 must bear a rate of 4.00% and the Bonds maturing on or after February 1, 2039 must bear one and the same rate of 5.00%, no other rates will be considered.**

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

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

ESTABLISHING THE ISSUE PRICE FOR THE BONDS: In order to provide the Issuer with information that enables it to comply with certain requirements of the Internal Revenue Code of 1986, as amended relating to the exclusion of interest on the Bonds from the gross income of their owners, the winning bidder will be required to complete, execute, and deliver to the Issuer or to the Issuer's municipal advisor, SAMCO Capital Markets, Inc. (the "Issuer's Municipal Advisor") (within 5 business days of the date on which the 10% Test, as defined below, is satisfied with respect to each of the maturities of the Bonds) a certification as to the Bonds' "issue price" (the "Issue Price Certificate") substantially in the form and to the effect attached hereto or accompanying this Notice of Sale. In the event the winning bidder will not reoffer any maturity of the Bonds for sale to the Public (as defined herein) by the Closing Date, the Issue Price Certificate may be modified in a manner approved by the Issuer. Each bidder, by submitting its bid, agrees to complete, execute, and timely deliver the Issue Price Certificate, if its bid is accepted by the Issuer. It will be the responsibility of the winning bidder to institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain such facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel (identified in the Preliminary Official Statement).

For purposes of this section of this Notice of Sale:

(i) "Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party,

(ii) "Underwriter" means (A) any person that agrees pursuant to a written contract with the Issuer (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public),

(iii) "Related Party" means any two or more persons (including an individual, trust, estate, partnership, association, company, or corporation) that are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) "Sale Date" means the date that the Bonds are awarded by the Issuer to the winning bidder.

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

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

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

The sale of the Bonds will be awarded to the bidder making a bid that conforms to the specifications herein. In the event that the bidding process does not satisfy the Competitive Sale Requirement, bids will not be subject to cancellation and the winning bidder will be required to hold-the-offering-price of each maturity of the Bonds, other than any maturity 10% of which have been sold to the Public on the Sale Date at the initial offering prices or any higher prices ("Hold-the-Price Bonds"), as described in the next paragraph.

By submitting a bid, the winning bidder agrees, on behalf of each Underwriter participating in the purchase of the Bonds, that each Underwriter will neither offer nor sell any maturity of the Hold-the-Price Bonds to any person at a price that is higher than the initial offering price to the Public during the period starting on the Sale Date and ending on the earlier of the following:

(1) the close of the fifth (5th) business day after the Sale Date; or

(2) the date on which the Underwriters have sold at least 10% of that maturity of the Bonds to the Public at a price that is no higher than the initial offering price to the Public.

The winning bidder shall promptly advise the Issuer when such bidder has sold at least 10% of a maturity of the Hold-the-Price Bonds to the Public at a price that is not higher than the initial offering price to the Public, if that occurs prior to the close of the fifth (5th) business day after the Sale Date.

In the event that the bidding process does not satisfy the Competitive Sale Requirement, in order to assist the Issuer with documenting the establishment of the issue prices of the Bonds, the winning bidder agrees to promptly report to the Issuer the prices at which at least 10% of each maturity of the Bonds have been sold to the Public (the "10% Test") (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% Test). That reporting obligation shall continue until 10% of each maturity of the Bonds is sold to the Public. By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to report the prices at which it sells to the Public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder that either the 10% Test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the Public, if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the Public to require each broker-dealer that is a party to such retail distribution agreement to report the prices at which it sells to the Public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder or such Underwriter that either the 10% Test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the Public, if and for so long as directed by the winning bidder or such Underwriter and as set forth in the related pricing wires.

GOOD FAITH DEPOSIT: A bank cashier's check, payable to the order of "Amarillo Independent School District", in the amount of $1,090,000 which is 2% of the proposed par value of the Bonds (the "Good Faith Deposit"), is required to accompany any bid. The Good Faith Deposit of the Purchaser will be retained uncashed by the District pending the Purchaser's compliance with the terms of its bid and this Official Notice of Sale. In the event the Purchaser should fail or refuse to take up and pay for the Bonds in accordance with its bid, then said check shall be cashed and accepted by the District as full and complete liquidated damages. The Good Faith Deposit may accompany the Official Bid Form or it may be submitted separately; however, if submitted separately, it shall be made available to the District prior to the opening of the bids, and shall be accompanied by instructions from the bank on which it is drawn which authorizes its use as a Good Faith Deposit by the Purchaser who shall be named in such instructions. **The Good Faith Deposit of the Purchaser will be returned to the Purchaser on the date of Initial Delivery**. No interest will be allowed on the Good Faith Deposit. Checks accompanying bids other than the winning bid will be returned promptly after the bids are opened, and an award of the Bonds has been made by the District.

ADDITIONAL CONDITIONS OF AWARD — DISCLOSURE OF INTERESTED PARTY FORM:
New obligation of the District to receive information from winning bidder. In accordance with Texas Government Code Section 2252.908 (the "Interested Party Disclosure Act"), the District may not award the Bonds to a bidder unless the winning bidder submits a Certificate of Interested Parties Form 1295 (the "Disclosure Form") to the District as prescribed by the Texas Ethics Commission ("TEC"), unless the winning bidder is exempt from such requirements as described below (See "ADDITIONAL CONDITIONS OF AWARD — DISCLOSURE OF INTERESTED PARTY FORM – Exemption" below). In the event that the bidder's bid for the Bonds is the best bid received, the District, acting through its financial advisor, will promptly notify the winning bidder. That notification will serve as the District's conditional verbal acceptance of the bid, and will obligate the winning bidder to establish (unless the winning bidder has previously so established) an account with the TEC, and promptly file a completed Disclosure Form, as described below, in order to allow the District to complete the award.

Process for completing the Disclosure Form. For purposes of illustration, the Disclosure Form is attached hereto, and reference should be made to such form for the following information needed to complete it: (a) item 2 – name of the governmental entity (*Amarillo Independent School District*) and (b) item 3 – the identification number assigned to this contract by the District (*0001*) and description of the goods or services (*Purchase of the Amarillo Independent School District Unlimited Tax School Building Bonds, Series 2018*) . **The Interested Party Disclosure Act and the rules adopted by the TEC with respect thereto (the "Disclosure Rules") require a business entity contracting with the District to complete the Disclosure Form electronically at https://www.ethics.state.tx.us/main/file.htm, print, sign, notarize, and deliver, the certified Disclosure Form that is generated by the TEC's "electronic portal" to the District. The notarized Disclosure Form must be sent by email, to the District's financial advisor at dwhitt@samcocapital.com, as soon as possible following the notification of conditional verbal acceptance and prior to the final written award.** Upon receipt of the final written award, the winning bidder must submit the Disclosure Form by email to Bond Counsel as follows: jgulbas@mphlegal.com.

Preparations for completion, and the significance of, the reported information. In accordance with the Interested Party Disclosure Act, the information reported by the bidder MUST BE ACKNOWLEDGED BY AND SUBMITTED UNDER A NOTARY STAMP. No exceptions may be made to that requirement. The Interested Party Disclosure Act and the Disclosure Form provides that such acknowledgment is made "under oath and under penalty of perjury." Consequently, a bidder should take appropriate steps prior to completion of the Disclosure Form to familiarize itself with the Interested Party Disclosure Act, the Disclosure Rules and the Disclosure Form. **Time will be of the essence in submitting the form to the District, and no final award will be made by the District regarding the sale of the Bonds until a completed Disclosure Form is received. The District reserves the right to reject any bid that does not satisfy the requirement of a completed Disclosure Form, as described herein.** Neither the District nor its consultants have the ability to verify the information included in a Disclosure Form, and neither party has an obligation nor undertakes responsibility for advising any bidder with respect to the proper completion of the Disclosure Form. Consequently, an entity intending to bid on the Bonds should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form promptly upon notification from the District that its bid is the conditional winning bid. Instructional videos on logging in and creating a certificate are provided on the TEC's website at https://www.ethics.state.tx.us/whatsnew/elf_info_form1295.htm.

<u>Exemption.</u> Pursuant to the Interested Party Disclosure Act, a publicly traded business entity, including a wholly owned subsidiary of the business entity, is exempt from the requirements of the Interested Party Disclosure Act. **The District is not responsible or liable for ascertaining or verifying whether any bidder satisfies this exemption. If any bidder, in its sole discretion, determines that it satisfies this exemption, the District will require receipt of the following certification via email to accompany its bid. The District will rely on such certification for purposes of satisfying its obligations under the Interested Party Disclosure Act.**

"Pursuant to Section 2252.908(c)(4), Texas Government Code filing Form 1295 does not apply to a contract with a publicly traded business entity, including a wholly owned subsidiary of the business entity. Therefore, we confirm that [BIDDER] is a [wholly owned subsidiary of _________, which is a] publicly traded business entity and, pursuant to such law, we are not required to deliver to Van Alstyne Independent School District a Certificate of Interested Parties Form 1295 with respect to our bid to purchase the Bonds."

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

NO BOYCOTT OF ISRAEL VERIFICATION: In accordance with House Bill 89 ("HB 89"), enacted during the 2017 Texas Legislative Session, the provisions of which became effective on September 1, 2017, the District and other governmental entities in the State may not enter into a contract with a company for goods or services unless the contract contains a written verification from the company that it: (1) does not boycott Israel; and (2) will not boycott Israel during the term of the contract. To enable the District to comply with HB 89, and to enable it to contract for the sale of the Bonds, the Official Bid Form for the Bonds includes a written verification of the bidder to the effect described above. Each bidder should review the "no Israel boycott verification" included in the Official Bid Form prior to making a bid for the Bonds to determine whether such statement can be made, which is a condition to making a bid for the Bonds**.**

OFFICIAL STATEMENT

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

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

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

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

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

CERTIFICATION OF THE OFFICIAL STATEMENT AND NO-LITIGATION: At the time of payment for and delivery of the hereinafter defined Initial Bonds ("Initial Delivery"), the Initial Purchaser will be furnished a certificate, executed by proper officials of the Issuer, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the Issuer contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Bonds, on the date of such Official Statement, on the date of sale of said Bonds and the acceptance of the best bid therefor, and on the date of the Initial Delivery, were and are true and correct in all material respects; (b) insofar as the Issuer and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the Issuer, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the Issuer believes to be reliable and the Issuer has no reason to believe that they are untrue in any material respect; (d) except as may be otherwise described in the Official Statement, there has been no material adverse change in the financial condition of the Issuer, since June 30, 2017, the date of the last financial statements of the Issuer appearing in the Official Statement; and (e) no litigation of any nature has been filed or is pending, as of the date hereof, to restrain or enjoin the issuance or delivery of the Bonds or which would affect the provisions made for their payment or security or in any manner question the validity of the Bonds. The Official Statement and this Official Notice of Sale will be approved as to form and content and the use thereof in the offering of the Bonds will be authorized, ratified and approved by the Board in the Order, and the Initial Purchaser will be furnished, upon request, at the time of payment for and the delivery of the Bonds, a certified copy of such approval, duly executed by the proper officials of the Issuer.

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

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

DELIVERY AND ACCOMPANYING DOCUMENTS

INITIAL DELIVERY OF INITIAL BOND: Initial Delivery will be accomplished by the issuance of one or more fully registered Bonds in the aggregate principal amount of the Bonds payable to the Purchaser (the "Initial Bond" or "Initial Bonds"), signed by the President and Secretary of the Board, by their manual or facsimile signatures, approved by the Texas Attorney General, and registered and manually signed by the Texas Comptroller of Public Accounts. Initial Delivery will be at the corporate trust office of the Paying Agent/Registrar. Upon delivery of the Initial Bonds, they shall be immediately canceled and one definitive Bond for each maturity of the Bonds payable to Cede & Co. will be delivered to DTC in connection with DTC's Book-Entry-Only System. Payment for the Bonds must be made in immediately available funds for unconditional credit to the District, or as otherwise directed by the District. The Purchaser will be given six business days' notice of the time fixed for delivery of the Bonds. It is anticipated that the delivery of the Initial Bond can be made on or about February 14, 2018, but if for any reason the District is unable to make delivery by March 14, 2018, then the District shall immediately contact the Purchaser and offer to allow the Purchaser to extend its obligation to take up and pay for the Bonds an additional thirty days. If the Purchaser does not elect to extend its offer within six days thereafter, then its Good Faith Deposit will be returned, and both the District and the Purchaser shall be relieved of any further obligation. In no event shall the District be liable for any damages by reason of its failure to deliver the Bonds, provided that such failure is due to circumstances beyond the District's reasonable control.

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

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

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

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

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

GENERAL CONSIDERATIONS

RATINGS: The Bonds are rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "AAA" by S&P Global Ratings ("S&P"), based upon the guaranteed repayment thereof under the Permanent School Fund Guarantee Program of the Texas Education Agency. The District's unenhanced, underlying ratings, including the Bonds, are "Aa2" by Moody's and "AA+" by S&P. There is no assurance that such ratings will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating companies, if in the judgment of said rating company, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. Neither the District nor the Purchaser has undertaken any responsibility to advise owners of the Bonds of any lowering or withdrawal of such ratings.

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

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

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

On the date of the sale, the Board will, in the Order, approve the form and content of the Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Bonds by the Purchaser.

AMARILLO INDEPENDENT SCHOOL DISTRICT

/s/ Jim Austin
President, Board of Trustees

ATTEST:

/s/ F. Scott Flow
Vice President, Board of Trustees

Dated: January 8, 2018

OFFICIAL BID FORM

President and Board of Trustees
Amarillo Independent School District
7200 Interstate 40 West
Amarillo, Texas 79106

January 16, 2018

Ladies & Gentlemen:

Reference is made to your Official Notice of Sale and Preliminary Official Statement dated January 8, 2018 of $54,500,000* AMARILLO INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2018 (the "Bonds"), both of which constitute a part hereof.

For your legally issued Bonds, as described in said Official Notice of Sale and Preliminary Official Statement, we will pay you a price of par value thereof plus accrued interest from their Dated Date to the date of delivery to us, plus a cash premium of $________ **(no bid producing a cash premium that results in a dollar price of less than $107.00 nor greater than $115.00 will be considered)** for Bonds maturing and bearing interest as follows:

Maturity (2/1)	Principal Amount*	Interest Rate (%)**	Maturity (2/1)	Principal Amount*	Interest Rate (%)**	Maturity (2/1)	Principal Amount*	Interest Rate (%)**
2019	$1,845,000	________	2028	$1,795,000	________	2036	$2,780,000	4.00
2020	800,000	________	2029	2,100,000	4.00	2037	2,895,000	4.00
2021	815,000	________	2030	2,185,000	4.00	2038	3,010,000	4.00
2022	910,000	________	2031	2,275,000	4.00	2039	3,150,000	5.00
2023	925,000	________	2032	2,370,000	4.00	2040	3,310,000	5.00
2024	950,000	________	2033	2,465,000	4.00	2041	3,480,000	5.00
2025	965,000	________	2034	2,565,000	4.00	2042	3,660,000	5.00
2026	980,000	________	2035	2,670,000	4.00	2043	3,845,000	5.00
2027	1,755,000	________						

(Interest to Accrue from the Dated Date)

***See "TYPES OF BIDS AND INTEREST RATES" for the interest range that must be bid for the denoted maturities.*

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

Term Bond Maturity Date February 1	Year of First Mandatory Redemption	Principal Amount of Term Bond	Interest Rate
________	________	________	________
________	________	________	________
________	________	________	________

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

TRUE INTEREST COST ________________________%

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

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

Cashier's Check of the ___________________________ (bank), __________ (location), in the amount of $1,090,000 which represents our Good Faith Deposit is attached hereto or has been made available to you prior to the opening of the bid, in accordance with the terms set forth in the Official Notice of Sale and the Preliminary Official Statement. The Good Faith Deposit of the Purchaser will be returned to the Purchaser on the date of Initial Delivery upon completion of the closing.

We agree to accept delivery of the Initial Bond(s) through DTC and make payment for the Initial Bond(s) in immediately available funds at BOKF, NA, Dallas, Texas, no later than 10:00 A.M., Central time, on February 14, 2018 or thereafter on the date the Initial Bond(s) are tendered for delivery, pursuant to the terms set forth in the Official Notice of Sale.

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

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

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

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

No Boycott of Israel Verification. To the extent this bid for the Bonds represents a contract for goods or services within the meaning of Section 2270.002 of the Texas Government Code, as amended, the Purchaser verifies, for purposes of Chapter 2270 of the Texas Government Code, that, except to the extent otherwise required by applicable federal law, at the time of execution and delivery of this bid and to the date of delivery of the Bonds, neither the Purchaser, nor any wholly owned subsidiary, majority-owned subsidiary, parent company or affiliate of the Purchaser, boycotts or will boycott Israel. The terms “boycotts Israel” and “boycott Israel” as used in this paragraph have the meanings assigned to the term “boycott Israel” in Section 808.001 of the Texas Government Code, as amended.

Upon notification of conditional verbal acceptance and if required, the undersigned will complete an electronic form of the Certificate of Interested Parties Form 1295 (the "Disclosure Form") through the Texas Ethics Commission's (the "TEC") electronic portal and the resulting certified Disclosure Form that is generated by the TEC’s electronic portal will be printed, signed, notarized and sent by email to the District’s financial advisor at dwhitt@samcocapital.com. The undersigned understands that the failure to provide the certified Disclosure Form will prohibit the District from providing final written award of the enclosed bid.

Respectfully submitted,

____
(Purchaser)

____
(Signature - Title)

____
(Telephone)

[District signature page follows.]

ACCEPTANCE CLAUSE

THE FOREGOING BID IS IN ALL THINGS HEREBY ACCEPTED this January 16, 2018 by a Pricing Officer of the District by authority conveyed in the Order of the Board of Trustees of the AMARILLO INDEPENDENT SCHOOL DISTRICT adopted on December 18, 2017.

Pricing Officer

CERTIFICATE OF INTERESTED PARTIES

FORM 1295

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

OFFICE USE ONLY
CERTIFICATION OF FILING

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

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

Amarillo Independent School District

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

0001

Purchase of the Amarillo Independent School District Unlimited Tax School Building Bonds, Series 2018

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

5 **Check only if there is NO Interested Party.** ☐

6 **UNSWORN DECLARATION**

My name is ____, and my date of birth is _______________.

My address is _______________________________, _______________, _____, __________, _______.
(street) (city) (state) (zip code) (country)

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

Executed in ___________________________County, State of __________, on the _____day of __________, 20_____.
(month) (year)

____
Signature of authorized agent of contracting business entity
(Declarant)

ISSUE PRICE CERTIFICATE

The undersigned, as the underwriter or the manager of the syndicate of underwriters ("Purchaser"), with respect to the purchase at competitive sale of the Unlimited Tax School Building Bonds, Series 2018 issued by the Amarillo Independent School District ("Issuer") in the principal amount of $54,500,000* ("Bonds"), hereby certifies and represents, based on its records and information, as follows:

(If at least 3 bids are received by the Issuer from underwriters,
as confirmed to the Purchaser by the Issuer's Financial Advisor:)

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

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

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

(If less than 3 bids are received from underwriters,
as confirmed to the Purchaser by the Issuer's Financial Advisor:)

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

(Add (b) and (c) only if there are Hold-the-Price Maturities)

(b) On or before the first day on which there is a binding contract in writing for the sale of the Bonds ("Sale Date"), the Purchaser offered to the Public each [maturity of the Bonds having the same credit and payment terms ("Maturity")][Maturity of the Hold-the-Price Maturities] at their respective initial offering prices ("Initial Offering Prices"), as set forth in Schedule A hereto. [A copy of the pricing wire or equivalent communication for the Bonds is attached to this Certificate as Schedule A.]

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

(The following shall be included, regardless of the number of bids received)

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

[Signature Page Follows]

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

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

EXECUTED and DELIVERED as of this February 14, 2018

[NAME OF PURCHASER], as Purchaser

By:___________________________________

Name:_________________________________

SCHEDULE A

PRICING WIRE OR EQUIVALENT COMMUNICATION

(Attached)

BOND YEARS

$54,500,000*
AMARILLO INDEPENDENT SCHOOL DISTRICT
(Potter and Randall Counties, Texas)

UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2018

Dated: January 15, 2018
Due: February 1

		Bond Years*	
Year	Amount*	Bond Years	Cumulative Bond Years
2019	$ 1,845,000	1,778.3750	1,778.3750
2020	800,000	1,571.1111	3,349.4861
2021	815,000	2,415.5694	5,765.0556
2022	910,000	3,607.1389	9,372.1944
2023	925,000	4,591.5972	13,963.7917
2024	950,000	5,665.6944	19,629.4861
2025	965,000	6,720.1528	26,349.6389
2026	980,000	7,804.6111	34,154.2500
2027	1,755,000	15,731.6250	49,885.8750
2028	1,795,000	17,885.1806	67,771.0556
2029	2,100,000	23,024.1667	90,795.2222
2030	2,185,000	26,141.0972	116,936.3195
2031	2,275,000	29,492.8472	146,429.1667
2032	2,370,000	33,094.4167	179,523.5834
2033	2,465,000	36,885.9861	216,409.5695
2034	2,565,000	40,947.3750	257,356.9445
2035	2,670,000	45,293.5833	302,650.5278
2036	2,780,000	49,939.6111	352,590.1389
2037	2,895,000	54,900.4583	407,490.5973
2038	3,010,000	60,091.3056	467,581.9028
2039	3,150,000	66,036.2500	533,618.1528
2040	3,310,000	72,700.4722	606,318.6250
2041	3,480,000	79,914.3333	686,232.9584
2042	3,660,000	87,707.8333	773,940.7917
2043	3,845,000	95,986.1528	869,926.9445

Average Maturity = 15.962

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

Rating: Moody's: "Aaa"
S&P: "AAA"
(See "RATINGS" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein)

PRELIMINARY OFFICIAL STATEMENT
Dated: January 8, 2018

NEW ISSUE: BOOK-ENTRY-ONLY

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

$54,500,000*
AMARILLO INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Potter and Randall Counties, Texas)
Unlimited Tax School Building Bonds, Series 2018

Dated Date: January 15, 2018 **Due: February 1, as shown on the inside cover page**

The Amarillo Independent School District Unlimited Tax School Building Bonds, Series 2018 (the "Bonds") are being issued pursuant to the Constitution and general laws of the State of Texas particularly Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, Chapter 1371, Texas Government Code, as amended, an election held in the District on November 7, 2017 and an order (the "Bond Order") authorizing the issuance of the Bonds to be adopted by the Board of Trustees (the "Board") on December 18, 2017. In the Bond Order, the Board will delegate the authority to certain District officials to execute approval of a pricing certificate establishing the pricing terms for the Bonds (the pricing certificate, together with the Bond Order, are collectively referred to herein as the "Order"). The Bonds are payable as to principal and interest from the proceeds of an ad valorem tax levied annually, without legal limit as to rate or amount, against all taxable property located within the Amarillo Independent School District (the "District"). The District has received conditional approval from the Texas Education Agency for the Bonds to be guaranteed under the State of Texas Permanent School Fund Guarantee Program (hereinafter defined), which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. (See "THE BONDS – Permanent School Fund Guarantee" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").

Interest on the Bonds will accrue from the Dated Date specified above and will be payable on February 1 and August 1 of each year, commencing August 1, 2018, until stated maturity or prior redemption. The Bonds will be issued in fully registered form in principal denominations of $5,000 or any integral multiple thereof. Principal of the Bonds will be payable by the Paying Agent/Registrar, which initially is BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"), upon presentation and surrender of the Bonds for payment. Interest on the Bonds is payable by check dated as of the interest payment date and mailed by the Paying Agent/Registrar to the registered owners as shown on the records of the Paying Agent/Registrar on the close of business as of the fifteenth business day of the month next preceding each interest payment date.

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

Proceeds from the sale of the Bonds will be used for (i) the acquisition, construction, renovation and equipment of school buildings in the District, including providing school facility security improvements and the purchase of necessary sites for school buildings, and (ii) to pay the costs of issuing the Bonds. (See "THE BONDS - Authorization and Purpose").

The Bonds maturing on or after February 1, 2029 are subject to redemption at the option of the District in whole or in part on February 1, 2028 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. (See "THE BONDS - Optional Redemption").

Concurrently with its issuance of the Bonds, the District is issuing its Amarillo Independent School District Unlimited Tax School Building Bonds, Series 2018A (the "Concurrently Issued Bonds"), pursuant to a separate order (also to be adopted by the Board on December 18, 2017) and the authorization approved by District voters at the Election. This Official Statement describes only the Bonds and not the Concurrently Issued Bonds.

MATURITY SCHEDULE
(On Inside Cover)

The Bonds are offered for delivery when, as and if issued, and received by the initial purchaser (the "Purchaser") subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. The Bonds are expected to be available for initial delivery through the services of DTC on or about February 14, 2018.

BIDS DUE JANUARY 16, 2018 BY 10:00 A.M., CENTRAL TIME

**Preliminary, subject to change.*

$54,500,000*
AMARILLO INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Potter and Randall Counties, Texas)
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2018

MATURITY SCHEDULE
Base CUSIP No.: 023051[1]

Maturity Date 2/1	Principal Amount*	Interest Rate	Initial Yield	CUSIP No. Suffix[1]
2019	$1,845,000			
2020	800,000			
2021	815,000			
2022	910,000			
2023	925,000			
2024	950,000			
2025	965,000			
2026	980,000			
2027	1,755,000			
2028	1,795,000			
2029	2,100,000			
2030	2,185,000			
2031	2,275,000			
2032	2,370,000			
2033	2,465,000			
2034	2,565,000			
2035	2,670,000			
2036	2,780,000			
2037	2,895,000			
2038	3,010,000			
2039	3,150,000			
2040	3,310,000			
2041	3,480,000			
2042	3,660,000			
2043	3,845,000			

(Interest to accrue from the Dated Date)

**Preliminary, subject to change.*

[1] CUSIP numbers are included solely for the convenience of 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 S&P Global Market Intelligence 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 District, the Financial Advisor, nor the Purchaser are responsible for the selection or correctness of the CUSIP numbers set forth herein.

AMARILLO INDEPENDENT SCHOOL DISTRICT

BOARD OF TRUSTEES

Name	Date Initially Elected	Current Term Expires	Occupation
Jim Austin, President	2002	2018	Business Owner
F. Scott Flow, Vice President	2015	2018	Attorney
James Allen, Member	1999	2021	Municipal Advisor
John Betancourt, Member	2015	2018	Manufacturing Senior Analyst
John Ben Blanchard, Member	2009	2021	Attorney
Renee McCown, Member	2013	2021	Homemaker
Cristy Wilkinson, Member	2017	2021	Retired

APPOINTED OFFICIALS

Name	Position	Length of Education Service	Length of Service with District
Dr. Dana West	Superintendent	27 Years	9 Years
Pati Buchenau	Chief Financial Officer	27 Years	27 Years
Doug Loomis	Chief Human Resources Officer	31 Years	31 Years
Brent Hoover	Chief Operations Officer	2 Years	2 Years

CONSULTANTS AND ADVISORS

McCall, Parkhurst & Horton L.L.P., Dallas, Texas	Bond Counsel
SAMCO Capital Markets, Inc., Plano, Texas	Financial Advisor
Connor, McMillon, Mitchell, Shennum, PLLC, Amarillo, Texas	Certified Public Accountants

For additional information, contact:

Pati Buchenau
Chief Financial Officer
Amarillo ISD
7200 Interstate 40 West
Amarillo, Texas 79106
(806) 326-1120

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

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

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

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

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

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

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.

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

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SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The District	The Amarillo Independent School District (the "District") is a political subdivision of the State of Texas located in Potter and Randall Counties, Texas. The District is governed by a seven-member Board of Trustees (the "Board"). Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the chief administrative officer of the District. Support services are supplied by consultants and advisors.
The Bonds	The Bonds are being issued in the principal amount of $54,500,000 (preliminary, subject to change) pursuant to the Constitution and general laws of the State of Texas, particularly Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, Chapter 1371, Texas Government Code, as amended, an election held in the District on November 7, 2017, and an order (the "Bond Order") authorizing the issuance of the Bonds to be adopted by the Board of Trustees (the "Board") on December 18, 2017. In the Bond Order, the Board will delegate the authority to certain District officials to execute approval of a pricing certificate establishing the pricing terms for the Bonds (the pricing certificate, together with the Bond Order, are collectively referred to herein as the "Order"). Proceeds from the sale of the Bonds will be used for (i) the acquisition, construction, renovation and equipment of school buildings in the District, including providing school facility security improvements and the purchase of necessary sites for school buildings, and (ii) to pay the costs of issuing the Bonds. (See "THE BONDS - Authorization and Purpose").
Paying Agent/Registrar	The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. The District intends to use the Book-Entry-Only System of The Depository Trust Company. (See "BOOK-ENTRY-ONLY SYSTEM" herein).
Security	The Bonds will constitute direct and voted obligations of the District, payable as to principal and interest from ad valorem taxes levied annually against all taxable property located within the District, without legal limitation as to rate or amount. Payments of principal and interest on the Bonds will be further secured by the corpus of the Permanent School Fund of Texas. (See "THE BONDS – Security", "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS", "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").
Redemption	The Bonds maturing on or after February 1, 2029 are subject to redemption at the option of the District in whole or in part on February 1, 2028 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. (See "THE BONDS - Optional Redemption").
Permanent School Fund Guarantee	The District has received conditional approval from the Texas Education Agency for the payment of the Bonds to be guaranteed under the Permanent School Fund Guarantee Program (defined herein), which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. (See "THE BONDS – Permanent School Fund Guarantee" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM.")
Ratings	The Bonds are rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "AAA" by S&P Global Ratings ("S&P"), based upon the guaranteed repayment thereof under the Permanent School Fund Guarantee Program (as defined herein) of the Texas Education Agency. The District's unenhanced, underlying ratings, including the Bonds, are "Aa2" by Moody's and "AA+" by S&P. (See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – Ratings of Bonds Guaranteed Under the Guarantee Program" and "RATINGS" herein.)
Tax Matters	In the opinion of Bond Counsel for the District, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions on the date thereof, subject to the matters described under "TAX MATTERS" herein. (See "TAX MATTERS" and Appendix C - "Form of Legal Opinion of Bond Counsel.")
Payment Record	The District has never defaulted on the payment of its bonded indebtedness.
Legal Opinion	Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel.
Delivery	When issued, anticipated to be on or about February 14, 2018.
Other Issuance of Bonds U/L Tax by the District	The Bonds are being marketed and sold concurrently with the District's issuance of its $2,000,000 (preliminary, subject to change) "Amarillo Independent School District Unlimited Tax School Building Bonds, Series 2018A (the "Concurrently Issued Bonds"), scheduled to close on or about March 8, 2018. This Official Statement describes only the Bonds and not the Concurrently Issued Bonds.

INTRODUCTORY STATEMENT

This Official Statement (the "Official Statement"), which includes the cover page and the Appendices attached hereto, has been prepared by the Amarillo Independent School District (the "District"), a political subdivision of the State of Texas (the "State") located in Potter and Randall Counties, Texas, in connection with the offering by the District of its Unlimited Tax School Building Bonds, Series 2018 (the "Bonds") identified on the inside cover page hereof.

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

There follows in this Official Statement descriptions of the Bonds and the Order (as defined below) 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 Amarillo Independent School District, 7200 Interstate 40 West, Amarillo, Texas 79106 and, during the offering period, from the Financial Advisor, SAMCO Capital Markets, Inc., 5800 Granite Parkway, Suite 210, Plano, Texas 75024, by electronic mail or upon payment of reasonable copying, mailing, and handling charges.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. A copy of this Official Statement relating to the Bonds will be submitted by the initial Purchaser of the Bonds to the Municipal Securities Rulemaking Board, and will be available through its Electronic Municipal Market Access system. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the District's undertaking to provide certain information on a continuing basis.

THE BONDS

Authorization and Purpose

The Bonds are being issued in the principal amount of $54,500,000 (preliminary, subject to change) pursuant to the Constitution and general laws of the State, particularly Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, Chapter 1371, Texas Government Code, as amended, an election held in the District on November 7, 2017 (the "Election") and an order (the "Bond Order") authorizing the issuance of the Bonds to be adopted by the Board of Trustees (the "Board") on December 18, 2017. In the Bond Order, the Board will delegate the authority to certain District officials to execute approval of a pricing certificate establishing the pricing terms for the Bonds (the pricing certificate, together with the Bond Order, are collectively referred to herein as the "Order"). Proceeds from the sale of the Bonds will be used for (i) the acquisition, construction, renovation and equipment of school buildings in the District, including providing school facility security improvements and the purchase of necessary sites for school buildings, and (ii) to pay the costs of issuing the Bonds.

General Description

The Bonds will be dated January 15, 2018 (the "Dated Date") and will bear interest from the Dated Date. The Bonds will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day months, and is payable on August 1, 2018 and on each February 1 and August 1 thereafter until stated maturity or prior redemption.

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

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

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

Optional Redemption

The Bonds maturing on or after February 1, 2029 are subject to redemption, at the option of the District, in whole or in part, in principal amounts of $5,000 or integral multiples thereof, on February 1, 2028, or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the District shall determine the amounts and maturities thereof to be redeemed and shall direct the Paying Agent/Registrar to select by lot the Bonds, or portions thereof, to be redeemed. Not less than 30 days prior to a redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of a Bond to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Order have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption may, at the option of the District, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a notice of conditional redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the District will not redeem such Bonds, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that such Bonds have not been redeemed. Any notice of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether received by the bondholder, and, subject to provision for payment of the redemption price having been made, AND ALL PRECONDITIONS STATED IN THE NOTICE OF REDEMPTION, IF

ANY, HAVING BEEN SATISFIED interest on the redeemed Bonds shall cease to accrue from and after such redemption date notwithstanding that a Bond has not been presented for payment.

Notice of Redemption and DTC Notices

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

Security

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

Permanent School Fund Guarantee

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

In the event the District defeases any of the Bonds, the payment of such defeased Bonds will cease to be guaranteed by the Permanent School Fund Guarantee.

Legality

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

Payment Record

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

Amendments

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

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

Defeasance

The Order provides for the defeasance of the Bonds when payment of the principal amount of the Bonds plus interest accrued on the Bonds to their due date (whether such due date be by reason of stated maturity, redemption or otherwise), is provided by irrevocably depositing with a paying agent, or other authorized escrow agent, in trust (1) money in an amount sufficient to make such payment and/or (2) Defeasance Securities, that will mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The District has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance. The Order provides that “Defeasance Securities” means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Bonds. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District authorizes the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the District adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Order does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used for defeasance purposes or that for any other Defeasance Security will be maintained at any particular rating category.

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

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

Sources and Uses of Funds

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

Sources	
Par Amount of Bonds	$
Accrued Interest	
Original Offering Premium	
Total Sources of Funds	$
Uses	
Deposit to Construction Fund	$
Costs of Issuance	
Purchaser's Discount	
Deposit to Interest and Sinking Fund	
Total Uses of Funds	$

REGISTERED OWNERS' REMEDIES

The Order establishes specific events of default with respect to the Bonds and provides that if the District defaults in the payment of principal or interest on the Bonds when due, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Order, and the continuation thereof for a period of 60 days after notice of default is given by the District by any registered owner, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or the Order covenants and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court has ruled in Tooke v. City of Mexia, 197 S.W.3rd 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. As a result, bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein for a description of the procedures to be followed for payment of the Bonds by the Permanent School Fund in the event the District fails to make a payment on the Bonds when due. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Order and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, by general principles of equity which permit the exercise of judicial discretion and by governmental immunity.

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Direct or Indirect

Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Order will be given only to DTC.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

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

Successor Paying Agent/Registrar

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

Initial Registration

Definitive Bonds will be initially registered and delivered only to CEDE & CO., the nominee of DTC pursuant to the Book-Entry-Only System described herein.

Future Registration

In the event the Book-Entry-Only System is discontinued, the Bonds may be transferred, registered and assigned on the registration books only upon presentation and surrender of the Bonds to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bond or Bonds being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in authorized denominations and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer.

Record Date For Interest Payment

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

Limitation on Transfer of Bonds

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

Replacement Bonds

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

AD VALOREM TAX PROCEDURES

Property Tax Code and County Wide Appraisal District

The Texas Property Tax Code (the "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 responsible for appraising property for all taxable units within the county. The Potter-Randall County Appraisal District (the "Appraisal District") is responsible for appraising property within the District as of January 1 of each year. The appraisal values set by the Appraisal District is subject to review and change by the Appraisal Review Board (the "Appraisal Review Board") which is appointed by the Appraisal District’s Board of Directors. Such appraisal rolls, as approved by the Appraisal Review Board, are used by the District in establishing its tax roll and tax rate.

Property Subject to Taxation by the District

Except for certain exemptions provided by State law, all real and certain tangible personal property with a tax situs in the District is subject to taxation by the District. Principal categories of exempt property (including certain exemptions which are subject to local option by the District) include property owned by the State or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain improvements to real property and certain tangible personal property located in designated reinvestment zones on which the District has agreed to abate ad valorem taxes, certain household goods, family supplies and personal effects; farm products owned by the producers; certain property of a nonprofit corporation used in scientific research and educational activities benefiting a college or university; and designated historic sites. Other principal categories of exempt property include tangible personal property not held or used for production of income; solar and windpowered energy devices; most individually owned automobiles; $10,000 State mandated exemption to residential homesteads of persons ages 65 or over or disabled; a State mandated exemption up to a maximum of $12,000 for real or personal property of disabled veterans or the surviving spouse or children of an individual who died while on active duty in the armed forces; a State mandated $15,000 in market value exemption for all residential homesteads (see "Residential Homestead Exemptions" below); and certain classes of intangible property. The Tax Code provides that a disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100% disability compensation due to a service-connected disability and a rating of 100% disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. Furthermore, following the approval by the voters at a November 8, 2011 statewide election, effective January 1, 2012, the surviving spouse of a deceased veteran who had received a disability rating of 100% is entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries. In addition, except for increases attributable to certain improvements, the District is prohibited by State law from increasing the total ad valorem tax on the residence homestead of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for an exemption based on the age or disability of the owner. The freeze on ad valorem taxes on the homesteads of persons 65 years of age or older and the disabled is also transferable to a different residence homestead. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was 55 or older when the deceased spouse died and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse. Pursuant to a constitutional amendment approved by the voters on May 12, 2007, legislation was enacted to reduce the school property tax limitation imposed by the freeze on taxes paid on residence homesteads of persons 65 years of age or over or of disabled persons to correspond to reductions in local school district tax rates from the 2005 tax year to the 2006 tax year and from the 2006 tax year to the 2007 tax year (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - Overview" herein). The school property tax limitation provided by the constitutional amendment and enabling legislation apply to the 2007 and subsequent tax years. Owners of agricultural and open space land, under certain circumstances, may request valuation of such land on the basis of productive capacity rather than market value. Article VIII, Section 1-j of the Texas Constitution provides for an exemption from ad valorem taxation for "freeport property," which is defined as goods detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Taxing units that took action prior to April 1, 1990 may continue to tax freeport property and decisions to continue to tax freeport property may be reversed in the future. However, decisions to exempt freeport property are not subject to reversal. Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." "Goods-in-transit", defined by the Tax Code as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. The Tax Code provision permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. A taxpayer may receive only one of the freeport or goods-in-transit exemptions for tangible personal property. Senate Bill 1, passed by the 82nd Texas Legislature, 1st Called Session, requires again that the governmental entities take affirmative action prior to January 1 of the first tax years in which the governing body proposes to tax good-in-transit to continue its taxation of good-in-transit in the 2012 tax year and beyond. See "THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT" and "APPENDIX A – FINANCIAL INFORMATION OF THE DISTRICT - ASSESSED VALUATION" for a schedule of the amount of exemptions granted by the District.

A city or county may create a tax increment financing zone ("TIF") within the city or county with defined boundaries and establish a base value of taxable property in the TIF at the time of its creation. Overlapping taxing units, including school districts, may agree with the city or county to contribute all or part of future ad valorem taxes levied and collected against the "incremental value" (taxable value in excess of the base value) of taxable real property in the TIF to pay or finance the costs of certain public improvements in the TIF, and such taxes levied and collected for and on behalf of the TIF are not available for general use by such contributing taxing units. Prior to September 1, 2001, school districts were allowed to enter into tax abatement agreements to encourage economic development. Under such agreements, a property owner agrees to construct certain improvements on its property. The school district 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. Effective September 1, 2001, school districts may not enter into tax abatement agreements under the general statute that permits cities and counties to initiate tax abatement agreements. In addition, credit will not be given by the Commissioner of Education in determining a district's property value wealth per student for (1) the appraisal value, in excess of the "frozen" value, of property that is located in a TIF created after May 31, 1999 (except in certain limited circumstances where the city creating the TIF gave notice prior to May 31, 1999 to all other taxing units that levy ad valorem taxes in the TIF of its intention to create the TIF and the TIF was created and had its final project and financing plan approved by the municipality prior to August 31, 1999) or (2) for the loss of value of abated property under any abatement agreement entered into after May 31, 1993.

Notwithstanding the foregoing, in 2001 the Legislature enacted legislation known as the Texas Economic Development Act, which provides incentives for certain school districts to grant limitations on appraised property values and provide ad valorem tax credits to certain corporations and limited liability companies to encourage economic development within the district. Generally, during the last eight years of the ten-year term of a tax limitation agreement, the school district may only levy and collect ad valorem taxes for maintenance and operation purposes on the agreed-to limited appraised property value. The taxpayer is entitled to a tax credit from the school district for the amount of taxes imposed during the first two years of the tax limitation agreement on the appraised value of the property above the agreed-to limited value. Additional State funding is provided to a school district for each year of such tax limitation in the amount of the tax credit provided to the taxpayer. During the first two years of a tax limitation agreement, the school district may not adopt a tax rate that exceeds the district's rollback tax rate (see "AD VALOREM TAX PROCEDURES – Public Hearing and Rollback Tax Rate").

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. In determining the market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. Once an appraisal roll is prepared and finally approved by the Appraisal Review

Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Tax Code are based on one hundred percent (100%) of market value, except as described below, and no assessment ratio can be applied.

State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence 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 residence homestead for a tax year to an amount that would not exceed the lesser of (1) the property's market value in the most recent tax year in which the market value was determined by the appraisal district or (2) the sum of (a) 10% of the property's appraised value in the preceding tax year, plus (b) the property's appraised value the preceding tax year, plus (c) the market value of all new improvements to the property. In determining the market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method considered most appropriate by the chief appraiser is to be used. State law further requires the appraised value of a residence homestead to be assessed solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property.

Article VII of the Texas Constitution and the Tax Code permit land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. Landowners wishing to avail themselves of the agricultural use designation must apply for the designation, and the appraiser is required by the Tax Code to act on each claimant's right to the designation individually. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes for previous years based on the new value, including three years for agricultural use and five years for agricultural open-space land and timberland prior to the loss of the designation.

The Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three years. The District, at its expense, has the right to obtain from the Appraisal District current estimates of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimates of appraisal values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses to formally include such values on its appraisal rolls.

Residential Homestead Exemptions

Under Section 1-b, Article VIII of the Texas Constitution and State law, the governing body of a political subdivision, at its option, may grant an exemption of not less than $3,000 of the market value of the residence homestead of persons 65 years of age or older or the disabled from all ad valorem taxes thereafter levied by the political subdivision.

Once authorized, such exemption may be repealed or decreased or increased in amount (i) by the governing body of the political subdivision or (ii) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than $3,000 of the market value.

The surviving spouse of an individual who qualifies for the foregoing exemption for the residence homestead of a person 65 or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

Section 11.131 of the Texas Tax Code states that a disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100% disability compensation due to a service-connected disability and a rating of 100% disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. Furthermore, following the approval by the voters at a November 8, 2011 statewide election, effective January 1, 2012, the surviving spouse of a deceased veteran who had received a disability rating of 100% is entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until the surviving spouse remarries.

In addition to any other exemptions provided by the Tax Code, the governing body of a political subdivision, at its option, may grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of $5,000.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created. Voters in the State approved a constitutional amendment on November 3, 2015 increasing the mandatory homestead exemption for school districts from $15,000 to $25,000, and requiring that the tax limitation for taxpayers who are age 65 and older or disabled be reduced to reflect the additional exemption. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM"

The governing body of a political subdivision is prohibited from repealing or reducing the amount of an optional homestead exemption that was in place for the 2014 tax year (fiscal year 2015) during the period ending December 31, 2019.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a petition for review in district court within 45 days after notice is received that a final order has been entered. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party, or through binding arbitration, if requested by the taxpayer. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Tax Code.

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. By the later of September 30th or 60 days after the certified appraisal roll is delivered to the District, the rate of taxation must be set by the Board based upon the valuation of property within the District as of the preceding January 1 and the amount required to be raised for debt service and maintenance and operations purposes. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty from six percent (6%) to twelve percent (12%) of the amount of the tax, depending on the time of payment, and accrues interest at the rate of one percent (1%) per month. If the tax is not paid by the following July 1, an additional penalty of up to twenty percent (20%) may under certain circumstances be imposed by the District. The Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances.

Public Hearing and Rollback Tax Rate

In setting its annual tax rate, the governing body of a school district generally cannot adopt a tax rate exceeding the district's "rollback tax rate" without approval by a majority of the voters voting at an election approving the higher rate. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures and (2) a rate for debt service. The rollback tax rate for a school district is the lesser of (A) the sum of (1) the product of the district's "State Compression Percentage" for that year multiplied by $1.50, (2) the rate of $0.04, (3) any rate increase above the rollback tax rate in prior years that were approved by voters, and (4) the district's current debt rate, or (B) the sum of (1) the district's effective maintenance and operations tax rate, (2) the product of the district's State Compression Percentage for that year multiplied by $0.06; and (3) the district's current debt rate (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Funding for School Districts" for a description of the "State Compression Percentage"). If for the preceding tax year a district adopted an M&O tax rate that was less than its effective M&O tax rate for that preceding tax year, the district's rollback tax for the current year is calculated as if the district had adopted an M&O tax rate for the preceding tax year equal to its effective M&O tax rate for that preceding tax year.

The "effective maintenance and operations tax rate" for a school district is the tax rate that, applied to the current tax values, would provide local maintenance and operating funds, when added to State funds to be distributed to the district pursuant to Chapter 42 of the Texas Education Code for the school year beginning in the current tax year, in the same amount as would have been available to the district in the preceding year if the funding elements of wealth equalization and State funding for the current year had been in effect for the preceding year.

Section 26.05 of the Tax Code provides that the governing body of a taxing unit is required to adopt the annual tax rate for the unit before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the taxing unit, and a failure to adopt a tax rate by such required date will result in the tax rate for the taxing unit for the tax year to be the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the taxing unit for the preceding tax year. 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 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 district if the district has not complied with such notice requirements or the language and format requirements of such notice as set forth in Section 44.004(b), (c) 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 district delivers substantially all of its tax bills. A district may adopt its budget after adopting a tax rate for the tax year in which the fiscal year covered by the budget begins if the district elects to adopt its tax rate before receiving the certified appraisal roll. A 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.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property. The District has no lien for unpaid taxes on personal property but does have a lien for unpaid taxes upon real property, which lien is discharged upon payment. On January 1 of each year, such tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The District's tax lien is on a parity with the tax liens of other such taxing units. A tax lien on real property taxes takes priority over the claims 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. The automatic stay in bankruptcy will prevent the automatic attachment of tax liens with respect to post-petition tax years unless relief is sought and granted by the bankruptcy judge. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

Except with respect to taxpayers who are 65 years of age or older, 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, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights, or by bankruptcy proceedings which restrict the collection of taxpayer debts.

THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT

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

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

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

The District does not collect an additional 20% penalty to defray attorney costs in the collection of delinquent taxes over and above the penalty automatically assessed under the Tax Code.

The District's taxes are collected by the Potter and Randall County Tax Assessors/Collectors.

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

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

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

The District has not granted the freeport exemption. The District has not taken action to tax goods-in-transit.

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

Date	Penalty	Interest	Cumulative Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, the penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, State law allows that, if an account is delinquent in July, a district may authorize an amount up to 20% attorney's collection fee may be added to the total tax penalty and interest charge.

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Litigation Relating to the Texas Public School Finance System

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

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

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

Possible Effects of Changes in Law on District Bonds

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

Overview

The following language constitutes only a summary of the Finance System as it is currently structured. For a more complete description of school finance and fiscal management in the State, reference is made to Chapters 41 through 46 of the Texas Education Code, as amended.

Funding for school districts in the State is provided primarily from State and local sources. State funding for all school districts is provided through a set of funding formulas comprising the "Foundation School Program", as well as two facilities funding programs. Generally, the Finance System is designed to promote wealth equalization among school districts by balancing State and local sources of funds available to school districts. In particular, because districts with relatively high levels of property wealth per student can raise more local funding, such districts receive less State aid, and in some cases, are required to disburse local funds to equalize their overall funding relative to other school districts. Conversely, because districts with relatively low levels of property wealth per student have limited access to local funding, the Finance System is designed to provide more State funding to such districts. Thus, as a school district's property wealth per student increases, State funding to the school district is reduced. As a school district's property wealth per student declines, the Finance System is designed to increase that district's State funding. The Finance System provides a similar equalization system for facilities funding wherein districts with the same tax rate for debt service raise the same amount of combined State and local funding. Facilities funding for debt incurred in prior years is expected to continue in future years; however, State funding for new school facilities has not been consistently appropriated by the Texas Legislature, as further described below.

Local funding is derived from collections of ad valorem taxes levied on property located within each district's boundaries. School districts are authorized to levy two types of property taxes: a limited M&O tax to pay current expenses and an unlimited interest and sinking fund ("I&S") tax to pay debt service on bonds. Generally, under current law, M&O tax rates are subject to a statutory maximum rate of $1.17 per $100 of taxable value for most school districts (although a few districts can exceed the $1.17 limit as a result of authorization approved in the 1960s). Current law also requires school districts to demonstrate their ability to pay debt service on outstanding indebtedness through the levy of an ad valorem tax at a rate of not to exceed $0.50 per $100 of taxable property at the time bonds are issued. Once bonds are issued, however, districts may levy a tax to pay debt service on such bonds unlimited as to rate or amount (see "TAX RATE LIMITATIONS" herein). As noted above, because property values vary widely among school districts, the amount of local funding generated by the same tax rate is also subject to wide variation among school districts.

Local Funding for School Districts

The primary source of local funding for school districts is collections from ad valorem taxes levied against taxable property located in each school district. Prior to reform legislation that became effective during the 2006-2007 fiscal year (the "Reform Legislation"), the maximum M&O tax rate for most school districts was generally limited to $1.50 per $100 of taxable value. At the time the Reform Legislation was enacted, the majority of school districts were levying an M&O tax rate of $1.50 per $100 of taxable value. The Reform Legislation required each school district to "compress" its tax rate by an amount equal to the "State Compression Percentage". The State Compression Percentage is set by legislative appropriation for each State fiscal biennium or, in the absence of legislative appropriation, by the Commissioner. For the 2018-19 State fiscal biennium, the State Compression Percentage has been set at 66.67%, effectively setting the maximum compressed M&O tax rate for most school districts at $1.00 per $100 of taxable value. School districts are permitted, however, to generate additional local funds by raising their M&O tax rate by up to $0.04 above the compressed tax rate without voter approval (for most districts, up to $1.04 per $100 of taxable value). In addition, if the voters approve a tax rate increase through a local referendum, districts may, in general, increase their M&O tax rate up to a maximum M&O tax rate of $1.17 per $100 of taxable value and receive State equalization funds for such taxing effort (see "AD VALOREM TAX PROCEDURES – Public Hearing and Rollback Tax Rate"). Elections authorizing the levy of M&O taxes held in certain school districts under older laws, however, may subject M&O tax rates in such districts to other limitations (See "TAX RATE LIMITATIONS" herein).

State Funding for School Districts

State funding for school districts is provided through the Foundation School Program, which provides each school district with a minimum level of funding (a "Basic Allotment") for each student in average daily attendance ("ADA"). The Basic Allotment is calculated for each school district using various weights and adjustments based on the number of students in average daily attendance and also varies depending on each district's compressed tax rate. This Basic Allotment formula determines most of the allotments making up a district's basic level of funding, referred to as "Tier One" of the Foundation School Program. The basic level of funding is then "enriched" with additional funds known as "Tier Two" of the Foundation School Program. Tier Two provides a guaranteed level of funding for each cent of local tax effort that exceeds the compressed tax rate (for most districts, M&O tax rates above $1.00 per $100 of taxable value). 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. In 2017, the 85th Texas Legislature appropriated funds in the amount of $1,378,500,000 for the 2018-19 State fiscal biennium 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 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. Tier One and Tier Two allotments and existing EDA and IFA allotments are generally required to be funded each year by the Texas Legislature. Since future-year IFA awards were not funded by the Texas Legislature for the 2018-19 State fiscal biennium and debt service assistance on school district bonds that are not yet eligible for EDA is not available, debt service on new bonds issued by districts to construct, acquire and improve facilities must be funded solely from local I&S taxes.

Tier One allotments are intended to provide all districts a basic level of education necessary to meet applicable legal standards. Tier Two allotments are intended to guarantee each school district that is not subject to the wealth transfer provisions described below an opportunity to supplement that basic program at a level of its own choice; however, Tier Two allotments may not be used for the payment of debt service or capital outlay.

As described above, the cost of the basic program is based on an allotment per student known as the "Basic Allotment". For the 2018-19 State fiscal biennium, the Basic Allotment is $5,140 for each student in average daily attendance. The Basic Allotment is then adjusted for all districts by several different weights to account for inherent differences between school districts. These weights consist of (i) a cost adjustment factor intended to address varying economic conditions that affect teacher hiring known as the "cost of education index", (ii) district-size adjustments for small and mid-size districts, and (iii) an adjustment for the sparsity of the district's student population. The cost of education index, district-size and population sparsity adjustments, as applied to the Basic Allotment, create what is referred to as the "Adjusted Allotment". The Adjusted Allotment is used to compute a "regular program allotment", as well as various other allotments associated with educating students with other specified educational needs.

Tier Two supplements the basic funding of Tier One and provides two levels of enrichment with different guaranteed yields (i.e., guaranteed levels of funding by the State) depending on the district's local tax effort. The first six cents of tax effort that exceeds the compressed tax rate (for most districts, M&O tax rates ranging from $1.00 to $1.06 per $100 of taxable value) will, for most districts, generate the a guaranteed yield of $99.41 and $106.28 per cent per weighted student in average daily attendance ("WADA") in the 2017-18 and 2018-19 State fiscal years, respectively. The second level of Tier Two is generated by tax effort that exceeds the district's compressed tax rate plus six cents (for most districts eligible for this level of funding, M&O tax rates ranging from $1.06 to $1.17 per $100 of taxable value) and has a guaranteed yield per cent per WADA of $31.95 for the 2018-19 State fiscal biennium. Property-wealthy school districts that have an M&O tax rate that exceeds the district's compressed tax rate plus six cents are subject to recapture above this tax rate level at the equivalent wealth per student of $319,500 (see "Wealth Transfer Provisions" below).

Previously, a district with a compressed tax rate below $1.00 per $100 of taxable value (known as a "fractionally funded district") received a Basic Allotment which was reduced proportionately to the degree that the district's compressed tax rate fell short of $1.00. Beginning in the 2017-2018 fiscal year, the compressed tax rate of a fractionally funded district now includes the portion of such district's current M&O tax rate in excess of the first six cents above the district's compressed tax rate until the district's compressed tax rate is equal to the state maximum compressed tax rate of $1.00. Thus, for fractionally funded districts, each eligible one cent of M&O tax levy above the district's compressed tax rate plus six cents will have a guaranteed yield based on Tier One funding instead of the Tier Two yield, thereby reducing the penalty against the Basic Allotment.

In addition to the operations funding components of the Foundation School Program discussed above, the Foundation School Program provides a facilities funding component consisting of the Instructional Facilities Allotment (IFA) program and the Existing Debt Allotment (EDA) program. These programs assist school districts in funding facilities by, generally, equalizing a district's I&S tax effort. The IFA guarantees each awarded school district a specified amount per student (the "IFA Guaranteed Yield") in State and local funds for each cent of tax effort to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate or improve instructional facilities. The guaranteed yield per cent of local tax effort per student in ADA has been $35 since this program first began in 1997. New awards of IFA are only available if appropriated funds are allocated for such purpose by the State Legislature. To receive an IFA award, in years where the State Legislature allocates appropriated funds for new IFA awards, a school district must apply to the Commissioner in accordance with rules adopted by the Commissioner before issuing the bonds to be paid with IFA state assistance. The total amount of debt service assistance over a biennium for which a district may be awarded is limited to the lesser of (1) the actual debt service payments made by the 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 district receives an IFA award for bonds, it is entitled to continue receiving State assistance for such bonds without reapplying to the Commissioner. The guaranteed level of State and local funds per student per cent of local tax effort applicable to the bonds may not be reduced below the level provided for the year in which the bonds were issued. The 85th State Legislature did not appropriate any funds for new IFA awards for the 2018-2019 State fiscal biennium; however, awards previously granted in years the State Legislature did appropriate funds for new IFA awards will continue to be funded. State financial assistance is provided for certain existing eligible debt issued by school districts through the EDA program. The EDA guaranteed yield (the "EDA Yield") was the same as the IFA Guaranteed Yield ($35 per cent of local tax effort per student in ADA). The 85th Texas Legislature changed the EDA Yield to the lesser of (i) $40 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 districts would have been entitled to if the EDA Yield were $35. The yield for the 2017-2018 fiscal year is approximately $37. The portion of a district's local debt service rate that qualifies for EDA assistance is limited to the first 29 cents of debt service tax (or a greater amount for any year provided by appropriation by the Texas Legislature). In general, a district's bonds are eligible for EDA assistance if (i) the district made payments on the bonds during the final fiscal year of the preceding State fiscal biennium, or (ii) the 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 district may not receive EDA funding for the principal and interest on a series of otherwise eligible bonds for which the district receives IFA funding.

A district may also qualify for a NIFA allotment, which provides assistance to districts for operational expenses associated with opening new instructional facilities. The 85th Texas Legislature appropriated funds in the amount of $23,750,000 for each of the 2017-18 and 2018-19 State fiscal years for NIFA allotments.

2006 Legislation

Since the enactment of the Reform Legislation in 2006, most school districts in the State have operated with a "target" funding level per student ("Target Revenue") that is based upon the "hold harmless" principles embodied in the Reform Legislation. This system of Target Revenue was superimposed on the Foundation School Program and made existing funding formulas substantially less important for most school districts. The Reform Legislation was intended to lower M&O tax rates in order to give school districts "meaningful discretion" in setting their M&O tax rates, while holding school districts harmless by providing them with the same level of overall funding they received prior to the enactment of the Reform Legislation. To make up for this shortfall, the Reform Legislation authorized Additional State Aid for Tax Reduction ("ASATR") for each school district in an amount equal to the difference between the amount that each district would receive under the Foundation School Program and the amount of each district's Target Revenue funding level. However, in subsequent legislative sessions, the Texas Legislature has gradually reduced the reliance on ASATR by increasing the funding formulas, and beginning with the 2017-18 school year, the statutes authorizing ASATR are repealed (eliminating revenue targets and ASATR funding).

2017 Legislation

The 85th Texas Legislature, including the regular session which concluded on May 29, 2017 and the special session which concluded on August 15, 2017, did not enact substantive changes to the Finance System. However, certain bills during the regular session and House Bill 21, which was passed during the special session and signed by the Governor on August 16, 2017, revised certain aspects of the formulas used to determine school district entitlements under the Finance System. In addition to amounts previously discussed, the 85th Texas Legislature additionally appropriated funds to (i) establish a Financial Hardship Transition Program, which provides grants ("Hardship Grants") to those districts which were heavily reliant on ASATR funding, and (ii) provide an Adjustment for Rapid Decline in Taxable Value of Property ("DPV Decline Adjustment") for districts which experienced a decline in their tax base of more than four percent for tax years 2015 and 2016. A district may receive either a Hardship Grant or a DPV Decline Adjustment, but cannot receive both. In a case where a district would have been eligible to receive funding under both programs, the district will receive the greater of the two amounts.

Wealth Transfer Provisions

Some districts have sufficient property wealth per student in WADA ("wealth per student") to generate their statutory level of funding through collections of local property taxes alone. Districts whose wealth per student generates local property tax collections in excess of their statutory level of funding are referred to as "Chapter 41" districts because they are subject to the wealth equalization provisions contained in Chapter 41 of the Texas Education Code. Chapter 41 districts may receive State funds for certain competitive grants and a few programs that remain outside the Foundation School Program. Otherwise, Chapter 41 districts are not eligible to receive State funding. Furthermore, Chapter 41 districts must exercise certain measures in order to reduce their wealth level to equalized wealth levels of funding, as determined by formulas set forth in the Reform Legislation. For most Chapter 41 districts, this equalization process entails paying the portion of the district's local taxes collected in excess of the equalized wealth levels of funding to the State (for redistribution to other school districts) or directly to other school districts with a wealth per student that does not generate local funds sufficient to meet the statutory level of funding, a process known as "recapture".

The equalized wealth levels that subject Chapter 41 districts to recapture for the 2018-2019 State fiscal biennium are set at (i) $514,000 per student in WADA with respect to that portion of a district's M&O tax effort that does not exceed its compressed tax rate (for most districts, the first $1.00 per $100 of taxable value) and (ii) $319,500 per WADA with respect to that portion of a district's M&O tax effort that is beyond its compressed rate plus $.06 (for most districts, M&O taxes levied above $1.06 per $100 in taxable value). So long as the State's equalization program under Chapter 42 of the Texas Education Code is funded to provide tax revenue equivalent to that raised by the Austin Independent School District on the first six pennies of tax effort that exceed the compressed tax rate, then M&O taxes levied above $1.00 but at or below $1.06 per $100 of taxable value ("Golden Pennies") are not subject to the wealth equalization provisions of Chapter 41. Because funding at the Austin Independent School District level is currently being provided to school districts under Chapter 42 of the Texas Education Code, no recapture is currently associated with the Golden Pennies. Chapter 41 districts with a wealth per student above the lower equalized wealth level but below the higher equalized wealth level must equalize their wealth only with respect to the portion of their M&O tax rate, if any, in excess of $1.06 per $100 of taxable value. Under Chapter 41, a district has five options to reduce its wealth per student so that it does not exceed the equalized wealth levels: (1) a district may consolidate by agreement with one or more districts to form a consolidated district; all property and debt of the consolidating districts vest in the consolidated district; (2) a district may detach property from its territory for annexation by a property-poor district; (3) a district may purchase attendance credits from the State; (4) a district may contract to educate nonresident students from a property-poor district by sending money directly to one or more property-poor districts; or (5) a district may consolidate by agreement with one or more districts to form a consolidated taxing district solely to levy and distribute either M&O taxes or both M&O taxes and I&S taxes. A Chapter 41 district may also exercise any combination of these remedies. Options (3), (4) and (5) require prior approval by the Chapter 41 district's voters.

A district may not adopt a tax rate until its effective wealth per student is at or below the equalized wealth level. If a district fails to exercise a permitted option, the Commissioner must reduce the district's property wealth per student to the equalized wealth level by detaching certain types of property from the district and annexing the property to a property-poor district or, if necessary, consolidate the district with a property-poor district. Provisions governing detachment and annexation of taxable property by the Commissioner do not provide for assumption of any of the transferring district's existing debt. The Commissioner has not been required to detach property in the absence of a district failing to select another wealth-equalization option.

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

The District's wealth per student for the 2017-18 school year is less than the equalized wealth value. Accordingly, the District has not been required to exercise one of the permitted wealth equalization options. As a district with wealth per student less than the equalized wealth value, 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 wealth per student must be tested for each future school year and, if it exceeds the maximum permitted level, must be reduced by exercise of one of the permitted wealth equalization options. Accordingly, if the District's wealth per student should continue to exceed the maximum permitted level in future school years, it will 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.

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

The information below concerning the State Permanent School Fund and the Guarantee Program for school district bonds has been provided by the Texas Education Agency (the "TEA") and is not guaranteed as to accuracy or completeness by, and is not construed as a representation by the District, the Financial Advisor, or the Purchaser.

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 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.

History and Purpose

The PSF was created with a $2,000,000 appropriation by the Texas Legislature (the "Legislature") in 1854 expressly for the benefit of the public schools of Texas. The Constitution of 1876 stipulated that certain lands and all proceeds from the sale of these lands should also constitute the PSF. Additional acts later gave more public domain land and rights to the PSF. In 1953, the U.S. Congress passed the Submerged Lands Act that relinquished to coastal states all rights of the U.S. navigable waters within state boundaries. If the state, by law, had set a larger boundary prior to or at the time of admission to the Union, or if the boundary had been approved by Congress, then the larger boundary applied. After three years of litigation (1957-1960), the U. S. Supreme Court on May 31, 1960, affirmed Texas' historic three marine leagues (10.35 miles) seaward boundary. Texas proved its submerged lands property rights to three leagues into the Gulf of Mexico by citing historic laws and treaties dating back to 1836. All lands lying within that limit belong to the PSF. The proceeds from the sale and the mineral-related rental of these lands, including bonuses, delay rentals and royalty payments, become the corpus of the Fund. Prior to the approval by the voters of the State of an amendment to the constitutional provision under which the Fund is established and administered, which occurred on September 13, 2003 (the "Total Return Constitutional Amendment"), and which is further described below, the PSF had as its main sources of revenues 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. The State School Land Board ("SLB") maintains the land endowment of the Fund on behalf of the Fund and is authorized to manage the investments of the capital gains, royalties and other investment income relating to the land endowment. The SLB is a three member board, the membership of which consists of the Commissioner of the Texas General Land Office (the "Land Commissioner") and two citizen members, one appointed by the Governor and one by the Texas Attorney General (the "Attorney General"). As of August 31, 2017, the General Land Office (the "GLO") managed approximately 21% of the PSF, as reflected in the fund balance of the PSF at that date.

The Texas Constitution describes the PSF as "permanent." Prior to the approval by Total Return Constitutional Amendment, only the income produced by the PSF was to be used to complement taxes in financing public education.

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 "Commissioner"), bonds properly issued by a school district are fully guaranteed by the corpus of 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 Commissioner. On approval by the Commissioner, bonds properly issued by a charter district participating in the Program are fully guaranteed by the corpus of the PSF. As described below, the implementation of the Charter District Bond Guarantee Program was deferred pending receipt of guidance from the Internal Revenue Service (the "IRS") which was received in September 2013, and the establishment of regulations to govern the program, which regulations 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 been requested to issue an opinion, with respect to its constitutional validity.

The sole purpose of the PSF is to assist in the funding of public education for present and future generations. Prior to the adoption of the Total Return Constitutional Amendment, all interest and dividends produced by Fund investments flowed into the Available School Fund (the "ASF"), where they are distributed to local school districts and open-enrollment charter schools based on average daily attendance. Any net gains from investments of the Fund accrue to the corpus of the PSF. Prior to the approval by the voters of the State of the Total Return Constitutional Amendment, costs of administering the PSF were allocated to the ASF. With the approval of the Total Return Constitutional Amendment, the administrative costs of the Fund have shifted from the ASF to the PSF. In fiscal year 2017 distributions to the ASF amounted to an estimated $212.49 per student and the total amount distributed to the ASF was $1,056.4 million.

Audited financial information for the PSF is provided annually through the PSF Comprehensive Annual Financial Report (the "Annual Report"), which is filed with the Municipal Securities Rulemaking Board ("MSRB"). The Annual Report includes the Message of the Executive Administrator of the Fund (the "Message") and the Management's Discussion and Analysis ("MD&A"). The Annual Report for the year ended August 31, 2017, when filed with the MSRB in accordance with the PSF undertaking and agreement made in accordance with Rule 15c2-12 ("Rule 15c2-12") of the federal 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, 2017 is derived from the audited financial statements of the PSF, which are included in the Annual Report when 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, 2017 and for a description of the financial results of the PSF for the year ended August 31, 2017, the most recent year for which audited financial information regarding the Fund is available. The 2017 Annual Report speaks only as of its date and the TEA has not obligated itself to update the 2017 Annual Report or any other Annual Report. The TEA posts each Annual Report, which includes statistical data regarding the Fund as of the close of each fiscal year, the most recent disclosure for the Guarantee Program, the Statement of Investment Objectives, Policies and Guidelines of the Texas Permanent School Fund, which is codified at 19 Texas Administrative Code, Chapter 33 (the "Investment Policy"), monthly updates with respect to the capacity of the Guarantee Program (collectively, the "Web Site Materials") on the TEA web site at http://tea.texas.gov/Finance_and_Grants/Permanent_School_Fund/ and with the MSRB at www.emma.msrb.org. Such monthly updates regarding the Guarantee Program are also incorporated herein and made a part hereof for all purposes. In addition to the Web Site Materials, the Fund is required to make quarterly filings with the SEC under Section 13(f) of the Securities Exchange Act of 1934. Such filings, which consist of a list of the Fund's holdings of securities specified in Section 13(f), including exchange-traded (*e.g.*, NYSE) or NASDAQ-quoted stocks, equity options and warrants, shares of closed-end investment companies and certain convertible debt securities, is available from the SEC at www.sec.gov/edgar.shtml. A list of the Fund's equity and fixed income holdings as of August 31 of each year is posted to the TEA web site and filed with the MSRB. Such list excludes holdings in the Fund's securities lending program. Such list, as filed, is incorporated herein and made a part hereof for all purposes.

The Total Return Constitutional Amendment

The Total Return Constitutional Amendment approved a fundamental change in the way that distributions are made to the ASF from the PSF. The Total Return Constitutional Amendment requires that PSF distributions to the ASF be determined using a total-return-based formula instead of the current-income-based formula, which was used from 1964 to the end of the 2003 fiscal year. The Total Return Constitutional Amendment provides that the total amount distributed from the Fund to the ASF: (1) in each year of a State fiscal biennium must be an amount that is not more than 6% of the average of the market value of the Fund, excluding real property (the "Distribution Rate"), on the last day of each of the sixteen State fiscal quarters preceding the Regular Session of the Legislature that begins before that State fiscal biennium (the "Distribution Measurement Period"), in accordance with the rate adopted by: (a) a vote of two-thirds of the total membership of the State Board of Education ("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"), at the request of the Chairman of the SBOE with regard to certain matters pertaining to the Distribution Rate and the determination of the Ten Year Total Return. In GA-0707 the Attorney General opined, among other advice, that (i) the Ten Year Total Return should be calculated on an annual basis, (ii) a contingency plan adopted by the SBOE, to permit monthly transfers equal in aggregate to the annual Distribution Rate to be halted and subsequently made up if such transfers temporarily exceed the Ten Year Total Return, is not prohibited by State law, provided that such contingency plan applies only within a fiscal year time basis, not on a biennium basis, and (iii) that the amount distributed from the Fund in a fiscal year may not exceed 6% of the average of the market value of the Fund or the Ten Year Total Return. In accordance with GA-0707, in the event that the Ten Year Total Return is exceeded during a fiscal year, transfers to the ASF will be halted. However, if the Ten Year Total Return subsequently increases during that biennium, transfers may be resumed, if the SBOE has provided for that contingency, and made in full during the remaining period of the biennium, subject to the limit of 6% in any one fiscal year. Any shortfall in the transfer that results from such events from one biennium may not be paid over to the ASF in a subsequent biennium as the SBOE would make a separate payout determination for that subsequent biennium.

In determining the Distribution Rate, the SBOE has adopted the goal of maximizing the amount distributed from the Fund in a manner designed to preserve "intergenerational equity." Intergenerational equity 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 its staff and external investment consultant, 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 the average daily scholastic attendance State-wide, the projected contributions and expenses of the Fund, projected returns in the capital markets and a projected inflation rate.

See "2011 Constitutional Amendment" below for a discussion of the historic and current Distribution Rates, and a description of amendments made to the Texas Constitution on November 8, 2011 that may affect Distribution Rate decisions.

Since the enactment of a prior amendment to the Texas Constitution in 1964, the investment of the Fund has been managed with the dual objectives of producing current income for transfer to the ASF and growing the Fund for the benefit of future generations. As a result of this prior constitutional framework, prior to the adoption of the 2004 asset allocation policy the investment of the Fund historically included a significant amount of fixed income investments and dividend-yielding equity investments, to produce income for transfer to the ASF.

With respect to the management of the Fund's financial assets portfolio, the single most significant change made to date as a result of the Total Return Constitutional Amendment has been new asset allocation policies adopted from time to time by the SBOE. The SBOE generally reviews the asset allocations during its summer meeting in even numbered years. The first asset allocation policy adopted by the SBOE following the Total Return Constitutional Amendment was in February 2004, and the policy was reviewed and modified or reaffirmed in the summers of 2006, 2008, 2010, 2012, 2014 and 2016. The Fund's investment policy provides for minimum and maximum ranges among the components of each of the asset classifications: equities, fixed income and alternative asset investments. The 2004 asset allocation policy decreased the fixed income target from 45% to 25% of Fund investment assets and increased the allocation for equities from 55% to 75% of investment assets. Subsequent asset allocation policies have continued to diversify Fund assets, and have added an alternative asset allocation to the fixed income and equity allocations. The alternative asset allocation category includes real estate, real return, absolute return and private equity components. Alternative asset classes diversify the SBOE-managed assets and are not as correlated to traditional asset classes, which is intended to increase investment returns over the long run while reducing risk and return volatility of the portfolio. The most recent asset allocation, from 2016, is as follows: (i) an equity allocation of 35% (consisting of U.S. large cap equities targeted at 13%, emerging and international equities at 17% and U.S. small/mid cap equities at 5%), (ii) a fixed income allocation of 19% (consisting of a 12% allocation for core bonds and a 7% allocation for emerging market debt in local currency) and (iii) an alternative asset allocation of 46% (consisting of a private equity allocation of 13%, a real estate allocation of 10%, an absolute return allocation of 10%, a risk parity allocation of 7% and a real return allocation of 6%). The 2016 asset allocation decreased U.S. large cap equities and international equities by 3% and 2%, respectively, and increased the allocations for private equity and real estate by 3% and 2%, respectively.

For a variety of reasons, each change in asset allocation for the Fund, including the 2016 modifications, have been implemented in phases, and that approach is likely to be carried forward when and if the asset allocation policy is again modified. At August 31, 2017, the Fund's financial assets portfolio was invested as follows: 43.16% in public market equity investments; 12.86% in fixed income investments; 9.99% in absolute return assets; 7.02% in private equity assets; 7.40% in real estate assets; 6.83% in risk parity assets; 5.44% in real return assets; 6.99% in emerging market debt; and 0.31% in unallocated cash.

Following on previous decisions to create strategic relationships with investment managers in certain asset classes, in September 2015 and January 2016, the SBOE approved the implementation of direct investment programs in private equity and absolute return assets, respectively, which has continued to reduce administrative costs with respect to those portfolios. The Attorney General has advised the SBOE in Op. Tex. Att'y Gen. No. GA-0998 (2013) ("GA-0998"), that the PSF is not subject to requirements of certain State competitive bidding laws with respect to the selection of investments. In GA-0998, the Attorney General also advised that the SBOE generally must use competitive bidding for the selection of investment managers and other third party providers of investment services, such as record keeping and insurance, but excluding certain professional services, such as accounting services, as State law prohibits the use of competitive bidding for specified professional services. GA-0998 provides guidance to the SBOE in connection with the direct management of alternative investments through investment vehicles to be created by the SBOE, in lieu of contracting with external managers for such services, as has been the recent practice of the PSF. The PSF staff and the Fund's investment advisor are tasked with advising the SBOE with respect to the implementation of the Fund's asset allocation policy, including the timing and manner of the selection of any external managers and other consultants.

In accordance with the Texas Constitution, the SBOE views the PSF as a perpetual institution, and the Fund is managed as an endowment fund with a long-term investment horizon. Under the total-return investment objective, the Investment Policy provides that the PSF shall be managed consistently with respect to the following: generating income for the benefit of the public free schools of Texas, the real growth of the corpus of the PSF, protecting capital, and balancing the needs of present and future generations of Texas school children. As described above, the Total Return Constitutional Amendment restricts the annual pay-out from the Fund to the total-return on all investment assets of the Fund over a rolling ten-year period. State law provides that each transfer of funds from the PSF to the ASF is made monthly, with each transfer to be in the amount of one-twelfth of the annual distribution. The heavier weighting of equity securities and alternative assets relative to fixed income investments has resulted in greater volatility of the value of the Fund. Given the greater weighting in the overall portfolio of passively managed investments, it is expected that the Fund will reflect the general performance returns of the markets in which the Fund is invested.

The asset allocation of the Fund's financial assets portfolio is subject to change by the SBOE from time to time based upon a number of factors, including recommendations to the SBOE made by internal investment staff and external consultants, changes made by the SBOE without regard to such recommendations and directives of the Legislature. Fund performance may also be affected by factors other than asset allocation, including, without limitation, the general performance of the securities markets in the United States and abroad; political and investment considerations including those relating to socially responsible investing; economic impacts relating to domestic and international climate change; application of the prudent person investment 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 limitations on the number and compensation of internal and external investment staff, which is subject to legislative oversight. The Guarantee Program could also be impacted by changes in State or federal law or the implementation of new accounting standards.

Management and Administration of the Fund

The Texas Constitution and applicable statutes delegate to the SBOE the authority and responsibility for investment of the PSF's financial assets. In investing the Fund, the SBOE is charged with exercising 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 SBOE has adopted a "Statement of Investment Objectives, Policies, and Guidelines of the Texas Permanent School Fund," which is codified in the Texas Administrative Code beginning at 19 TAC section 33.1.

The Total Return Constitutional Amendment provides that expenses of managing the PSF are to be paid "by appropriation" from the PSF. In January 2005, at the request of the SBOE, the Attorney General issued a legal opinion, Op. Tex. Att'y Gen. No. GA-0293 (2005), that the Total Return Constitutional Amendment requires that SBOE expenditures for managing or administering PSF investments, including payments to external investment managers, be paid from appropriations made by the Legislature, but 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.

Texas law assigns control of the Fund's land and mineral rights to the three-member SLB, which consists of the elected Commissioner of the GLO, an appointee of the Governor, and an appointee of the Attorney General. Administrative duties related to the land and mineral rights reside with the GLO, which is under the guidance of the Commissioner of the GLO. In 2007, the Legislature established the real estate special fund account of the PSF (the "Real Estate Account") consisting of proceeds and revenue from land, mineral or royalty interest, real estate investment, or other interest, including revenue received from those sources, that is set apart to the PSF under the Texas Constitution and laws, together with the mineral estate in riverbeds, channels, and the tidelands, including islands. The investment of the Real Estate Account is subject to the sole and exclusive management and control of the SLB and the Land Commissioner, who is also the head of the GLO. The 2007 legislation presented constitutional questions regarding the respective roles of the SBOE and the SLB relating to the disposition of proceeds of real estate transactions to the ASF, among other questions. Amounts in the investment portfolio of the PSF are taken into account by the SBOE for purposes of determining the Distribution Rate. An amendment to the Texas Constitution was approved by State voters on November 8, 2011, which permits the SLB to make transfers directly to the ASF, see "2011 Constitutional Amendment" below.

The SBOE contracts with its securities custodial agent to measure the performance of the total return of the Fund's financial assets. A consultant is typically retained for the purpose of providing consultation with respect to strategic asset allocation decisions and to assist the SBOE in selecting external fund management advisors. The SBOE also contracts with financial institutions for custodial and securities lending services. Like other State agencies and instrumentalities that manage large investment portfolios, the PSF has implemented an incentive compensation plan that may provide additional compensation for investment personnel, depending upon the criteria relating to the investment performance of the Fund.

As noted above, the Texas Constitution and applicable statutes make the SBOE responsible for investment of the PSF's financial assets. By law, the Commissioner is appointed by the Governor, with Senate confirmation, and assists the SBOE, but the Commissioner can neither be hired nor dismissed by the SBOE. The Executive Administrator of the Fund is also hired by and reports to the Commissioner. Moreover, although the Fund's Executive Administrator and his staff implement the decisions of and provide information to the School Finance/PSF Committee of the SBOE and the full SBOE, the SBOE can neither select nor dismiss the Executive Administrator. TEA's General Counsel provides legal advice to the Executive Administrator and to the SBOE. The SBOE has also engaged outside counsel to advise it as to its duties over 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.

Capacity Limits for the Guarantee Program

The capacity of the Fund to guarantee bonds under the Guarantee Program is limited in two ways: by State law (the "State Capacity Limit") and by regulations and a notice issued by the IRS (the "IRS Limit"). Prior to May 20, 2003, the State Capacity Limit was equal to two times the lower of cost or fair market value of the Fund's assets, exclusive of real estate. During the 78th Regular Session of the Legislature in 2003, legislation was enacted that increased the State Capacity Limit by 25%, to two and one half times the lower of cost or fair market value of the Fund's assets as estimated by the SBOE and certified by the State Auditor, and eliminated the real estate exclusion from the calculation. Prior to the issuance of the IRS Notice (defined below), the capacity of the program under the IRS Limit was limited to two and one-half times the lower of cost or fair market value of the Fund's assets adjusted by a factor that excluded additions to the Fund made since May 14, 1989. During the 2007 Texas Legislature, Senate Bill 389 ("SB 389") was enacted providing for additional 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 provides that the SBOE shall at least annually consider whether to change the capacity of the Guarantee Program. 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 on the basis of receipt of the IRS Notice.

On December 16, 2009, the IRS published Notice 2010-5 (the "IRS Notice") stating that the IRS will issue proposed regulations amending the existing regulations to raise the IRS limit to 500% of the total cost of the assets held by the PSF as of December 16, 2009. In accordance with the IRS Notice, the amount of any new bonds to be guaranteed by the PSF, together with the then outstanding amount of bonds previously guaranteed by the PSF, must not exceed the IRS limit on the sale date of the new bonds to be guaranteed. The IRS Notice further provides that the IRS Notice may be relied upon for bonds sold on or after December 16, 2009, and before the effective date of future regulations or other public administrative guidance affecting funds like the PSF.

On September 16, 2013, the IRS published proposed regulations (the "Proposed IRS Regulations") that, among other things, would enact the IRS Notice. The preamble to the Proposed IRS Regulations provides that issuers may elect to apply the Proposed IRS Regulations, in whole or in part, to bonds sold on or after September 16, 2013, and before the date that final regulations become effective.

On July 18, 2016, the IRS issued final regulations enacting the IRS Notice (the "Final IRS Regulations"). The Final IRS Regulations are effective for bonds sold on or after October 17, 2016. The IRS Notice, the Proposed IRS Regulations and the Final IRS Regulations establish a static capacity for the Guarantee Program based upon the cost value of Fund assets on December 16, 2009 multiplied by five. On December 16, 2009, the cost value of the Guarantee Program was $23,463,730,608 (estimated and unaudited), thereby producing an IRS Limit of approximately $117.3 billion. The State Capacity Limit is determined on the basis of the cost value of the Fund from time to time multiplied by the capacity multiplier determined annually by the SBOE, but not to exceed a multiplier of five. The capacity of the Guarantee Program will be limited to the lower of the State Capacity Limit or the IRS Limit. On May 21, 2010, the SBOE modified the regulations that govern the School District Bond

Guarantee Program (the "SDBGP Rules"), and increased the State Law Capacity 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 Commissioner may reduce the multiplier to maintain the AAA credit rating of the Guarantee Program, but provide that any changes to the multiplier made by the 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.

At its September 2015 meeting, the SBOE voted to modify the SDBGP Rules and the CDBGP Rules to increase the State Law Capacity from 3 times the cost value multiplier to 3.25 times. At that meeting, the SBOE also approved a new 5% capacity reserve for the Charter District Bond Guarantee Program. The change to the State Law Capacity became effective on February 1, 2016. At its November 2016 meeting, the SBOE again voted to increase the State Law Capacity and, in accordance with applicable requirements for the modification of SDBGP and CDBGP Rules, a second and final vote to approve the increase in the State Law Capacity occurred on February 3, 2017. As a result, the State Law Capacity increased from 3.25 times the cost value multiplier to 3.50 times effective March 1, 2017 and increased again to 3.75 times effective September 1, 2017; however, as described under "2017 Legislative Changes to the Charter District Bond Guarantee Program," the SBOE has approved the first of two required approvals of the rollback of a portion of the multiplier increase. Based upon the cost basis of the Fund at August 31, 2017, the State Law Capacity increased from $97,933,360,905 on August 31, 2016 to $111,568,711,072on August 31, 2017.

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 September 1, 2009, the Act provides that the SBOE may annually establish a percentage of the cost value of the Fund to be reserved from use in guaranteeing bonds. The capacity of the Guarantee Program in excess of any reserved portion is referred to herein as the "Capacity Reserve." The SDBGP Rules provide for a minimum Capacity Reserve for the overall Guarantee Program of no less than 5%, and provide that the amount of the Capacity Reserve may be increased by a majority vote of the SBOE. The CDBGP Rules provide for an additional 5% reserve of CDBGP capacity. The Commissioner is authorized to change the Capacity Reserve, which decision must be ratified or rejected by the SBOE at its next meeting following any change made by the Commissioner. The current Capacity Reserve is noted in the monthly updates with respect to the capacity of the Guarantee Program on the TEA web site at http://tea.texas.gov/Finance_and_Grants/Permanent_School_Fund/, which are also filed with the MSRB.

Based upon historical performance of the Fund, the legal restrictions relating to the amount of bonds that may be guaranteed has generally resulted in a lower ratio of guaranteed bonds to available assets as compared to many other types of credit enhancements that may be available for Texas school district bonds and charter district bonds. However, changes in the value of the Fund due to changes in securities markets, investment objectives of the Fund, an increase in bond issues by school districts in the State or legal restrictions on the Fund, the implementation of the Charter District Bond Guarantee Program, or an increase in the calculation base of the Fund for purposes of making transfers to the ASF, among other factors, could adversely affect the ratio of Fund assets to guaranteed bonds and the growth of the Fund in general. It is anticipated that the issuance of the IRS Notice and the Proposed IRS Regulations will likely result in a substantial increase in the amount of bonds guaranteed under the Guarantee Program. The implementation of the Charter School Bond Guarantee Program is also expected to increase the amount of guaranteed bonds.

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

The School District Bond Guarantee Program

The School District Bond Guarantee Program requires an application be made by a school district to the Commissioner for a guarantee of its bonds. If the conditions for the School District Bond Guarantee Program are satisfied, the guarantee becomes effective upon approval of the bonds by the Attorney General and remains in effect until the guaranteed bonds are paid or defeased, by a refunding or otherwise.

In the event of default, holders of guaranteed school district bonds will receive all payments due from the corpus of the PSF. Following a determination that a school district will be or is unable to pay maturing or matured principal or interest on any guaranteed bond, the Act requires the school district to notify the 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 Commissioner must cause to be transferred from the appropriate account in the PSF to the Paying Agent/Registrar an amount necessary to pay the maturing or matured principal and interest. Upon receipt of funds for payment of such principal or interest, the Paying Agent/Registrar must pay the amount due and forward the canceled bond or evidence of payment of the interest to the State Comptroller of Public Accounts (the "Comptroller"). The 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 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 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 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 SDBGP Rules limit guarantees to certain types of notes and bonds, including, with respect to refunding bonds issued by school districts, a requirement that the bonds produce debt service savings, and that bonds issued for capital facilities of school districts must have been voted as unlimited tax debt of the issuing district. The Guarantee Program Rules include certain accreditation criteria for districts applying for a guarantee of their bonds, and limit guarantees to districts that have less than the amount of annual debt service per average daily attendance that represents the 90th percentile of annual debt service per average daily attendance for all school districts, but such limitation will not apply to school districts that have enrollment growth of at least 25% over the previous five school years. The SDBGP Rules are codified in the Texas Administrative Code at 19 TAC section 33.65, and are available at http://ritter.tea.state.tx.us/rules/tac/chapter033/ch033a.html#33.65.

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 33.67, and are available at http://ritter.tea.state.tx.us/rules/tac/chapter033/ch033a.html#33.67.

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 Commissioner for designation as a "charter district" and for a guarantee by the PSF under the Act of bonds issued on behalf of a charter district by a non-profit corporation. If the conditions for the Charter District Bond Guarantee Program are satisfied, the guarantee becomes effective upon approval of the bonds by the Attorney General and remains in effect until the guaranteed bonds are paid or defeased, by a refunding or otherwise.

As of February 27, 2017 (the most recent date for which data is available), the percentage of students enrolled in open-enrollment charter schools (excluding charter schools authorized by school districts) to the total State scholastic census was approximately 5.10%. As of December 14, 2017, there were 182 active open-enrollment charter schools in the State and there were 717 charter school campuses operating under such charters (though as of such date, seven of such campuses' operations have not begun serving students for various reasons). Section 12.101, Texas Education Code, as amended by the Legislature in 2013, limits the number of charters that the Commissioner may grant to 215 charters as of the end of fiscal year 2014, with the number increasing in each fiscal year thereafter through 2019 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 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 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.

The Act 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 Commissioner is required to instruct the Comptroller to transfer from the Charter District Reserve Fund to the district's paying agent an amount necessary to pay the maturing or matured principal or interest. If money in the Charter District Reserve Fund is insufficient to pay the amount due on a bond for which a notice of default has been received, the Commissioner is required to instruct the Comptroller to transfer from the PSF to the district's paying agent the amount necessary to pay the balance of the unpaid maturing or matured principal or interest. If a total of two or more payments are made under the Charter District Bond Guarantee Program on charter district bonds and the Commissioner determines that the charter district is acting in bad faith under the program, the 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 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 purposes 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 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.

Beginning in July 2015, TEA began limiting new guarantees under the Charter District Bond Guarantee Program to conform to the Act and, subsequently, with CDBGP Rules that require the maintenance of a capacity reserve for the Charter District Bond Guarantee Program. Following the increase in the Program multiplier in February 2016 and the update of the percentage of students enrolled in open-enrollment charter schools to the total State scholastic census in March 2016, some new capacity became available under the Charter District Bond Guarantee Program, but that capacity was quickly exhausted. In accordance with the action of the SBOE on February 3, 2017, additional capacity for the Charter District Bond Guarantee Program became effective in two increments, implemented on March 1, 2017 and on September 1, 2017 (as described under "2017 Legislative Changes to the Charter District Bond Guarantee Program," an item to reverse the September 1, 2017 increase in the Program multiplier is on the agenda of the SBOE for its Winter 2018 meeting, which if approved will rollback that increase). In addition, legislation enacted during the Legislature's 2017 regular session modifies the manner of calculating the capacity of the Charter District Bond Guarantee Program (the "CDBGP Capacity"), which further increases the amount of the CDBGP Capacity, beginning with State fiscal year 2018, but that provision of the law does not increase overall Program capacity, it merely allocates capacity between the School District Bond Guarantee Program and the Charter District Bond Guarantee Program. See "Capacity Limits for the Guarantee Program" and "2017 Legislative Changes to the Charter District Bond Guarantee Program." Other factors that could increase the CDBGP Capacity include Fund investment performance, future increases in the Guarantee Program multiplier, changes in State law that govern the calculation of the CDBGP Capacity, as described below, 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 Program, or a combination of such circumstances.

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. The complete text of SB 1480 can be found at http://www.capitol.state.tx.us/tlodocs/85R/billtext/pdf/SB01480F.pdf#navpanes=0. SB 1480 modified how the CDBGP Capacity will be established under the Act effective as of September 1, 2017, and made other substantive changes to the Act that affects the Charter District Bond Guarantee Program. Prior to the enactment of SB 1480, the CDBGP Capacity was calculated as the State 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. As of August 31, 2017, the amount of outstanding bond guarantees represented 66.57% of the State Capacity Limit for the Guarantee Program. SB 1480 amended the CDBGP Capacity calculation so that the State 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 potentially substantially increasing the CDBGP Capacity. However, certain provisions of SB 1480, described below, and other additional factors described herein, could result in less than the maximum amount of the potential increase provided by SB 1480 being implemented by the SBOE or otherwise used by charter districts. Still other factors used in determining the CDBGP Capacity, such as the percentage of the charter district scholastic population to the overall public school scholastic population, could, in and of itself, increase the CDBGP Capacity, as that percentage has grown from 3.53% in September, 2012 to 5.10% in March 2017, representing a growth of 45%. TEA is unable to predict how the ratio of charter district students to the total State scholastic population will change over time.

SB 1480 provides that the implementation of the new method of calculating the CDBGP Capacity will begin with the State fiscal year that commences September 1, 2021 (the State's fiscal year 2022). However, for the intervening four fiscal years, beginning with fiscal year 2018, SB 1480 provides that the SBOE may establish a CDBGP Capacity that increases the amount of charter district bonds that may be guaranteed by up to a cumulative 20% in each fiscal year (for a total maximum increase of 80% in fiscal year 2021) as compared to the capacity figure calculated under the Act as of January 1, 2017. However, SB 1480 provides that in making its annual determination of the magnitude of an increase for any year, the SBOE may establish a lower (or no) increase if the SBOE determines that an increase in the CDBGP Capacity would likely result in a negative impact on the bond ratings for the Bond Guarantee Program (see "Ratings of Bonds Guaranteed Under the Guarantee Program") or if one or more charter districts default on payment of principal or interest on a guaranteed bond, resulting in a negative impact on the bond ratings of the Bond Guarantee Program. The provisions of SB 1480 that provide for discretionary, incremental increases in the CDBGP expire September 1, 2022. If the SBOE makes a determination for any year based upon the potential ratings impact on the Bond Guarantee Program and modifies the increase that would otherwise be implemented under SB 1480 for that year, the SBOE may also make appropriate adjustments to the schedule for subsequent years to reflect the modification, provided that the CDBGP Capacity for any year may not exceed the limit provided in the schedule set forth in SB 1480. In September 2017, the SBOE voted to authorize the full 20% increase in the amount of charter district bonds that may be guaranteed for fiscal year 2018, which increases the relative capacity of the Charter District Bond Guarantee Program to the School District Bond Guarantee Program for that fiscal year.

Taking into account the enactment of SB 1480 and the increase in the CDBGP Capacity effected thereby, at its November 2017 meeting the SBOE approved on the first of two required readings amendments to the SDBGP Rules to rollback the multiplier from 3.75 times market value to 3.50 times. The SBOE is expected to finally approve that reduction at its Winter 2018 meeting. Moreover, it should be noted that given the market value of the Fund at August 31, 2017, a 3.75 times multiplier would result in the State Capacity Limit exceeding the IRS Limit for the Guarantee Program.

In addition to modifying the manner of determining the CDBGP Capacity, SB 1480 provides that the Commissioner, in making a determination as to whether to approve a guarantee for a charter district, may consider any additional reasonable factor that the Commissioner determines to be necessary to protect the Bond Guarantee Program or minimize risk to the PSF, including: (1) whether the charter district had an average daily attendance of more than 75 percent of its student capacity for each of the preceding three school years, or for each school year of operation if the charter district has not been in operation for the preceding three school years; (2) the performance of the charter district under certain performance criteria set forth in Education Code Sections 39.053 and 39.054; and (3) any other indicator of performance that could affect the charter district's financial performance. Also, SB 1480 provides that the 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 Commissioner may decline to approve the application if the Commissioner determines that sufficient security is not provided. The Act and the CDBGP Rules previously required the Commissioner to make an investigation of the accreditation status and certain financial criteria for a charter district applying for a bond guarantee, which remain in place.

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 Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 10 percent 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 Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 20 percent 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 three percent (3.00%) of the total amount of outstanding guaranteed bonds issued by charter districts. As of August 31, 2017, the Charter District Reserve Fund represented approximately 0.23% of the guaranteed charter district bonds. SB 1480 also authorized the SBOE to manage the Charter District Reserve Fund in the same manner as it manages the PSF. Previously, the Charter District Reserve Fund was held by the Comptroller, but in September 2017, the SBOE authorized the PSF staff to begin the process of transferring the management of the Reserve Fund to the PSF, where it is expected to be held and invested as a non-commingled fund under the administration of the PSF 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. The amount of such State payments a charter district receives is based on a variety of factors, including the enrollment at the schools operated by a charter district. The overall amount of education aid provided by the State for charter schools in any year is also subject to appropriation by the Legislature. The Legislature may base its decisions about appropriations for charter schools on many factors, including the State's economic performance. Further, because some public officials, their constituents, commentators and others have viewed charter schools as controversial, political factors may also come to bear on charter school funding, and such factors are subject to change.

Other than credit support for charter district bonds that is provided to qualifying charter districts by the Charter District Bond Guarantee Program, under current law, open-enrollment charter schools generally do not receive a dedicated funding allocation from the State to assist with the construction and acquisition of new facilities. However, during the 85th Regular Session of the Legislature in 2017, legislation was enacted that, for the first time, provided a limited appropriation in the amount of $60 million for the 2018-2019 biennium for charter districts having an acceptable performance rating. A charter district that receives funding under this program may use the funds to lease or pay property taxes imposed on an instructional facility; to pay debt service on bonds that financed an instructional facility; or for any other purpose related to the purchase, lease, sale, acquisition, or maintenance of an instructional facility. 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.

The maintenance of a State-granted charter is dependent upon on-going compliance with State law and TEA regulations, and TEA monitors compliance with applicable standards. 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.

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 establishes a Charter District Reserve Fund, which could in the future be a significant reimbursement resource for the PSF. At November 30, 2017, the Charter District Reserve Fund contained $4,441,512.

Potential Impact of Hurricane Harvey on the PSF

Hurricane Harvey struck coastal Texas on August 26, 2017, resulting in historic levels of rainfall. The TEA believes that the storm impacted more than 1.3 million students enrolled in some 157 school districts, and approximately 58,000 students in 27 charter schools along the Texas Gulf Coast. Many of the impacted school districts and two charter districts have bonds guaranteed by the PSF. It is possible that the affected districts will need to borrow to repair or replace damaged facilities, which could require increased bond issuance and applications to the TEA for PSF bond guarantees. In addition, the storm damage and any lingering economic damage in the area could adversely affect the tax base (for school districts) and credit quality of school districts and charter districts with bonds that are or will be guaranteed by the PSF.

As of mid-December, 2017, the TEA, members of the Legislature and the Governor, among others, were developing programs to provide financial assistance to affected school districts and charter districts, particularly with regard to funding assistance for facility repairs and construction and to offset tax base and/or revenue loss to affected districts. The composition of any final programs that may be implemented cannot be predicted, and are likely to be subject to future State legislative and administrative actions, available amounts of federal and private disaster relief for affected schools, and other factors. In early October, the TEA had initiated programs designed to hold school districts and charter districts harmless for the loss of State funding associated with declines in average daily attendance for the remainder of fiscal year 2018. In the past, storm damage in the affected areas caused multiple year impacts to affected schools with respect to both attendance figures and tax base (for school districts), and the damage caused by Harvey is expected to be well in excess of previous storm damage.

Most school district and charter district bonds that are guaranteed by the PSF are fixed rate bonds that pay principal on an annual basis and interest on a semiannual basis, in February and August of each year. The hurricane hit the Texas coast after the August 2017 payment dates, so the first payment cycle that could be affected by the storm will occur in February 2018. As of mid-December, 2017, the TEA was unaware of any issuer of guaranteed bonds that has indicated an inability to make their bond payments on a timely basis, although TEA is continuing to collect financial impact information from affected districts. In addition, the Act requires that an issuer of guaranteed bonds notify the PSF five days prior to a scheduled payment date if it will not be able to make timely payment on guaranteed bonds. As a consequence, as of mid-December 2017, the TEA cannot predict whether there will need to be a draw on the Guarantee Program for payments on guaranteed bonds due in the fiscal year 2018 or thereafter. It should be noted that the PSF is managed to maintain liquidity for any draws on the program. Moreover, as described under "The School District Bond Guarantee Program" and "The Charter District Bond Guarantee Program," both parts of the Bond Guarantee Program operate in accordance with the Act as "intercept" programs, providing liquidity for guaranteed bonds, and draws on the PSF are required to be restored from the first State money payable to a school district or a charter district that fails to make a guaranteed payment on its bonds.

Ratings of Bonds Guaranteed Under the Guarantee Program

Moody's Investors Service, S&P Global Ratings and Fitch Ratings rate bonds guaranteed by the PSF "Aaa," "AAA" and "AAA," respectively. Not all districts apply for multiple ratings on their bonds, however. See "RATINGS" herein.

Valuation of the PSF and Guaranteed Bonds

Permanent School Fund Valuations

Fiscal Year Ended 8/31	Book Value(1)	Market Value(1)
2013	$25,599,296,902	$33,163,242,374
2014	27,596,692,541	38,445,519,225
2015	29,081,052,900	36,196,265,273
2016	30,128,037,903	37,279,799,335
2017(2)	31,870,581,428	41,438,672,573

(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 TEA uses current, unaudited values for TEA managed investment portfolios and cash held by the SLB. 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 by the SLB. The SLB reports that information to the PSF 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, 2017, mineral assets, sovereign and other lands and internally managed discretionary real estate, external discretionary real estate investments, domestic equities, and cash managed by the SLB had book values of approximately $13.43 million, $247.64 million, $2,797.05 million, $4.71 million, and $3,399.05 million, respectively, and market values of approximately $1,870.22 million, $651.40 million, $2,788.02 million, $2.09 million, and $3,399.05 million, respectively. At November 30, 2017, the PSF had a book value of $32,001,966,103 and a market value of $42,311,176,980. November 30, 2017 values are based on unaudited data, which is subject to adjustment.

Permanent School Fund Guaranteed Bonds

At 8/31	Principal Amount(1)
2013	$55,218,889,156
2014	58,364,350,783
2015	63,955,449,047
2016	68,303,328,445
2017	74,266,090,023(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) As of August 31, 2017 (the most recent date for which such data is available), the TEA expected that the principal and interest to be paid by school districts over the remaining life of the bonds guaranteed by the Guarantee Program was $117,195,729,512, of which $42,929,639,489 represents interest to be paid. As shown in the table above, at August 31, 2017, there were $74,266,090,023 in principal amount of bonds guaranteed under the Guarantee Program and based on the cost value of the Fund at August 31, 2017 the capacity of the Guarantee Program at that date was $111,568,711,072. The Program capacity at August 31, 2017 takes into account the increases in the cost value multiplier effective February 1, 2016 and March 1, 2017, which cumulatively increased the multiplier from 3 times to 3.50 times, but does not take into account the September 1, 2017 increase in the multiplier to 3.75. Using the IRS Limit, which is the lower of the two federal and State capacity limits of Program capacity, of $117,318,653,038, at August 31, 2017 98.28% of Program capacity was available to the School District Bond Guarantee Program and 1.72% was available to the Charter District Bond Guarantee Program.

Permanent School Fund Guaranteed Bonds by Category[1]

	School District Bonds		Charter District Bonds		Totals	
Fiscal Year Ended 8/31	No. of Issues	Principal Amount	No. of Issues	Principal Amount	No. of Issues	Principal Amount
2014[2]	2,869	$58,061,805,783	10	$302,545,000	2,879	$58,364,350,783
2015	3,089	63,197,514,047	28	757,935,000	3,117	63,955,449,047
2016	3,244	67,342,303,445	35	961,025,000	3,279	68,303,328,445
2017[3]	3,253	72,884,480,023	40	1,381,610,000	3,293	74,266,090,023

(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) Fiscal 2014 was the first year of operation of the Charter District Bond Guarantee Program.

(3) At November 30, 2017 (based on unaudited data, which is subject to adjustment), there were $75,619,800,600 of bonds guaranteed under the Guarantee Program, representing 3,313 school district issues, aggregating $74,207,390,600 in principal amount and 43 charter district issues, aggregating $1,412,410,000 in principal amount. At November 30, 2017, the capacity allocation of the Charter District Bond Guarantee Program was $2,013,789,828 (based on unaudited data, which is subject to adjustment).

Discussion and Analysis Pertaining to Fiscal Year Ended August 31, 2017

The following discussion is derived from the Annual Report for the year ended August 31, 2017, including the Message of the Executive Administrator of the Fund and the Management's Discussion and Analysis contained therein. Reference is made to the Annual Report, when filed, for the complete Message and MD&A. Investment assets managed by the fifteen member SBOE are referred to throughout this MD&A as the PSF(SBOE) assets. As of August 31, 2017, the Fund's land, mineral rights and certain real assets are managed by the three-member SLB and these assets are referred to throughout as the PSF(SLB) assets. The current PSF asset allocation policy includes an allocation for real estate investments, and as such investments are made, and become a part of the PSF investment portfolio, those investments will be managed by the SBOE and not the SLB.

At the end of fiscal 2017, the Fund balance was $41.4 billion, an increase of $4.2 billion from the prior year. This increase is primarily due to overall increases in value of all asset classes in which the Fund has invested. During the year, the SBOE continued implementing the long term strategic asset allocation, diversifying the PSF(SBOE) to strengthen the Fund. The asset allocation is projected to increase returns over the long run while reducing risk and portfolio return volatility. The PSF(SBOE) annual rates of return for the one-year, five-year, and ten-year periods ending August 31, 2017, were 11.96%, 8.26% and 5.49%, 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). In addition, the SLB continued its shift into externally managed real asset investment funds, and the one-year, three-year, and five-year annualized total returns for the PSF(SLB) real assets, including cash, were 10.35%, 7.19%, and 7.77%, respectively.

The market value of the Fund's assets is directly impacted by the performance of the various financial markets in which the assets are invested. The most important factors affecting investment performance are the asset allocation decisions made by the SBOE and SLB. The current SBOE long term asset allocation policy allows for diversification of the PSF(SBOE) portfolio into alternative asset classes whose returns are not as positively correlated as traditional asset classes. The implementation of the long term asset allocation will occur over several fiscal years and is expected to provide incremental total return at reduced risk. As of August 31, 2017, the PSF(SBOE) portion of the Fund had diversified into emerging market and large cap international equities, absolute return funds, real estate, private equity, risk parity, real return Treasury Inflation-Protected Securities, real return commodities, and emerging market debt.

As of August 31, 2017, the SBOE has approved and the Fund made capital commitments to externally managed real estate investment funds in a total amount of $3.31 billion and capital commitments to private equity limited partnerships for a total of $3.83 billion. Unfunded commitments at August 31, 2017, totaled $1.35 billion in real estate investments and $1.54 billion in private equity investments.

The PSF(SLB) portfolio is generally characterized by three broad categories: (1) discretionary real assets investments, (2) sovereign and other lands, and (3) mineral interests. Discretionary real assets investments consist of externally managed real estate, infrastructure, and energy/minerals investment funds; internally managed direct real estate investments, and cash. Sovereign and other lands consist primarily of the lands set aside to the PSF when it was created. Mineral interests consist of all of the minerals that are associated with PSF lands. The investment focus of PSF(SLB) discretionary real assets investments has shifted from internally managed direct real estate investments to externally managed real assets investment funds. The PSF(SLB) makes investments in certain limited partnerships that legally commit it to possible future capital contributions. At August 31, 2017, the remaining commitments totaled approximately $2.042 billion.

The PSF(SBOE)'s investment in domestic large cap, domestic small/mid cap, international large cap, and emerging market equity securities experienced returns of 16.30%, 12.80%, 19.04%, and 26.28%, respectively, during the fiscal year ended August 31, 2017. The PSF(SBOE)'s investment in domestic fixed income securities produced a return of 1.61% during the fiscal year and absolute return investments yielded a return of 7.32%. The PSF(SBOE) real estate and private equity investments returned 10.52% and 16.35%, respectively. Risk parity assets produced a return of 8.77%, while real return assets yielded 2.38%. Emerging market debt produced a return of 11.84%. Combined, all PSF(SBOE) asset classes produced an investment return of 11.96% for the fiscal year ended August 31, 2017, out-performing the benchmark index of 10.66% by approximately 130 basis points. All PSF(SLB) real assets (including cash) returned 10.35% for the fiscal year ending August 31, 2017.

For fiscal year 2017, total revenues, inclusive of unrealized gains and losses and net of security lending rebates and fees, totaled $5.4 billion, an increase of $2.7 billion from fiscal year 2016 earnings of $2.7 billion. This increase reflects the performance of the securities markets in which the Fund was invested in fiscal year 2017. In fiscal year 2017, revenues earned by the Fund included lease payments, bonuses and royalty income received from oil, gas and mineral leases; lease payments from commercial real estate; surface lease and easement revenues; revenues from the resale of natural and liquid gas supplies; dividends, interest, and securities lending revenues; the net change in the fair value of the investment portfolio; and, other miscellaneous fees and income.

Expenditures are paid from the Fund before distributions are made under the total return formula. Such expenditures include the costs incurred by the SLB to manage the land endowment, as well as operational costs of the Fund, including external management fees paid from appropriated funds. Total operating expenditures, net of security lending rebates and fees, increased 30.6% for the fiscal year ending August 31, 2017. This increase is primarily attributable to an increase in PSF(SLB) operational costs and generally larger quantities of purchased gas for resale in the State Energy Management Program, which is administered by the SLB as part of the Fund.

The Fund supports the public school system in the State by distributing a predetermined percentage of its asset value to the ASF. For fiscal years 2016 and 2017, the distribution from the SBOE to the ASF totaled $1.06 billion and $1.06 billion, respectively. There was no contribution to the ASF by the SLB in fiscal year 2017.

At the end of the 2017 fiscal year, PSF assets guaranteed $74.27 billion in bonds issued by 858 local school districts and charter districts, the latter of which entered into the Program during the 2014 fiscal year. Since its inception in 1983, the Fund has guaranteed 6,980 school district and charter district bond issues totaling $166.3 billion in principal amount. During the 2017 fiscal year, the number of outstanding issues guaranteed under the Guarantee Program increased by 14, or 0.4%. The dollar amount of guaranteed school and charter bond issues outstanding increased by $6.0 billion or 8.7%. The guarantee capacity of the Fund increased by $13.9 billion, or 13.9%, during fiscal year 2017 due to continued growth in the cost basis of the Fund and the increase in the cost multiplier (from 3.25 to 3.50, as discussed above) used to calculate Program capacity.

2011 Constitutional Amendment

On November 8, 2011, a referendum was held in the State as a result of legislation enacted that year that proposed amendments to various sections of the Texas Constitution pertaining to the PSF. At that referendum, voters of State approved non-substantive changes to the Texas Constitution to clarify references to the Fund, and, in addition, approved amendments that effected an increase to the base amount used in calculating the Distribution Rate from the Fund to the ASF, and authorized the SLB to make direct transfers to the ASF, as described below.

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

If there are no reductions in the percentage established biennially by the SBOE to be the Distribution Rate, the impact of the increase in the base against which the Distribution Rate is applied will be an increase in the distributions from the PSF to the ASF. As a result, going forward, it may be necessary for the SBOE to reduce the Distribution Rate in order to preserve the corpus of the Fund in accordance with its management objective of preserving intergenerational equity.

The Distribution Rates for the Fund were set at 3.5%, 2.5%, 4.2%, 3.3% and 3.5% for each of two year periods 2008-2009, 2010-2011, 2012-2013, 2014-2015 and 2016-2017, respectively. In September 2017, the SBOE approved a $2.5 billion distribution to the ASF for State fiscal biennium 2018-2019, to be made in equal monthly increments of $102.99 million, which represents a 3.7% Distribution Rate for the biennium and a per student distribution of $248.58, based on 2017 preliminary student average daily attendance of 4,971,656.277.

Changes in the Distribution Rate for each biennial period has been based on a number of financial and political reasons, as well as commitments made by the SLB in some years to transfer certain sums to the ASF. The new calculation base described above has been used to determine all payments to the ASF from the Fund beginning with the 2012-13 biennium. The broader base for the Distribution Rate calculation could increase transfers from the PSF to the ASF, although the effect of the broader calculation base has been somewhat offset since the 2014-2015 biennium by the establishment by the SBOE of somewhat lower Distribution Rates than for the 2012-2013 biennium. In addition, the changes made by the amendment that increased the calculation base that could affect the corpus of the Fund include the decisions that are made by the SLB or others that are, or may in the future be, authorized to make transfers of funds from the PSF to the ASF.

The constitutional amendments approved on November 8, 2011 also provide authority to the GLO or any other entity other than the SBOE that has responsibility for the management of land or other properties of the Fund to determine whether to transfer an amount each year from Fund assets to the ASF revenue derived from such land or properties, with the amount transferred limited to $300 million. Any amount transferred to the ASF by an entity other than the SBOE is excluded from the 6% Distribution Rate limitation applicable to SBOE transfers.

Other Events and Disclosures

The State Investment Ethics Code governs the ethics and disclosure requirements for financial advisors and other service providers who advise certain State governmental entities, including the PSF. In accordance with the provisions of the State Investment Ethics Code, the SBOE periodically modifies its code of ethics, which occurred most recently in July 2016. The SBOE code of ethics includes prohibitions on sharing confidential information, avoiding conflict of interests and requiring disclosure filings with respect to contributions made or received in connection with the operation or management of the Fund. The code of ethics applies to members of the SBOE as well as to persons who are responsible by contract or by virtue of being a TEA PSF staff member for managing, investing, executing brokerage transactions, providing consultant services, or acting as a custodian of the PSF, and persons who provide investment and management advice to a member of the SBOE, with or without compensation under certain circumstances. The code of ethics is codified in the Texas Administrative Code at 19 TAC sections 33.5 et seq., and is available on the TEA web site at http://ritter.tea.state.tx.us/rules/tac/chapter033/ch033a.html#33.5.

In addition, the GLO has established processes and controls over its administration of real estate transactions and is subject to provisions of the Texas Natural Resources Code and its own internal procedures in administering real estate transactions for assets it manages for the Fund. A report of the State Auditor released in March 2016 noted that based on an audit of certain real estate transactions managed by the GLO, during the period from September 2009 to May 2015, the GLO failed to comply with certain of such legal requirements relating to conflict of interest reporting, complying with written procedures and maintenance of documentation and other statutory and procedural requirements. That report, which includes the response of GLO management agreeing to the recommendations of the report, is available at http://www.sao.texas.gov/reports/main/16-018.pdf.

Since 2007, TEA has made supplemental appropriation requests to the Legislature for the purpose of funding the implementation of the 2008 Asset Allocation Policy, but those requests have been denied or partly funded. In the 2011 legislative session, the Legislature approved an increase of 31 positions in the full-time equivalent employees for the administration of the Fund, which was funded as part of an $18 million appropriation for each year of the 2012-13 biennium, in addition to the operational appropriation of $11 million for each year of the biennium. The TEA has begun increasing the PSF administrative staff in accordance with the 2011 legislative appropriation, and the TEA received an appropriation of $30.0 million and $30.2 million for the administration of the PSF for fiscal years 2014 and 2015, respectively, and $30.2 million for each of the fiscal years 2016 and 2017.

As of August 31, 2017, certain lawsuits were pending against the State and/or the GLO, which challenge the Fund's title to certain real property and/or past or future mineral income from that property, and other litigation arising in the normal course of the investment activities of the PSF. Reference is made to the Annual Report, when filed, for a description of such lawsuits that are pending, which may represent contingent liabilities of the Fund.

PSF Continuing Disclosure Undertaking

The SBOE has adopted an investment policy rule (the "TEA Rule") pertaining to the PSF and the Guarantee Program. The TEA Rule is codified in Section I of the TEA Investment Procedure Manual, which relates to the Guarantee Program and is posted to the TEA web site at http://tea.texas.gov/Finance_and_Grants/Texas_Permanent_School_Fund/Texas_Permanent_School_Fund_Disclosure_Statement_-_Bond_Guarantee_Program/. The most recent amendment to the TEA Rule was adopted by the SBOE on November 19, 2010, and is summarized below. Through the adoption of the TEA Rule and its commitment to guarantee bonds, the SBOE 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 Rule obligates the TEA to make any filings or disclosures with respect to guaranteed bonds, as the obligations of the TEA under the TEA Rule pertain solely to the Guarantee Program. The issuer or an "obligated person" of the guaranteed bonds has assumed the applicable obligation under Rule 15c-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 agreement, the TEA will be obligated to provide annually certain updated financial information and operating data, and timely notice of specified material events, to the MSRB.

The MSRB has established the Electronic Municipal Market Access ("EMMA") system, and the TEA is required to file its continuing disclosure information using the EMMA system. Investors may access continuing disclosure information filed with the MSRB at www.emma.msrb.org, and the continuing disclosure filings of the TEA with respect to the PSF can be found at http://emma.msrb.org/IssueView/NonCUSIP9IssueDetails.aspx?id=ER355077 or by searching for "Texas Permanent School Fund Bond Guarantee Program" on EMMA.

Annual Reports

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

The TEA may provide updated information in full text or may incorporate by reference certain other publicly-available documents, as permitted by Rule 15c2-12. The updated information includes audited financial statements of, or relating to, the State or the PSF, when and if such audits are commissioned and available. Financial statements of the State will be prepared in accordance with generally accepted accounting principles as applied to state governments, as such principles may be changed from time to time, or such other accounting principles as the State Auditor is required to employ from time to time pursuant to State law or regulation. The financial statements of the Fund were prepared to conform to U.S. Generally Accepted Accounting Principles as established by the Governmental Accounting Standards Board.

The Fund is reported by the State of Texas as a permanent fund and accounted for on a current financial resources measurement focus and the modified accrual basis of accounting. Measurement focus refers to the definition of the resource flows measured. Under the modified accrual basis of accounting, all revenues reported are recognized based on the criteria of availability and measurability. Assets are defined as available if they are in the form of cash or can be converted into cash within 60 days to be usable for payment of current liabilities. Amounts are defined as measurable if they can be estimated or otherwise determined. Expenditures are recognized when the related fund liability is incurred.

The State's current fiscal year end is August 31. Accordingly, the TEA must provide updated information by the last day of February in each year, unless the State changes its fiscal year. If the State changes its fiscal year, the TEA will notify the MSRB of the change.

Material Event Notices

The TEA will also provide timely notices of certain events to the MSRB. Such notices will be provided not more than ten business days after the occurrence of the event. The TEA will provide notice of any of the following events with respect to the Guarantee Program: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if such event is material within the meaning of the federal securities laws; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax-exempt 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; (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 of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (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. (Neither the Act nor any other law, regulation or instrument pertaining to the Guarantee Program make any provision with respect to the Guarantee Program for bond calls, debt service reserves, credit enhancement, liquidity enhancement, early redemption or the appointment of a trustee with respect to the Guarantee Program.) In addition, the TEA will provide timely notice of any failure by the TEA to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information

The TEA has agreed to provide the foregoing information only to the MSRB and to transmit such information electronically to the MSRB in such format and accompanied by such identifying information as prescribed by the MSRB. The information is available from the MSRB to the public without charge at www.emma.msrb.org.

Limitations and Amendments

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

The continuing disclosure agreement of the TEA is made only with respect to the PSF and the Guarantee Program. The issuer of guaranteed bonds or an obligated person with respect to guaranteed bonds may make a continuing disclosure undertaking in accordance with Rule 15c2-12 with respect to its obligations arising under Rule 15c2-12 pertaining to financial and operating data concerning such entity and notices of material events relating to such guaranteed bonds. A description of such undertaking, if any, is included elsewhere in the Official Statement.

This continuing disclosure agreement may be amended by the TEA from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the TEA, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell guaranteed bonds in the primary offering of such bonds in compliance with Rule 15c2-12, taking into account any amendments or interpretations of Rule 15c2-12 since such offering as well as such changed circumstances and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding bonds guaranteed by the Guarantee Program consent to such amendment or (b) a person that is unaffiliated with the TEA (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the holders and beneficial owners of the bonds guaranteed by the Guarantee Program. The TEA may also amend or repeal the provisions of its continuing disclosure agreement if the SEC amends or repeals the applicable provision of Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling bonds guaranteed by the Guarantee Program in the primary offering of such bonds.

Compliance with Prior Undertakings

During the last five years, the TEA has not failed to substantially comply with its previous continuing disclosure agreements in accordance with Rule 15c2-12.

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.

TAX RATE LIMITATIONS

A school district is authorized to levy maintenance and operation (“M&O”) taxes subject to approval of a proposition submitted to district voters. The maximum M&O tax rate that may be levied by a district cannot exceed the voted maximum rate or the maximum rate described in the succeeding paragraphs. The maximum voted M&O tax rate for the District is $1.50 per $100 of assessed valuation as approved by the voters at an election held on September 24, 1955 pursuant to Article 2784e-1, Texas Revised Civil Statutes Annotated, as amended (“Article 2784e-1”).

Article 2784e-1 limits the District’s annual M&O tax rate based upon a comparison between the District’s outstanding bonded indebtedness and the District’s taxable assessed value per $100 of assessed valuation. Article 2784e-1 provides for a reduction of $0.10 for each one percent (1%) or major fraction thereof increase in bonded indebtedness beyond seven percent (7%) of assessed valuation of property in the District. This limitation is capped when the District’s bonded indebtedness is ten percent (10%) (or greater) of the District’s assessed valuation which would result in an annual M&O tax rate not to exceed $1.20. Lastly, the Texas Attorney General in reviewing the District’s transcript of proceedings will allow the District to reduce the amount of its outstanding bonded indebtedness by the amount of funds (on a percentage basis) that the District receives in State assistance for the repayment of this bonded indebtedness (for example, if the District anticipates that it will pay 75% of its bonded indebtedness from State assistance, for the purposes of Article 2784e-1, the Texas Attorney General will assume that only 25% of the District’s bonded indebtedness is outstanding and payable from local ad valorem taxes). The bonded indebtedness of the District after the issuance of the Bonds will be approximately 2.37% of the District’s current taxable assessed valuation of property. See “ APPENDIX A – Voted General Obligation Debt” herein.

The maximum tax rate per $100 of assessed valuation that may be adopted by the District may not exceed the lesser of (A) $1.50, or such lower rate as described in the preceding paragraph, and (B) the sum of (1) the rate of $0.17, and (2) the product of the "State Compression Percentage" multiplied by $1.50. The State Compression Percentage has been set, and will remain, at 66.67% for the 2018-19 State fiscal biennium. The State Compression Percentage is set by legislative appropriation for each State fiscal biennium or, in the absence of legislative appropriation, by the Commissioner. For a more detailed description of the State Compression Percentage, see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Funding for School Districts". Furthermore, a school district cannot annually increase its tax rate in excess of the district's "rollback tax rate" without submitting such tax rate to a referendum election and a majority of the voters voting at such election approving the adopted rate. See "AD VALOREM TAX PROCEDURES – Public Hearing and Rollback Tax Rate".

Pursuant to a tax rate referendum election held by the District on September 23, 2008 and passed by a majority of the participating voters, the District increased its maintenance tax rate to $1.08 per $100 in assessed valuation.

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 " STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS").

Section 45.0031, Texas Education Code, as amended ("Section 45.0031"), requires a district to demonstrate to the Texas Attorney General that it has the prospective ability to pay its maximum annual debt service on a proposed issue of bonds and all previously issued bonds, other than bonds approved by district voters 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. In demonstrating the ability to pay debt service at a rate of $0.50, a district may take into account EDA and IFA allotments to the district, which effectively reduce the district's local share of debt service, and may also take into account Tier One funds allotted to the district. The District is required to deposit any State allotments provided solely for payment of debt service into the District's interest and sinking fund upon receipt of such amounts. In addition, the District must, prior to levying an interest and sinking fund tax rate that exceeds $0.50 per $100 of assessed valuation, credit to the interest and sinking fund other State assistance, including Tier One funds that may be used for either operating purposes or for payment of debt service, in an amount equal to the amount needed to demonstrate compliance with the threshold tax rate test and which is received or to be received in that year. Once the prospective ability to pay such tax has been shown and the bonds are issued, a district may levy an unlimited tax to pay debt service. Taxes levied to pay refunding bonds issued pursuant to Chapter 1207, Texas Government Code, are not subject to the $0.50 tax rate 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 $0.50 threshold tax rate test when applied to subsequent bond issues. The Bonds are issued for school building purposes pursuant to Chapter 45, Texas Education Code as new debt and are subject to the threshold tax rate test. Under current law, a district may demonstrate its ability to comply with the $0.50 threshold tax rate test by applying the $0.50 tax rate to an amount equal to 90% of projected future taxable value of property in the district, as certified by a registered professional appraiser, anticipated for the earlier of the tax year five years after the current tax year or the tax year in which the final payment for the bonds is due. However, if a district uses projected future taxable values to meet the $0.50 threshold tax rate 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 district has the projected ability to pay principal and interest on the proposed bonds and all previously issued bonds subject to the $0.50 threshold tax rate test from a tax rate of $0.45 per $100 of valuation. The District has not used State assistance or projected property values to satisfy this threshold test.

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 secured by the district's debt service tax from a tax rate of $0.50, and to pay all debt and operating expenses which must be paid from receipts of the district's maintenance tax from a tax not to exceed the maintenance tax limit described under the caption "TAX RATE LIMITATIONS." In demonstrating compliance with the requirement, a district may take into account State equalization payments, and, effective September 1, 1997, 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 of the bond 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. The Bonds are "new debt" and are therefore subject to the $0.50 threshold tax rate test. See also "TAX RATE LIMITATIONS".

EMPLOYEE BENEFIT PLANS AND OTHER POST-EMPLOYMENT BENEFITS

The District's employees participate in a retirement plan (the "Plan") with the State of Texas. The Plan is administered by the Teacher Retirement System of Texas ("TRS"). State contributions are made to cover costs of the TRS retirement plan up to certain statutory limits. The District is obligated for a portion of TRS costs relating to employee salaries that exceed the statutory limit. Aside from the District's contribution to TRS, the District has no pension fund expenditures or liabilities. For fiscal year ended June 30, 2017, the District made a contribution to TRS on a portion of their employee's salaries that exceeded the statutory minimum. The District generally does not offer any post-employment retirement benefits and has no liabilities for "Other Post Employment Retirement Benefits" as defined in GASB Statement No. 45. For a discussion of the TRS retirement plan, see Other Information – "Note 13. General Information About the Pension Plan" in the audited financial statements of the District that are attached hereto as Appendix D (the "Financial Statements").

In addition to its participation in the TRS, the District contributes to the Texas Public School Retired Employees Group Insurance Program (the "TRS-Care Retired Plan"), a cost-sharing multiple-employer defined benefit post-employment health care plan. The TRSCare Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the TRS. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. For more detailed information concerning the District's funding policy and contributions in connection with the TRS-Care Retired Plan, see "Note 14.- School District Retiree Health Plan" in the Financial Statements.

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

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

RATINGS

The Bonds are rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "AAA" by S&P Global Ratings ("S&P"), based upon the guaranteed repayment thereof under the Permanent School Fund Guarantee Program of the Texas Education Agency. The District's unenhanced, underlying ratings, including the Bonds, are "Aa2" by Moody's and "AA+" by S&P. (See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM– Ratings of Bonds Guaranteed under the Guarantee Program" herein).

An explanation of the significance of such ratings may be obtained from Moody's and S&P. The ratings of the Bonds by Moody's and S&P reflect only the views of said company at the time the ratings are given, and the District makes no representations as to the appropriateness of the ratings. There is no assurance that the ratings will continue for any given period of time, or that the ratings will not be revised downward or withdrawn entirely by Moody's or S&P, if, in the judgment of Moody's or S&P, circumstances so warrant. Any such downward revision or withdrawal of the ratings, or either of them, may have an adverse effect on the market price of the Bonds.

LEGAL MATTERS

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

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

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

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the District, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code") Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See Appendix C – Form of Legal Opinion of Bond Counsel.

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate, (b) covenants of the District contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed therewith, and (c) the certificate with respect to arbitrage by the Commissioner of Education regarding the allocation and investment of certain investments in the Permanent School Fund. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

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

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

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

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the maturity amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see the discussion set forth below.

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

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

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

Collateral Federal Income Tax Consequences

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

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

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

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

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

Future and Proposed Legislation

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

Information Reporting and Backup Withholding

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

State, Local and Foreign Taxes

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

INVESTMENT POLICIES

Investments

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

Legal Investments

Under State law, the District is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities; (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 of and interest on which is 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) obligations issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guarantee or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors; (8) certificates of deposit or share certificates (i) that are issued by an institution that has its main office or a branch office in the State of Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, and are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and provided for by law for District deposits, or (ii) 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 of Texas 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 of Texas 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 Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the District with respect to the certificates of deposit; (9) fully collateralized repurchase agreements that (i) have a defined termination date, (ii) are fully secured by a combination of cash and obligations described in clause (1) above, (iii) 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 (iv) are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas; (10) 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; (11) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that comply with Securities and Exchange Rule 2a-7; (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and either have a duration of one year or more and invest exclusively in obligations described in this paragraph, or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; and (14) local government investment pools organized in accordance with the Interlocal Cooperation Act (Chapter 791, Texas Government Code) as amended, whose assets consist exclusively of the obligations that are described above. A public funds investment pool must be continuously ranked no lower than "AAA", "AAA-m" or at an equivalent rating by at least one nationally recognized rating service.

Entities such as the District may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized including accrued income, 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 (5) and clause (13) above, (b) pledged 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 (5) and clause (13) above, clause (9) above and clauses (10) and (11) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to such investing entity or a third party designated by such investing entity; (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.

The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

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

Investment Policies

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

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

Additional Provisions

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

Current Investments

As of October 31, 2017, the District had approximately $132,808,661 (unaudited) invested in local government investment pools (which operate as a money market equivalent), $250,000 (unaudited) invested in certificates of deposit, $64,281,213 (unaudited) invested in securities with Investment Management Firms and $1,831,459 (unaudited) invested at the local depository bank. The market value of such investments (as determined by the District by reference to published quotations, dealer bids, and comparable information) is approximately 100% of the book value. No funds of the District are invested in derivative securities; i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

FINANCIAL ADVISOR

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

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "RATINGS" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data annually to the MSRB. The information to be updated includes financial information and operating data with respect to the District of the general type included in this Official Statement in Appendix A (such information being the "Annual Operating Report"). The District will additionally provide financial statements of the District (the "Financial Statements"), that will be (i) prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in Appendix D and (ii) audited, if the District commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The District will update and provide the Annual Operating Report within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2018. The District may provide the Financial Statements earlier, including at the time it provides its Annual Operating Report, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the District shall file unaudited Financial Statements within such 12-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule").

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

Notice of Certain Events

The District will also provide timely notices of certain events to the MSRB. The District will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the 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 of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. In addition, the District will provide timely notice of any failure by the District to provide annual financial information in accordance with their agreement described above under "Annual Reports". Neither the Bonds nor the Order make any provision for debt service reserves, credit enhancement (except for the Permanent School Fund guarantee), or liquidity enhancement. The District will provide each notice described in this paragraph to the MSRB.

For these purposes, any event described in clause (12) of in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

Availability of Information

Effective July 1, 2009, the SEC implemented amendments to the Rule which approved the establishment by the MSRB of EMMA, which is now the sole successor to the national municipal securities information repositories with respect to filings made in connection with undertakings made under the Rule. All information and documentation filing required to be made by the District in accordance with its undertaking made for the Bonds will be filed with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if, (1) the agreement, as so amended, would have permitted an underwriter to purchase or sell Bonds in the initial primary offering in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent or (b) any qualified person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the SEC Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of the SEC 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 in the primary offering of the Bonds. If the District amends its agreement, it has agreed to include with the financial information and operating data next provided, in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and operating data so provided.

Compliance with Prior Undertakings

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

LITIGATION

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

FORWARD-LOOKING STATEMENTS

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

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

WINNING BIDDER

On January 16, 2018, the Bonds were awarded to an investment bank or group of investment banks managed by __________________ (the "Purchaser"). The initial reoffering yields for the Bonds were supplied to the District by the Purchaser. The initial reoffering yields shown on page ii hereof will produce compensation to the Purchaser of approximately $_________.

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Initial Bond, the Purchaser will be furnished a certificate, executed by proper officials of the District, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the District contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Bonds, on the date of such Official Statement, on the date of sale of said Bonds and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the District, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the District believes to be reliable and the District has no reason to believe that they are untrue in any material respect; (d) except as may be otherwise described in the Official Statement, there has been no material adverse change in the financial condition of the District, since June 30, 2017, the date of the last financial statements of the District appearing in the Official Statement; and (e) no litigation of any nature has been filed or is pending, as of the date hereof, to restrain or enjoin the issuance or delivery of the Bonds or which would affect the provisions made for their payment or security or in any manner question the validity of the Bonds.

CONCLUDING STATEMENT

No person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer of solicitation.

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

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

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

/s/

President, Board of Trustees

ATTEST:

/s/

Secretary, Board of Trustees

APPENDIX A

FINANCIAL INFORMATION OF THE DISTRICT

AMARILLO INDEPENDENT SCHOOL DISTRICT

Financial Information

ASSESSED VALUATION [1]

2016/17 Total Valuation..		$ 9,659,828,743
Less Exemptions & Deductions [2]:		
State Homestead Exemption	$ 791,457,997	
State Over-65 Exemption	124,203,507	
Disabled Homestead Exemption Loss	30,458,307	
Veterans Exemption Loss	11,863,063	
Freeport Exemption	44,166,938	
Pollution Control Exemption Loss	126,168	
Productivity Loss	27,642,572	
Low Income Housing Exemption	1,616,864	
Prorations & Other Partial Exemptions	2,580,008	
Homestead Cap Loss	14,650,699	
	$ 1,048,766,123	
2016/17 Net Taxable Valuation		$ 8,611,062,620
2017/18 Net Taxable Valuation [3]..		$ 9,052,955,782

(1) Source: Comptroller of Public Accounts - Property Tax Division. The passage of a Texas Constitutional Amendment on November 3, 2015 increased the homestead exemption from $15,000 to $25,000.
(2) Excludes the values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers, which totaled $382,865,938 in 2016/17.
(3) Certified Value from the Potter-Randall Appraisal District as of July 2017.

VOTED GENERAL OBLIGATION DEBT

Unlimited Tax Bonds Outstanding		$ 168,425,000
Plus: The Bonds [1]		54,500,000
Plus: The Series 2018A Bonds [1] [2]		2,000,000
Total Unlimited Tax Bonds [1] [2]		$ 224,925,000
Less: Interest & Sinking Fund Balance (As of June 30, 2017) [3]		(10,378,852)
Net General Obligation Debt		$ 214,546,148
Ratio of Net G.O. Debt to Net Taxable Valuation [4]	2.37%	
2017 Population Estimate [5]	185,564	
Per Capita Net Taxable Valuation	$48,786	
Per Capita Net G.O. Debt	$1,156	

(1) Preliminary, subject to change.
(2) The Series 2018A Bonds in the amount of $2,000,000 are anticipated to be sold in February and closed on March 8, 2018. Preliminary, subject to change.
(3) Source: Amarillo ISD Audited Financial Statements.
(4) The ratio of Net G.O. Debt to Net Taxable Valuation above does not include the portion of the District's outstanding debt service that is payable from any debt subsidies that may be provided by the State of Texas. The District expects to receive state funding assistance for voted bond debt service equal to approximately 20% of its debt service requirements, subject to tax effort rules and state funding program limits, for its unlimited tax debt service for the 2017/18 fiscal year. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement and "DEBT SERVICE REQUIREMENTS" in this appendix and see the "Audited Financial Report Fiscal Year Ended June 30, 2017" in Appendix D for more information relative to the District's outstanding obligations.
(5) Source: Municipal Advisory Council of Texas.

PROPERTY TAX RATES AND COLLECTIONS

Fiscal Year	Net Taxable Valuation	Tax Rate	% Collections [4] Current [5]	Total [5]
2006/07	$ 6,584,849,867 [1]	$ 1.4750 [6]	97.53%	100.36%
2007/08	7,135,760,915 [1]	1.1720 [6]	97.53%	100.37%
2008/09	7,543,923,450 [1]	1.1700	97.27%	99.85%
2009/10	7,700,550,721 [1]	1.1700	97.44%	99.95%
2010/11	7,737,940,619 [1]	1.1700	97.55%	100.02%
2011/12	7,815,317,617 [1]	1.1700	97.61%	99.95%
2012/13	7,929,437,764 [1]	1.1700	97.88%	100.56%
2013/14	8,131,757,219 [1]	1.1890	98.06%	100.51%
2014/15	8,334,526,843 [1]	1.1890	98.13%	100.14%
2015/16	8,297,110,931 [1][2]	1.1890	98.21%	100.10%
2016/17	8,611,062,620 [1][2]	1.1890	98.33%	100.05%
2017/18	9,052,955,782 [2][3]	1.1890	(Collection in Process)	

(1) Source: Comptroller of Public Accounts - Property Tax Division.
(2) The passage of a Texas Constitutional Amendment on November 3, 2015 increased the homestead exemption from $15,000 to $25,000.
(3) Certified Value from the Potter-Randall Appraisal District as of July 2017.
(4) Source: Amarillo ISD Audited Financial Statements.
(5) Source: Excludes penalties and interest.
(6) The declines in the District's Maintenance & Operation Tax for the 2006/07 and 2007/08 fiscal years are a function of House Bill 1 adopted by the Texas Legislature in May 2006. See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement.

TAX RATE DISTRIBUTION [1]

	2013/14	2014/15	2015/16	2016/17	2017/18
Maintenance & Operations	$1.0800	$1.0800	$1.0800	$1.0800	$1.0800
Debt Service	$0.1090	$0.1090	$0.1090	$0.1090	$0.1090
Total Tax Rate	$1.1890	$1.1890	$1.1890	$1.1890	$1.1890

(1) On September 23, 2008, the District successfully held a tax ratification election. The voters of the District approved a maintenance and operations tax not to exceed $1.08.

VALUATION AND FUNDED DEBT HISTORY

Fiscal Year	Net Taxable Valuation	Bond Debt Outstanding [1]	Ratio Debt to A.V. [2]
2006/07	$ 6,584,849,867	$ 126,928,535	1.93%
2007/08	7,135,760,915	119,848,535	1.68%
2008/09	7,543,923,450	116,291,346	1.54%
2009/10	7,700,550,721	112,632,978	1.46%
2010/11	7,737,940,619	108,875,396	1.41%
2011/12	7,815,317,617	102,269,182	1.31%
2012/13	7,929,437,764	154,603,633	1.95%
2013/14	8,131,757,219	148,419,600	1.83%
2014/15	8,334,526,843	163,507,516	1.96%
2015/16	8,297,110,931	174,230,000	2.10%
2016/17	8,611,062,620	168,425,000	1.96%
2017/18	9,052,955,782	219,830,000 [3] [4]	2.43%

(1) The Bonds are illustrated on the State of Texas fiscal year end of August 31st, although the District's fiscal year ends June 30th.
(2) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement, "DEBT SERVICE REQUIREMENTS" in this Appendix and see the "Audited Financial Report Fiscal Year Ended June 30, 2017" in Appendix D for more information.
(3) Includes the Bonds. Preliminary, subject to change.
(4) Includes the Series 2018A Bonds in the amount of $2,000,000 anticipated to be sold in February and closed on March 8, 2018. Preliminary, subject to change.

ESTIMATED OVERLAPPING DEBT STATEMENT

Taxing Body	Amount	Percent Overlapping	Amount Overlapping
Amarillo JCD	$ 58,905,000	76.04%	$ 44,791,362
Amarillo, City of	47,204,000	75.80%	35,780,632
Potter County	28,170,000	64.01%	18,031,617
Randall County	40,985,000	44.99%	18,439,152
Total Overlapping Debt [1]			$ 117,042,763
Amarillo Independent School District [2] [3]			214,546,148
Total Direct & Overlapping Debt [1] [2] [3]			$ 331,588,911

Ratio of Net Direct & Overlapping Debt to Net Taxable Valuation	3.66%
Per Capita Direct & Overlapping Debt	$1,787

(1) Equals gross debt less self-supporting debt.
(2) Includes the Bonds. Preliminary, subject to change.
(3) Includes the Series 2018A Bonds in the amount of $2,000,000 anticipated to be sold in February and closed on March 8, 2018. Preliminary, subject to change.

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

PRINCIPAL TAXPAYERS [1]

2017/18 Top Ten Taxpayers

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Southwestern Public Service	Electric Utility	$ 145,464,330	1.61%
BSA Hospital LLC	Hospital	91,707,795	1.01%
Wal-Mart Real Estate	Retail Store	90,517,939	1.00%
Northwest Texas Healthcare	Healthcare	83,322,257	0.92%
BNSF Railway Co.	Railroad	72,374,686	0.80%
Amarillo Mall LLC	Shopping Mall	63,831,084	0.71%
Atmos Energy	Gas Utility	61,709,887	0.68%
Case Properties	Apartment Complex	43,687,239	0.48%
Amarillo National Bank	Bank	42,615,426	0.47%
Toot N Totum Inc.	Retail Store	38,103,108	0.42%
		$ 733,333,751	8.10%

2016/17 Top Ten Taxpayers

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Southwestern Public Service	Electric Utility	$ 112,419,413	1.31%
Wal-Mart Real Estate	Retail Store	92,566,199	1.07%
BSA Hospital LLC	Hospital	86,702,349	1.01%
Northwest Texas Healthcare	Healthcare	86,627,602	1.01%
BNSF Railway Co.	Railroad	69,058,841	0.80%
Amarillo Mall LLC	Shopping Mall	63,718,261	0.74%
Atmos Energy	Gas Utility	51,898,417	0.60%
Case Properties	Apartment Complex	42,745,557	0.50%
Amarillo National Bank	Bank	40,019,867	0.46%
Toot N Totum Inc.	Retail Store	36,158,111	0.42%
		$ 681,914,617	7.92%

2015/16 Top Ten Taxpayers

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Southwestern Public Service	Electric Utility	$ 116,807,681	1.41%
Northwest Texas Healthcare	Healthcare	91,545,151	1.10%
BSA Hospital LLC	Hospital	91,068,527	1.10%
Wal-Mart Real Estate	Retail Store	86,843,567	1.05%
BNSF Railway Co.	Railroad	65,460,994	0.79%
Amarillo Mall LLC	Shopping Mall	63,697,905	0.77%
Atmos Energy	Gas Utility	45,213,519	0.54%
Amarillo National Bank	Bank	39,183,541	0.47%
Toot N Totum Inc.	Retail Store	35,436,095	0.43%
Happy State Bank	Bank	29,322,466	0.35%
		$ 664,579,446	8.01%

(1) Source: Potter-Randall Appraisal District.

CLASSIFICATION OF ASSESSED VALUATION BY USE CATEGORY [(1)]

Category		2016/17	% of Total		2015/16	% of Total		2014/15	% of Total
Real, Residential, Single-Family	$	6,160,154,017	63.77%	$	5,941,721,896	63.43%	$	5,739,944,387	63.03%
Real, Residential, Multi-Family		404,906,319	4.19%		407,584,567	4.35%		384,217,795	4.22%
Real, Vacant Lots/Tracts		82,849,852	0.86%		86,027,484	0.92%		84,640,163	0.93%
Real, Acreage		28,174,687	0.29%		27,919,115	0.30%		28,103,951	0.31%
Real, Farm & Ranch Improvements		702,133	0.01%		1,054,788	0.01%		46,576	0.00%
Real, Commercial & Industrial		1,660,962,897	17.19%		1,628,154,960	17.38%		1,587,081,451	17.43%
Oil & Gas		-	0.00%		-	0.00%		-	0.00%
Mineral Reserves		-	0.00%		-	0.00%		-	0.00%
Utilities		291,794,588	3.02%		276,161,014	2.95%		254,011,693	2.79%
Tangible Personal, Commercial		935,076,474	9.68%		893,756,491	9.54%		919,512,615	10.10%
Tangible Personal, Industrial		38,468,903	0.40%		45,317,986	0.48%		52,275,988	0.57%
Tangible Personal, Mobile Homes & Other		10,822,937	0.11%		11,075,189	0.12%		10,327,933	0.11%
Tangible Personal, Residential Inventory		2,923,468	0.03%		3,913,140	0.04%		5,092,948	0.06%
Tangible Personal, Special Inventory		42,992,468	0.45%		44,144,876	0.47%		41,636,118	0.46%
Total Appraised Value	$	9,659,828,743	100.00%	$	9,366,831,506	100.00%	$	9,106,891,618	100.00%
Less:									
Homestead Cap Adjustment	$	14,650,699		$	4,043,542		$	4,723,001	
Productivity Loss		27,642,572			27,446,740			27,627,736	
Exemptions		1,006,472,852	(2)		1,038,230,293	(2)		740,014,038	
Total Exemptions/Deductions [(3)]	$	1,048,766,123		$	1,069,720,575		$	772,364,775	
Net Taxable Assessed Valuation	$	8,611,062,620		$	8,297,110,931		$	8,334,526,843	

Category		2013/14	% of Total		2012/13	% of Total		2011/12	% of Total
Real, Residential, Single-Family	$	5,625,551,132	63.20%	$	5,579,398,029	64.06%	$	5,546,615,431	64.42%
Real, Residential, Multi-Family		380,600,837	4.28%		400,100,790	4.59%		385,798,799	4.48%
Real, Vacant Lots/Tracts		81,429,397	0.91%		85,168,790	0.98%		81,869,518	0.95%
Real, Acreage		26,292,067	0.30%		30,619,002	0.35%		31,385,713	0.36%
Real, Farm & Ranch Improvements		1,023,001	0.01%		-	0.00%		-	0.00%
Real, Commercial & Industrial		1,550,809,568	17.42%		1,460,443,966	16.77%		1,425,302,190	16.55%
Oil & Gas		-	0.00%		-	0.00%		-	0.00%
Mineral Reserves		-	0.00%		-	0.00%		-	0.00%
Utilities		243,145,755	2.73%		219,626,135	2.52%		206,040,261	2.39%
Tangible Personal, Commercial		885,933,746	9.95%		847,471,204	9.73%		849,544,077	9.87%
Tangible Personal, Industrial		38,043,640	0.43%		31,644,548	0.36%		32,938,235	0.38%
Tangible Personal, Mobile Homes & Other		10,957,620	0.12%		16,482,672	0.19%		14,385,102	0.17%
Tangible Personal, Residential Inventory		18,866,861	0.21%		4,678,298	0.05%		4,464,299	0.05%
Tangible Personal, Special Inventory		38,618,064	0.43%		33,624,905	0.39%		31,649,161	0.37%
Total Appraised Value	$	8,901,271,688	100.00%	$	8,709,258,339	100.00%	$	8,609,992,786	100.00%
Less:									
Homestead Cap Adjustment	$	3,713,167		$	4,548,106		$	11,141,007	
Productivity Loss		25,645,481			27,157,316			27,871,991	
Exemptions		740,155,821			748,115,153			755,662,171	
Total Exemptions/Deductions [(3)]	$	769,514,469		$	779,820,575		$	794,675,169	
Net Taxable Assessed Valuation	$	8,131,757,219		$	7,929,437,764		$	7,815,317,617	

(1) Source: Comptroller of Public Accounts - Property Tax Division.
(2) The passage of a Texas Constitutional Amendment on November 3, 2015 increased the homestead exemption from $15,000 to $25,000.
(3) Excludes values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers.

PRINCIPAL REPAYMENT SCHEDULE (1)

Fiscal Year Ending 8/31	Outstanding Bonds	Plus: The Bonds (2)	Plus: The Series 2018A Bonds (2) (3)	Total (2) (3)	Bonds Unpaid At Year End	Percent of Principal Retired
2018	$ 5,095,000.00	$ -	$ -	$ 5,095,000.00	$219,830,000.00	2.27%
2019	5,270,000.00	1,845,000.00	180,000.00	7,295,000.00	212,535,000.00	5.51%
2020	5,250,000.00	800,000.00	180,000.00	6,230,000.00	206,305,000.00	8.28%
2021	5,450,000.00	815,000.00	185,000.00	6,450,000.00	199,855,000.00	11.15%
2022	5,675,000.00	910,000.00	190,000.00	6,775,000.00	193,080,000.00	14.16%
2023	5,935,000.00	925,000.00	195,000.00	7,055,000.00	186,025,000.00	17.29%
2024	6,210,000.00	950,000.00	200,000.00	7,360,000.00	178,665,000.00	20.57%
2025	6,485,000.00	965,000.00	205,000.00	7,655,000.00	171,010,000.00	23.97%
2026	6,765,000.00	980,000.00	215,000.00	7,960,000.00	163,050,000.00	27.51%
2027	4,750,000.00	1,755,000.00	220,000.00	6,725,000.00	156,325,000.00	30.50%
2028	4,965,000.00	1,795,000.00	230,000.00	6,990,000.00	149,335,000.00	33.61%
2029	5,160,000.00	2,100,000.00		7,260,000.00	142,075,000.00	36.83%
2030	5,365,000.00	2,185,000.00		7,550,000.00	134,525,000.00	40.19%
2031	5,580,000.00	2,275,000.00		7,855,000.00	126,670,000.00	43.68%
2032	5,815,000.00	2,370,000.00		8,185,000.00	118,485,000.00	47.32%
2033	6,055,000.00	2,465,000.00		8,520,000.00	109,965,000.00	51.11%
2034	6,305,000.00	2,565,000.00		8,870,000.00	101,095,000.00	55.05%
2035	6,580,000.00	2,670,000.00		9,250,000.00	91,845,000.00	59.17%
2036	6,890,000.00	2,780,000.00		9,670,000.00	82,175,000.00	63.47%
2037	7,235,000.00	2,895,000.00		10,130,000.00	72,045,000.00	67.97%
2038	7,590,000.00	3,010,000.00		10,600,000.00	61,445,000.00	72.68%
2039	7,965,000.00	3,150,000.00		11,115,000.00	50,330,000.00	77.62%
2040	8,365,000.00	3,310,000.00		11,675,000.00	38,655,000.00	82.81%
2041	8,780,000.00	3,480,000.00		12,260,000.00	26,395,000.00	88.26%
2042	9,215,000.00	3,660,000.00		12,875,000.00	13,520,000.00	93.99%
2043	9,675,000.00	3,845,000.00		13,520,000.00	-	100.00%
Total	$168,425,000.00	$ 54,500,000.00	$ 2,000,000.00	$224,925,000.00		

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

(2) Preliminary, subject to change.

(3) The Series 2018A Bonds in the amount of $2,000,000 are anticipated to be sold in February and closed on March 8, 2018. Preliminary, subject to change.

DEBT SERVICE REQUIREMENTS [1]

Fiscal Year Ending 8/31	Outstanding Debt Service	Plus: The Bonds [2] Principal	Interest	Total	Plus: The Series 2018A Bonds [2] [3] Principal	Interest	Total	Combined Total [2] [3] [4]
2018	$ 12,345,893.76	$ -	$ 1,164,048.76	$ 1,164,048.76	$ -	$ 27,228.61	$ 27,228.61	$ 13,537,171.13
2019	12,349,518.76	1,845,000.00	2,119,598.76	3,964,598.76	180,000.00	57,250.00	237,250.00	16,551,367.52
2020	12,168,318.76	800,000.00	2,093,148.76	2,893,148.76	180,000.00	53,650.00	233,650.00	15,295,117.52
2021	12,170,168.76	815,000.00	2,076,998.76	2,891,998.76	185,000.00	50,000.00	235,000.00	15,297,167.52
2022	12,167,843.76	910,000.00	2,059,748.76	2,969,748.76	190,000.00	45,300.00	235,300.00	15,372,892.52
2023	12,170,593.76	925,000.00	2,041,398.76	2,966,398.76	195,000.00	39,525.00	234,525.00	15,371,517.52
2024	12,166,518.76	950,000.00	2,022,648.76	2,972,648.76	200,000.00	33,600.00	233,600.00	15,372,767.52
2025	12,167,403.13	965,000.00	2,003,498.76	2,968,498.76	205,000.00	27,525.00	232,525.00	15,368,426.89
2026	12,170,412.50	980,000.00	1,984,048.76	2,964,048.76	215,000.00	21,225.00	236,225.00	15,370,686.26
2027	9,908,237.50	1,755,000.00	1,956,698.76	3,711,698.76	220,000.00	13,600.00	233,600.00	13,853,536.26
2028	9,910,287.50	1,795,000.00	1,911,999.38	3,706,999.38	230,000.00	4,600.00	234,600.00	13,851,886.88
2029	9,905,893.75	2,100,000.00	1,842,850.00	3,942,850.00				13,848,743.75
2030	9,908,512.50	2,185,000.00	1,757,150.00	3,942,150.00				13,850,662.50
2031	9,905,446.88	2,275,000.00	1,667,950.00	3,942,950.00				13,848,396.88
2032	9,909,328.13	2,370,000.00	1,575,050.00	3,945,050.00				13,854,378.13
2033	9,907,956.25	2,465,000.00	1,478,350.00	3,943,350.00				13,851,306.25
2034	9,905,987.50	2,565,000.00	1,377,750.00	3,942,750.00				13,848,737.50
2035	9,907,475.00	2,670,000.00	1,273,050.00	3,943,050.00				13,850,525.00
2036	9,905,600.00	2,780,000.00	1,164,050.00	3,944,050.00				13,849,650.00
2037	9,907,925.00	2,895,000.00	1,050,550.00	3,945,550.00				13,853,475.00
2038	9,906,175.00	3,010,000.00	932,450.00	3,942,450.00				13,848,625.00
2039	9,906,525.00	3,150,000.00	793,500.00	3,943,500.00				13,850,025.00
2040	9,909,775.00	3,310,000.00	632,000.00	3,942,000.00				13,851,775.00
2041	9,908,000.00	3,480,000.00	462,250.00	3,942,250.00				13,850,250.00
2042	9,905,275.00	3,660,000.00	283,750.00	3,943,750.00				13,849,025.00
2043	9,908,025.00	3,845,000.00	96,125.00	3,941,125.00				13,849,150.00
	$ 278,303,096.96	$ 54,500,000.00	$ 37,820,661.98	$ 92,320,661.98	$ 2,000,000.00	$ 373,503.61	$ 2,373,503.61	$ 372,997,262.55

(1) The Bonds are illustrated on the State of Texas fiscal year end of August 31st, although the District's fiscal year ends June 30th.
(2) Preliminary, subject to change.
(3) The Series 2018A Bonds in the amount of $2,000,000 are anticipated to be sold in February and closed on March 8, 2018. Preliminary, subject to change.
(4) Based on its wealth per student, the District expects to receive approximately $2,500,000 of state financial assistance for the payment of debt service for the fiscal year 2017/18. The amount of state financial assistance for debt service, if any, may differ substantially each year depending on a variety of factors, including the amount, if any, appropriated for that purpose by the state legislature and a school district's wealth per student. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement.

TAX ADEQUACY WITH RESPECT TO THE DISTRICT'S BONDS

Projected Maximum Debt Service Requirement [1] [2]	$	16,551,368
Projected State Financial Assistance for Debt Service in 2017/18 [3]		2,500,000
Projected Net Debt Service Requirement	$	14,051,368
$0.15839 Tax Rate @ 98% Collections Produces	$	14,052,197
2017/18 Net Taxable Assessed Valuation	$	9,052,955,782

(1) Includes the Bonds. Preliminary, subject to change.
(2) Includes the Series 2018A Bonds in the amount of $2,000,000 anticipated to be sold in February and closed on March 8, 2018. Preliminary, subject to change.
(3) The amount of state financial assistance for debt service, if any, may differ substantially each year depending on a variety of factors, including the amount, if any, appropriated for that purpose by the state legislature and a school district's wealth per student. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement.

AUTHORIZED BUT UNISSUED BONDS

Following the issuance of the Bonds and Series 2018A Bonds, the District will have $40,000,000 (preliminary, subject to change) of authorized but unissued unlimited ad valorem tax bonds from the November 7, 2017 bond election. Additionally, 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 tax notes payable from its collection of maintenance taxes, public property finance contractual obligations, delinquent tax notes, and leases for various purposes payable from State appropriations and surplus maintenance taxes.

COMPARATIVE STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES (1)

	Fiscal Year Ended June 30				
	2013	**2014**	**2015**	**2016**	**2017**
Beginning Fund Balance	**$ 88,005,226**	**$ 78,591,718**	**$ 92,458,294**	**$ 100,696,243**	**$ 105,267,846**
Revenues:					
Local and Intermediate Sources	$ 85,494,866	$ 87,084,802	$ 89,090,493	$ 88,388,925	$ 92,282,078
State Program Revenues	143,922,882	154,800,365	162,290,280	168,497,346	167,612,806
Federal Sources & Other	2,989,179	3,491,868	3,678,496	3,775,354	6,713,319
Total Revenues	**$ 232,406,927**	**$ 245,377,035**	**$ 255,059,269**	**$ 260,661,625**	**$ 266,608,203**
Expenditures:					
Instruction	$ 146,741,218	$ 150,883,039	$ 156,057,669	$ 157,772,284	$ 160,956,548
Instructional Resources & Media Services	3,023,230	3,073,782	3,226,672	3,212,841	3,239,928
Curriculum and Instructional Staff Development	6,840,087	7,215,124	7,608,385	7,680,582	7,227,636
Instructional Leadership	2,314,703	2,535,611	2,571,191	2,585,913	2,870,275
School Leadership	13,150,818	13,949,964	14,562,931	15,130,639	15,725,186
Guidance, Counseling & Evaluation Services	9,408,986	10,088,114	10,622,763	10,653,757	10,707,530
Social Work Services	184,098	141,427	170,665	166,417	403,893
Health Services	2,861,603	2,939,299	3,016,480	3,263,019	3,414,123
Student (Pupil) Transportation	3,483,404	3,548,966	3,512,158	3,503,370	4,087,392
Food Services	33,690	16,333	15,148	18,608	33,612
Cocurricular/Extracurricular Activities	5,385,549	5,683,710	5,796,519	5,758,458	6,471,452
General Administration	4,144,236	4,354,682	4,707,946	4,999,512	5,288,060
Facilities Maintenance and Operations	24,439,671	24,840,013	26,480,117	26,918,000	25,276,753
Security and Monitoring Services	1,075,305	914,561	885,597	1,022,640	1,005,126
Data Processing Services	4,946,569	3,554,719	4,959,259	6,111,774	4,388,922
Community Services	460,673	621,300	475,976	367,533	350,087
Debt Service - Principal on Long Term Debt	233,036	233,563	241,654	263,575	271,046
Debt Service - Interest on Long Term Debt	6,243	5,819	4,329	3,670	3,325
Facilities Acquisition and Construction	12,761,876	4,371,944	4,409,098	3,500,417	1,852,337
Payments to Shared Service Arrangements	434,429	450,482	491,912	494,765	449,687
Payments to Juvenile Justice Alternative Ed. Program	43,000	43,000	44,355	41,502	45,518
Other Intergovernmental Charges	1,030,934	1,037,532	1,073,043	1,015,863	1,054,491
Total Expenditures	**$ 243,003,358**	**$ 240,502,984**	**$ 250,933,867**	**$ 254,485,139**	**$ 255,122,927**
Excess (Deficiency) of Revenues					
over Expenditures	$ (10,596,431)	$ 4,874,051	$ 4,125,402	$ 6,176,486	$ 11,485,276
Other Resources and (Uses):					
Sale of Real and Personal Property	$ 10,015	$ 63,451	$ 2,002,711	$ 22,309	$ 55,086
Proceeds from Capital Leases	1,174,743	-	29,909	103,207	-
Transfer In	-	-	-	-	-
Transfer Out	-	(60,252)	-	-	-
Total Other Resources (Uses)	**$ 1,184,758**	**$ 3,199**	**$ 2,032,620**	**$ 125,516**	**$ 55,086**
Special Items:					
Extraordinary Items (Sources)	$ -	$ 9,429,586	$ 2,322,925	$ -	$ -
Extraordinary Items (Uses)	(1,835)	(440,260)	(242,998)	(1,730,399)	(613,356)
Total Special Items	**$ (1,835)**	**$ 8,989,326**	**$ 2,079,927**	**$ (1,730,399)**	**$ (613,356)**
Excess (Deficiency) of					
Revenues and Other Sources					
Over Expenditures and Other Uses	$ (9,413,508)	$ 13,866,576	$ 8,237,949	$ 4,571,603	$ 10,927,006
Ending Fund Balance	**$ 78,591,718**	**$ 92,458,294**	**$ 100,696,243**	**$ 105,267,846**	**$ 116,194,852**

(1) See "MANAGEMENT'S DISCUSSION AND ANALYSIS - Economic Factors and Next Year's Budgets and Rates" in Appendix D hereto for a discussion of the 2017/18 budget and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - Possible Effects of Wealth Transfer Provisions on the District's Financial Condition" in the Official Statement.

CHANGE IN NET ASSETS [1]

	Fiscal Year Ended June 30				
	2013	2014	2015	2016	2017
Revenues:					
Program Revenues:					
Charges for Services	$ 12,796,620	$ 13,451,942	$ 14,502,547	$ 14,078,783	$ 16,547,255
Operating Grants and Contributions	48,482,795	47,722,196	50,345,832	53,979,834	49,390,618
Capital Grants and Contributions	-	-	25,362	15,195	67,121
General Revenues:					
Property Taxes Levied for General Purposes	82,059,087	84,394,237	86,328,297	86,011,699	89,397,043
Property Taxes Levied for Debt Service	6,837,489	8,500,555	8,704,897	8,670,074	9,011,563
State Aid - Formula Grants	134,805,312	146,414,454	153,020,421	161,950,210	160,640,336
Investment Earnings	433,998	670,218	609,038	586,426	1,185,754
Miscellaneous	1,050,065	623,743	1,106,212	(1,459,877)	1,099,189
Total Revenue	$ 286,465,366	$ 301,777,345	$ 314,642,606	$ 323,832,344	$ 327,338,879
Expenses:					
Instruction	$ 168,556,349	$ 173,017,251	$ 180,253,541	$ 190,811,404	$ 184,591,830
Instruction Resources & Media Services	3,427,497	3,546,305	3,752,624	3,890,508	3,699,645
Curriculum & Staff Development	10,122,852	10,230,657	10,554,815	11,175,920	10,217,353
Instructional Leadership	3,398,910	2,932,060	2,937,439	3,039,903	3,120,744
School Leadership	13,573,643	14,202,671	15,180,615	16,523,073	16,510,690
Guidance, Counseling & Evaluation Services	10,032,986	10,684,962	11,377,882	11,972,983	11,698,927
Social Work Services	746,410	678,552	697,418	813,739	941,406
Health Services	3,162,832	3,218,796	3,366,558	3,786,938	3,809,899
Student Transportation	3,490,805	3,558,448	3,517,591	3,506,691	4,090,856
Food Service	15,986,229	16,651,633	18,644,953	19,152,926	18,790,551
Cocurricular/Extracurricular Activities	6,121,188	6,332,289	6,645,113	6,903,236	7,917,440
General Administration	4,081,254	4,336,045	4,626,003	5,212,837	5,337,053
Plant Maintenance & Operations	24,365,274	25,111,535	26,557,392	27,827,961	25,648,126
Security and Monitoring Services	1,082,840	928,261	893,189	1,031,527	1,065,361
Data Processing Services	5,047,677	3,948,117	4,941,185	5,133,950	5,005,902
Community Services	1,203,764	1,205,599	1,052,405	1,010,843	982,314
Debt Service - Interest on Long-term Debt	3,409,525	5,682,302	5,931,817	6,517,092	6,866,336
Debt Service - Bond Issuance Cost and Fees	497,336	826,574	577,329	2,750	245,448
Payments to Juvenile Justice Alternative Ed. Program	43,000	43,000	44,355	41,502	49,311
Payments related to Shared Service Arrangements	434,429	450,482	491,912	494,765	449,687
Other Intergovernmental Charges	1,030,934	1,037,532	1,073,043	1,015,863	1,054,491
Other Business Type Activities	1,323,729	1,376,105	-	-	-
Total Expenditures	$ 281,139,463	$ 289,999,176	$ 303,117,179	$ 319,866,411	$ 312,093,370
Business-Type Activities:					
Office Park Rental Activities	$ -	$ -	$ 421,812	$ 410,597	$ 474,169
Extended Day School Activities	-	-	913,923	1,190,414	1,165,131.00
Total Business-Type Activities	$ -	$ -	$ 1,335,735	$ 1,601,011	$ 1,639,300
Extraordinary Items					
Extraordinary Item	$ (1,835)	$ 8,989,326 [3]	$ -	$ -	$ -
Settlement Proceeds	-	-	2,322,925 [4]	-	-
Costs Related to Settlement	-	-	(242,998)	(1,730,399)	(613,356)
Operating Transfers	-	(60,252)	-	-	-
Total Extraordinary Items	$ (1,835)	$ 8,929,074	$ 2,079,927	$ (1,730,399)	$ (613,356)
Change in Net Assets	$ 5,324,068	$ 20,707,243	$ 12,269,619	$ 634,523	$ 12,992,853
Beginning Net Assets	$ 175,122,828 [2]	$ 180,446,896	$ 201,154,139	$ 176,776,636	$ 177,411,159
Prior Period Adjustment	$ -	$ -	$ (36,647,122) [5]	$ -	$ -
Ending Net Assets	$ 180,446,896	$ 201,154,139	$ 176,776,636	$ 177,411,159	$ 190,404,012

(1) The foregoing information represents government-wide financial information provided in accordance with GASB 34, which the District adopted in the 2002 fiscal year.
(2) In 2013, an adjustment has been made to the prior period to restate bond issue costs that were amortized under the prior standards but expensed in the period incurred under the new standards as required by GASB Statement 65.
(3) In 2014, the District reported an extraordinary net gain, which represents the receipt of a preliminary settlement from insurance for hail damage to buildings that occurred in May 2013.
(4) In 2015, the District reported receipt of additional funds from insurance for hail damage to buildings that occurred in May 2013.
(5) In 2015, the District implemented GASB Statement 68 (Accounting and Financial Reporting for Pensions).

APPENDIX B

GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

AMARILLO INDEPENDENT SCHOOL DISTRICT

General and Economic Information

The Amarillo Independent School District (the "District" or "AISD") is predominately located in the south central section of Potter County with boundaries extending into the north central area of Randall County in the heart of the Texas Panhandle. Located approximately 360 miles northwest of Dallas and 250 miles north of Midland, the District encompasses an area of 72 square miles and is traversed by Interstate highway 27 and 40, United States Highways 60, 87, and 287 and State Highway 136.

Amarillo is the county seat and banking, distribution and commercial center for the Panhandle of Texas. The economy of the area is primarily based on ranching, agricultural related businesses, varied manufacturing, medical services, distribution, marketing and food processing and natural gas production. The City of Amarillo is a major health care center serving the medical needs of a tri-state area including the Texas Panhandle, Eastern New Mexico and Western Oklahoma. The District's estimated current population is approximately 186,538.

Source: Texas Municipal Report for Amarillo ISD.

Enrollment Statistics

Year Ending 6/30	Enrollment
2007	30,206
2008	30,178
2009	30,647
2010	31,483
2011	32,445
2012	32,995
2013	33,306
2014	33,450
2015	33,578
2016	33,655
2017	33,542
Current	33,203

District Staff

Teachers	2,250
Teachers' Aides & Secretaries	510
Auxiliary Personnel	1,035
Administrators	168
Other	411
Total	4,374

Principal Employers within the Area

Name of Company	Type of Business	Number of Employees
Amarillo ISD	Education	4,374
Tyson Foods, Inc.	Distributor	3,700
CNS Pantex	Nuclear Weapons	3,150
BSA Health System	Healthcare	2,700
City of Amarillo	Municipal Government	2,012
Northwest Texas Healthcare System	Healthcare	1,950
Xcel Energy	Electrical Utility	1,431
Canyon ISD	Education	1,400
Texas Department of Criminal Justice	Corrections	1,303

Source: Amarillo Chamber of Commerce

Unemployment Rates

	November 2015	November 2016	November 2017
Potter County	3.3%	3.4%	2.7%
Randall County	2.8%	3.0%	2.4%
State of Texas	4.4%	4.5%	3.7%

Source: Texas Workforce Commission.

Facilities

Campus	Grades	Current Enrollment	Capacity*	Year Built	Year of Addition/ Renovation**
Avondale Elementary	PK-5	523	620	1951	
Belmar Elementary	EE-5	412	475	1963	
Bivins Elementary	PK-5	530	600	1931	1999
Carver Elementary	2-5	327	500	1958	
Carver Early Childhood Academy	EE-1	357	400	1953	1999
Coronado Elementary	EE-5	498	550	1955	2014
Eastridge Elementary	EE-5	801	850	1960	2013, 2014
Emerson Elementary	PK-5	537	650	2005	2013
Forest Hill Elementary	PK-5	579	675	1930	2006
Glenwood Elementary	PK-5	460	500	1921	2007
Hamlet Elementary	EE-5	327	475	1959	2014
Humphry's Highland Elementary	PK-5	576	650	1927	2009
Lamar Elementary	EE-5	320	450	1951	1999
Landergin Elementary	PK-5	323	440	1928	
Lawndale Elementary	EE-5	377	430	1956	
Lee Elementary	EE-5	336	510	1950	1999 & 2004
Mesa Verde Elementary	EE-5	523	640	1960	2004, 2014
Oak Dale Elementary	PK-5	417	550	1960	
Olsen Park Elementary	PK-5	446	485	1956	
Paramount Terrace Elementary	EE-5	355	400	1956	2008
Pleasant Valley Elementary	PK-5	327	470	1930	2004
Puckett Elementary	K-5	403	440	1977	
Ridgecrest Elementary	EE-5	451	525	1960	
Rogers Elementary	PK-5	535	705	1948	1996, 2005, 2014
San Jacinto Elementary	EE-5	625	750	1922	
Sanborn Elementary	PK-5	526	550	1923	2005, 2013
Sleepy Hollow Elementary	K-5	554	600	1978	
South Georgia Elementary	EE-5	402	450	1960	

Facilities
Continued

Campus	Grades	Current Enrollment	Capacity*	Year Built	Year of Addition/ Renovation**
South Lawn Elementary	EE-5	455	520	1954	
Sunrise Elementary	EE-5	302	480	1954	
Tradewind Elementary	EE-5	661	710	2007	2013
Western Plateau Elementary	PK-5	417	410	1963	
Whittier Elementary	PK-5	533	550	1954	1999
Wills Elementary	PK-5	593	600	1928	2007 & 2013
Windsor Elementary	EE-5	500	530	1982	
Wolflin Elementary	PK-5	367	465	1926	
Woodlands Elementary	K-5	414	455	1999	
Allen 6th Grade Campus	6	214	350	1941	2005
Bowie 6th Grade Campus	6	379	550	2015	
Travis 6th Grade Campus	6	347	450	2015	
Austin Middle School	6-8	823	840	1952	
Bonham Middle School	6-8	818	850	1967	1999 & 2006
Bowie Middle School	6-8	796	890	1955	1999 & 2006
Crockett Middle School	6-8	857	800	1960	2006, 2014
de Zavala Middle School	6-8	424	400	2005	
Fannin Middle School	6-8	679	700	1957	2006
Houston Middle School	6-8	764	830	1930	1999, 2007, 2014
Mann Middle School	6-8	468	720	1910	2006
Travis Middle School	6-8	689	900	1957	1998 & 2006
North Heights Alternative School	6-12	377	300	1948	
Amarillo High School	9-12	2,133	2,500	1973	1999 & 2005
Caprock High School	9-12	1,972	2,000	1963	1999
Palo Duro High School	9-12	2,052	1,960	1954	1998, 2005, 2013
Tascosa High School	9-12	2,301	2,500	1958	1999, 2007, 2014
Amarillo Area Center for Advanced Learning	9-12	21	400	1976	2007

**Without portable classroom buildings.*
***All campuses received significant renovations as part of the 1987 Bond Program. More recent additions and renovations are listed in this column.*

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

McCALL PARKHURST & HORTON

Proposed Form of Opinion of Bond Counsel

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

AMARILLO INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2018

IN THE AGGREGATE PRINCIPAL AMOUNT OF $54,500,000

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

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

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

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code").

IN EXPRESSING THE AFOREMENTIONED OPINIONS, we have relied on and assume continuing compliance with, certain representations contained in the federal tax certificate of the Issuer and covenants set forth in the order adopted by the Issuer to authorize the issuance of the Bonds, relating to, among other matters, the use of the project and the investment and expenditure of the proceeds and certain other amounts used to pay or to secure the payment of debt service on the Bonds. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds. We express no opinion as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

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

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering our opinions with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of, and assessed valuation of taxable property within the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Respectfully,

APPENDIX D

AUDITED FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2017

AMARILLO INDEPENDENT SCHOOL DISTRICT
Amarillo, Texas

ANNUAL FINANCIAL REPORT
Year Ended June 30, 2017

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CERTIFICATE OF BOARD

Amarillo Independent School District	Potter	188-901
Name of School District	County	Co.-Dist. Number

We, the undersigned, certify that the attached annual financial report of the above-named school district was reviewed and approved (X)/disapproved (___) for the year ended June 30, 2017, at a meeting of the board of trustees of such school district on the 20th day of November, 2017.

Doug Loomis	F. Scott Flow
Signature of Board Secretary	Signature of Board Vice-President

If the annual financial report was checked above as disapproved, the reason(s) therefore is/are (attach list if necessary):

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Independent Auditor's Report

The Board of Trustees
Amarillo Independent School District
Amarillo, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Amarillo Independent School District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

801 South Fillmore, Suite 600, Amarillo, Texas 79101 ◆ PO Box 15650, Amarillo, Texas 79105 ◆ (806) 373.6661 ◆ FAX (806) 372.1237 ◆ www.cmmscpa.com

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2017, and the respective changes in financial position, where applicable, and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule-General Fund, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of the District's Contributions, and Notes to Required Supplemental Information on pages 7 through 14 and 70 through 73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining statements and other schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is also not a required part of the basic financial statements.

The combining statements and schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and schedules and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Connor McMillon Mitchell & Shennum PLLC

Amarillo, Texas
November 20, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Amarillo Independent School District's (the District's) annual financial report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2017. Please read this section in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

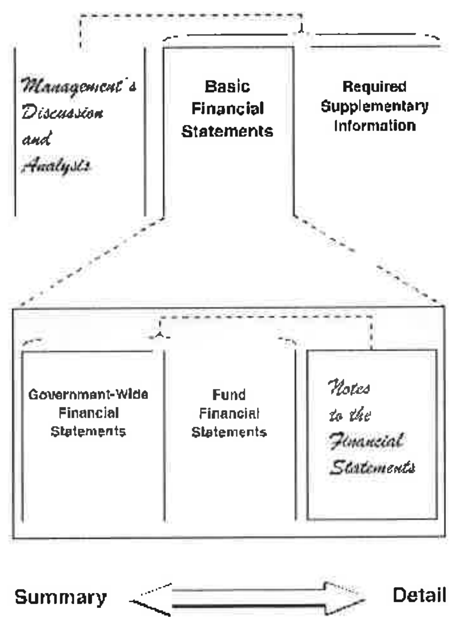
- The District's combined net position was $190,404,012 as of June 30, 2017.
- During the year, the District's expenses were $12,992,853 less than the $327,338,879 generated in taxes and other revenues.
- The general fund reported a fund balance this year of $116,194,852 of which $20,000,000 was committed and $4,000,000 was assigned for future capital acquisition. The capital projects fund reported a fund balance of $18,622,825 that is restricted for capital acquisition.
- In the District's business-type activities, revenue exceeded expenses by $422,150.
- At the end of the current fiscal year, unassigned fund balance for the general fund was $92,076,739 or 36% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.
- Proprietary fund statements offer short- and long-term financial information about the activities the government operates like businesses, such as the Office Park Fund.
- Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Figure A-1 Required Components of the District's Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements

		Fund Statements		
Type of Statements	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District's government (except fiduciary funds) and the Agency's component units	The activities of the District that are not proprietary or fiduciary	Activities the District operates similar to private businesses; self insurance	Instances in which the District is the trustee or agent for someone else's resources
Required financial statements	• Statement of net position • Statement of activities	• Balance sheet • Statement of revenues, expenditures, & changes in fund balances	• Statement of net position • Statement of revenues, expenses, and changes in fund net position • Statement of cash flows	• Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

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

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

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the governmental activities and business-type activities. Most of the District's basic services are included in the governmental activities, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes and grants finance most of these activities. The business-type activities of the District primarily relate to the operations of its office complex and an extended day program.

Fund Financial Statements

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

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

The District has three kinds of funds:

- Governmental funds – Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- Proprietary funds – Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.
- Fiduciary funds – The District is trustee, or fiduciary, for certain funds. It is also responsible for other assets that – because of a trust arrangement – can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The following tables are reported in thousands and, accordingly, reflect rounding differences when compared to the Basic Financial Statements.

Net position. The District's combined net position was approximately $190.4 million at June 30, 2017. (See Table A-1.)

Table A-1
Amarillo Independent School District's Net Position
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	218.4	184.8	5.0	4.9	223.4	189.7
Capital	233.9	241.8	1.1	0.7	235.0	242.5
Total Assets	452.3	426.6	6.1	5.6	458.4	432.2
Deferred outflows of resources	28.2	33.2	-	-	28.2	33.2
Current liabilities	49.9	50.1	0.1	0.1	50.0	50.2
Long-term liabilities	241.7	232.9	-	-	241.7	232.9
Total Liabilities	291.6	283.0	0.1	0.1	291.7	283.1
Deferred inflows of resources	4.5	4.9	-	-	4.5	4.9
Net position:						
Invested in capital assets	70.2	72.9	1.2	0.7	71.4	73.6
Restricted	16.9	15.0	-	-	16.9	15.0
Unrestricted	97.3	84.0	4.8	4.8	102.1	88.8
Net Position	184.4	171.9	6.0	5.5	190.4	177.4

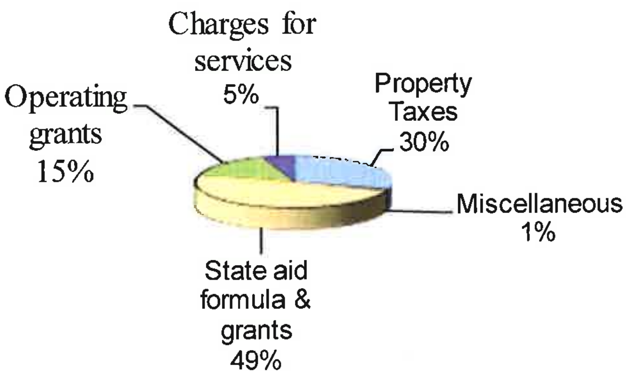
Approximately $10.4 million of the District's restricted net position represents proceeds from local taxes. These proceeds when spent are restricted for debt service. The $97.3 million of unrestricted net position represents resources available to fund the programs of the District next year.

Changes in net position. The District's total revenues, before extraordinary items, were $327.3 million. This is an increase of approximately $3.5 million from the prior year, which is primarily the result of an increase in property tax revenue and a decrease in state aid and operating grants and contributions. A significant portion, 30%, of the District's revenue comes from taxes. (See Figure A-3.) State aid formula and operating grants provide 49% and 15%, respectively, while only 5% relates to charges for services and 1% for miscellaneous revenue. The District reported an extraordinary net costs related to settlement of $.6 million, which represents the costs related to repairs and pursuing a final insurance settlement for hail damage to buildings that occurred in May 2013.

As a result of implementing the new GASB 68, *Accounting and Financial Reporting for Pensions*, there are three categories on the Statement of Net Position – deferred resource outflow related to TRS of $26.0 million, deferred resource inflow related to TRS of $4.5 million, and net pension liability of $66.0 million that represents the District's proportionate share of the Teacher Retirement System pension liability.

The total cost of all programs and services was approximately $313.7 million; 85% of these costs are for instructional and instructional related, instructional and campus leadership, and student services.

Figure A-3
District Sources of Revenue for Fiscal Year 2017



Governmental Activities

- Property tax rates remained unchanged in 2017 for operating costs and debt service requirements. Property values increased by $314 million or 3.8%.

- State formula aid decreased 1%, due to a slight decrease in student attendance.

Table A-2
Changes in Amarillo Independent School District's Net Position
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for services	14.5	11.9	2.1	2.1	16.6	14.0
Operating grants & contributions	49.4	54.0	-	-	49.4	54.0
Capital grants & contributions	-	-	-	-	-	-

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
General revenues:						
Property taxes	98.4	94.7	-	-	98.4	94.7
State aid formula & grants	160.6	162.0	-	-	160.6	162.0
Other	2.3	(0.9)	-	-	2.3	(0.9)
Total Revenues	325.2	321.7	2.1	2.1	327.3	323.8
Expenses						
Instruction	184.6	190.8	-	-	184.6	190.8
Instructional resources and media services	3.7	3.9	-	-	3.7	3.9
Curriculum and instructional staff development	10.2	11.2	-	-	10.2	11.2
Instructional leadership	3.1	3.1	-	-	3.1	3.1
School leadership	16.5	16.5	-	-	16.5	16.5
Guidance, counseling, and evaluation services	11.7	12.0	-	-	11.7	12.0
Social work services	0.9	0.8	-	-	0.9	0.8
Health services	3.8	3.8	-	-	3.8	3.8
Student transportation	4.1	3.5	-	-	4.1	3.5
Food services	18.8	19.2	-	-	18.8	19.2
Cocurricular/extracurricular activities	7.9	6.9	-	-	7.9	6.9
General administration	5.3	5.2	-	-	5.3	5.2
Plant maintenance and operations	25.7	27.8	-	-	25.7	27.8
Security and monitoring services	1.1	1.0	-	-	1.1	1.0
Data processing services	5.0	5.2	-	-	5.0	5.2
Community services	1.0	1.0	-	-	1.0	1.0
Debt service	7.1	6.5	-	-	7.1	6.5
Payments to fiscal agent/member districts of shared svc arrangements	0.5	0.5	-	-	0.5	0.5
Payments to juvenile justice alternative education programs	-	-	-	-	-	-
Intergovernmental charges	1.1	1.0	-	-	1.1	1.0
Other	-	-	1.6	1.6	1.6	1.6
Total Expenses	312.1	319.9	1.6	1.6	313.7	321.5
Excess before special items - Governmental activities	13.1	1.8	-	-	13.1	1.8
Business-type activities	-	-	0.5	0.5	0.5	0.5
Total government	13.1	1.8	0.5	0.5	13.6	2.3
Extraordinary net loss on settlement	(0.6)	(1.7)	-	-	(0.6)	(1.7)
Operating transfers	-	-	-	-	-	-
Increase in net position	12.5	0.1	0.5	0.5	13.0	0.6
Net position, beginning of year, restated	171.9	171.8	5.5	5.0	177.4	176.8
Net position, end of year	184.4	171.9	6.0	5.5	190.4	177.4

Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues and local tax dollars.

- The cost of all governmental activities this year was $312.1 million.
- However, the amount that our taxpayers paid for these activities through property taxes was only $98.4 million.
- Some of the cost was paid by those who directly benefited from the programs, $14.5 million, or by grants and contributions, $49.4 million.

Table A-3
Net Cost of Selected District Functions
(in millions of dollars)

	Total Cost of Services		%	Net Cost of Services		%
	2017	2016	Change	2017	2016	Change
Instruction	184.6	190.8	-3.2%	152.0	156.7	-3.0%
School leadership	16.5	16.5	0.0%	15.3	15.0	2.0%
Guidance, counseling & evaluation services	11.7	12.0	-2.5%	9.5	10.1	-5.9%
Food services	18.8	19.2	-2.1%	0.3	0.6	-50.0%
Plant maintenance & operations	25.6	27.8	-7.9%	24.1	26.4	-8.7%

Business-type Activities

The District's business-type activities in the current year represent two different enterprises. The operations of the office park the District owns are shown in business activity one, the net income of which decreased by $105,820 from the prior year. The reasons for this decrease are a slight decrease in occupancy and there was a remodel project during the year. Business activity two reflects the operations of the District's extended school day activities with an emphasis on tutoring and reinforcing the regular classroom teaching. Profit for this activity decreased by $65,286 due to a shortage in available tutors that required the program to limit enrollment.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled $322.8 million. The increase in local revenues is a result of an increase in property tax revenue. The state revenue decrease was due to a slight decrease in student attendance. The increase in federal revenue is the result of higher Medicaid claims for the current year.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget 10 times. After these adjustments, actual expenditures were $9.9 million or 3.7% below final budget amounts. The most significant positive variances were in instruction, plant maintenance and operations, and facilities acquisition and construction. The variance in the instructional area was predominantly caused by the implementation of staffing formulas to create more efficiencies and by budgeting for full employment but having several unfilled positions at any given time during the year. In the plant maintenance and operations and the facilities acquisition and construction functional areas, the positive variance was due to several repair and building projects not being totally complete by year-end. The Board of Trustees designated a portion of the fund balance to provide for the completion of these projects. Conservative spending by budget managers is also a large factor for the positive variance in all areas.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, the District had invested $469.7 million in a broad range of capital assets, including land, buildings, equipment, vehicles, and construction in progress. (See Table A-4.) This amount represents a $4.3 million increase from the previous year.

Table A-4
District's Capital Assets
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	14.1	15.9	0.2	0.2	14.3	16.1
Buildings and improvements	402.3	396.0	3.3	2.7	405.6	398.7
Furniture and equipment	28.6	27.7		-	28.6	27.7
Equipment purchased under capital lease	1.7	1.6		-	1.7	1.6
Other depreciable capital assets	13.5	4.0		-	13.5	4.0
Construction in progress	6.0	17.3		-	6.0	17.3
	466.2	462.5	3.5	2.9	469.7	465.4
Less accumulated depreciation	(232.2)	(220.7)	(2.4)	(2.2)	(234.6)	(222.9)
	234.0	241.8	1.1	0.7	235.1	242.5

The District's taxpayers approved a bond issue in May 2013 for $99.45 million and issued the first installment in July 2013. The District issued refunded debt in August 2014 and issued the second installment of the approved bond issue in April 2015. The final installment of the approved bond issue was sold in July, 2016. A new elementary school is scheduled to be built in southeast Amarillo with these proceeds as soon as there are a sufficient number of homes built in the area. More detailed information about the District's capital assets is presented in the notes to the financial statements.

Long-Term Debt

At the end of the year the District had $168.4 million in bonds outstanding as shown in Table A-5. This balance represents a 5.9% increase from the previous year. One rating agency, Standard & Poor's, moved the District's bond rating up in 2009 to AA+ from AA. Moody's Investor Services rates the District as Aa. However, due to the guarantee of school district bonds by the Texas Permanent School Fund, the District's underlying bond rating is Aaa and AAA from Moody's Investor Services and Standard & Poor's, respectively. More detailed information about the District's debt is presented in the notes to the financial statements. Also included in long-term debt is premium on bonds, compensated absences, and capital lease obligations.

Table A-5
District's Bonds Payable
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Bonds payable	168.4	159.0	-	-	168.4	159.0
Less amounts due within one year	5.1	4.4	-	-	5.1	4.4
	163.3	154.6	-	-	163.3	154.6

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised property values used for the 2017-18 budget preparation were up $441.9 million, or about 5% from the previous year.

- General operating fund expenditures increased in the 2017-18 budget by 5.9% over the original 2016-17 budget. Among the larger increases in the budget was a 2.5% raise for all employees, a 5% increase in the District's contribution for employee health insurance benefits, and an increase in staff for special populations of students.

These indicators were taken into account when adopting the general fund budget for 2017-18. Amounts available for appropriation in the general fund budget are $266 million.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office at (806) 326-1121.

BASIC FINANCIAL STATEMENTS

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AMARILLO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2017

Data Control Codes		Primary Government Governmental Activities	Business Type Activities	Total
	ASSETS			
1110	Cash and cash equivalents	$ 149,938,974	$ 4,785,736	$154,724,710
1120	Investments	14,418,272	-	14,418,272
	Receivables:			
1220	Property taxes receivable	4,014,485	-	4,014,485
1230	Allowance for uncollectible taxes	(2,233,365)	-	(2,233,365)
1240	Due from other governments	50,614,382	-	50,614,382
1250	Accrued interest	51,217	-	51,217
1290	Other receivables	309,595	132,931	442,526
1300	Inventories, at cost	228,375	-	228,375
1410	Prepayments	1,047,680	33,774	1,081,454
	Capital assets:			
1510	Land	14,073,247	224,455	14,297,702
1520	Buildings and improvements (net)	197,509,301	900,554	198,409,855
1530	Furniture and equipment (net)	6,133,832	-	6,133,832
1540	Other depreciable capital assets (net)	10,197,442	19,083	10,216,525
1580	Construction in progress	6,039,384	-	6,039,384
1000	Total assets	452,342,821	6,096,533	458,439,354
	DEFERRED OUTFLOWS OF RESOURCES			
1701	Deferred charge on refunding	2,158,699	-	2,158,699
1705	Deferred resource outflow related to TRS	25,999,497	-	25,999,497
1700	Total deferred outflows of resources	28,158,196	-	28,158,196
	LIABILITIES			
2110	Accounts payable	4,080,500	29,656	4,110,156
2150	Payroll deductions and withholdings payable	1,625,837	-	1,625,837
2160	Accrued wages payable	30,364,372	61,270	30,425,642
2180	Due to other governments	497,181	799	497,980
2200	Accrued expenses	6,851,876	-	6,851,876
2300	Unearned revenues	462,195	30,750	492,945
	Non-current liabilities:			
2501	Due within one year	5,973,029	-	5,973,029
2502	Due in more than one year	175,736,011	-	175,736,011
2540	Net pension liability	66,016,422	-	66,016,422
2000	Total liabilities	291,607,423	122,475	291,729,898
	DEFERRED INFLOWS OF RESOURCES			
2605	Deferred resource infow related to TRS	4,463,640	-	4,463,640
2600	Total deferred inflows of resources	4,463,640	-	4,463,640
	NET POSITION			
3200	Net investment in capital assets	70,196,687	1,144,092	71,340,779
	Restricted for:			
3820	Federal and state programs	2,570,505	-	2,570,505
3850	Debt service	10,378,852	-	10,378,852
3860	Construction	383,041	-	383,041
3890	Campus activities	3,554,279	-	3,554,279
3900	Unrestricted	97,346,590	4,829,966	102,176,556
3000	Total net position	$184,429,954	$ 5,974,058	$190,404,012

The accompanying notes are an integral part of the basic financial statements.

AMARILLO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

Data Control Codes		1 Expenses	Program Revenues 3 Charges for Services	4 Operating Grants and Contributions	5 Capital Grants and Contributions
	GOVERNMENTAL ACTIVITIES				
11	Instruction	$ 184,591,830	$ 8,394,393	$ 24,166,264	$ 67,121
12	Instructional resources and media services	3,699,645	130,505	358,342	-
13	Curriculum and instructional staff development	10,217,353	149,213	3,045,904	-
21	Instructional leadership	3,120,744	81,115	305,300	-
23	School leadership	16,510,690	278,418	921,697	-
31	Guidance, counseling, and evaluation services	11,698,927	886,716	1,283,979	-
32	Social work services	941,406	-	625,859	-
33	Health services	3,809,899	42,824	503,634	-
34	Student transportation	4,090,856	537,257	1,652	-
35	Food services	18,790,551	2,899,116	15,566,056	-
36	Cocurricular/extracurricular activities	7,917,440	912,190	274,480	-
41	General administration	5,337,053	3,127	264,529	-
51	Plant maintenance and operations	25,648,126	164,103	1,377,159	-
52	Security and monitoring services	1,065,361	3,138	567	-
53	Data processing services	5,005,902	-	126,554	-
61	Community services	982,314	3,690	565,414	-
72	Debt service - interest on long-term debt	6,866,336	-	-	-
73	Debt service - bond issuance and servicing fees	245,448	-	-	-
93	Payments to fiscal agent/member districts of shared services arrangements	449,687	-	-	-
95	Payments to juvenile justice alternative education programs	49,311	-	3,228	-
99	Intergovernmental charges	1,054,491	-	-	-
TG	**TOTAL GOVERNMENTAL ACTIVITIES**	312,093,370	14,485,805	49,390,618	67,121
	BUSINESS-TYPE ACTIVITIES				
01	Office Park rental activities	474,169	542,513	-	-
02	Extended Day School activities	1,165,131	1,518,937	-	-
TB	**TOTAL BUSINESS-TYPE ACTIVITIES**	1,639,300	2,061,450	-	-
TP	**TOTAL PRIMARY GOVERNMENT**	$ 313,732,670	$ 16,547,255	$ 49,390,618	$ 67,121

Data Control Codes	
	GENERAL REVENUES
	Taxes
MT	Property taxes, levied for general purposes
DT	Property taxes, levied for debt service
SF	State aid - formula grants
IE	Investment earnings
MI	Miscellaneous
	Total general revenues
	EXTRAORDINARY ITEMS
E1	Settlement proceeds
E2	Costs related to settlement
	Total extraordinary items
FR	**OPERATING TRANSFERS**
TR	Total general revenues and extraordinary items
CN	**CHANGE IN NET POSITION**
NB	**NET POSITION, BEGINNING OF YEAR**
NE	**NET POSITION, END OF YEAR**

EXHIBIT B-1

Net (Expense) Revenue and Changes in Net Position		
6	7	8
Governmental Activities	Business Type Activities	Total
$ (151,964,052)	$ -	$ (151,964,052)
(3,210,798)	-	(3,210,798)
(7,022,236)	-	(7,022,236)
(2,734,329)	-	(2,734,329)
(15,310,575)	-	(15,310,575)
(9,528,232)	-	(9,528,232)
(315,547)	-	(315,547)
(3,263,441)	-	(3,263,441)
(3,551,947)	-	(3,551,947)
(325,379)	-	(325,379)
(6,730,770)	-	(6,730,770)
(5,069,397)	-	(5,069,397)
(24,106,864)	-	(24,106,864)
(1,061,656)	-	(1,061,656)
(4,879,348)	-	(4,879,348)
(413,210)	-	(413,210)
(6,866,336)	-	(6,866,336)
(245,448)	-	(245,448)
(449,687)	-	(449,687)
(46,083)	-	(46,083)
(1,054,491)	-	(1,054,491)
(248,149,826)	-	(248,149,826)
-	68,344	68,344
-	353,806	353,806
-	422,150	422,150
$ (248,149,826)	$ 422,150	$ (247,727,676)
$ 89,397,043	$ -	$ 89,397,043
9,011,563	-	9,011,563
160,640,336	-	160,640,336
1,185,754	-	1,185,754
1,099,189	-	1,099,189
261,333,885	-	261,333,885
-	-	-
(613,356)	-	(613,356)
(613,356)	-	(613,356)
-	-	-
260,720,529	-	260,720,529
12,570,703	422,150	12,992,853
171,859,251	5,551,908	177,411,159
$ 184,429,954	$ 5,974,058	$ 190,404,012

The accompanying notes are an integral part of the basic financial statements.

EXHIBIT C-1

AMARILLO INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

Data Control Codes		10 General Fund	60 Capital Projects Fund	Other Funds	98 Total Governmental Funds
	ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
	Assets:				
1110	Cash and cash equivalents	$ 84,279,739	$ 18,892,909	$ 17,102,367	$ 120,275,015
1120	Investments	14,418,272	-	-	14,418,272
	Receivables:				
1225	Taxes receivable, net	1,618,427	-	162,693	1,781,120
1240	Due from other governments	46,905,241	-	3,709,141	50,614,382
1250	Accrued interest	47,040	4,177	-	51,217
1260	Due from other funds	872,221	2,673	334	875,228
1290	Other receivables	123,812	-	179,968	303,780
1300	Inventories, at cost	118,113	-	110,262	228,375
1410	Other current assets	1,029,157	-	18,523	1,047,680
1000	Total assets	$ 149,412,022	$ 18,899,759	$ 21,283,288	$ 189,595,069
	LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
	Liabilities:				
2110	Accounts payable	$ 1,828,698	$ 276,934	$ 465,184	$ 2,570,816
2150	Payroll deductions and withholdings payable	1,625,837	-	-	1,625,837
2160	Accrued wages payable	27,717,584	-	2,646,781	30,364,365
2170	Due to other funds	-	-	972,259	972,259
2180	Due to other governments	391,377	-	105,787	497,164
2300	Unearned revenue	35,247	-	426,948	462,195
2000	Total liabilities	31,598,743	276,934	4,616,959	36,492,636
	Deferred Inflows of Resources:				
2601	Unavailable revenue - property taxes	1,618,427	-	162,693	1,781,120
2600	Total deferred inflows of resources	1,618,427	-	162,693	1,781,120
	Fund Balances:				
	Nonspendable fund balance:				
3410	Investment in inventories	118,113	-	110,262	228,375
	Restricted fund balance:				
3450	Food service	-	-	2,460,243	2,460,243
3470	Capital acquisition program	-	18,622,825	-	18,622,825
3480	Retirement of long-term debt	-	-	10,378,852	10,378,852
3490	Campus activities	-	-	3,554,279	3,554,279
	Committed fund balance:				
3510	Capital acquisition	20,000,000	-	-	20,000,000
3570	Assigned fund balance	4,000,000	-	-	4,000,000
3600	Unassigned fund balance	92,076,739	-	-	92,076,739
3000	Total fund balances	116,194,852	18,622,825	16,503,636	151,321,313
4000	Total liabilities, deferred inflows of resources, and fund balances	$ 149,412,022	$ 18,899,759	$ 21,283,288	$ 189,595,069

The accompanying notes are an integral part of the basic financial statements.

AMARILLO INDEPENDENT SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2017

	Total fund balances - governmental funds (from Exhibit C-1)	$ 151,321,313
1	The District uses an internal service fund to charge the costs of self-insurance and the District's motor coach transportation pool to appropriate functions in other funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.	25,237,321
2	Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. 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 balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.	28,355,030
3	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. Long-term liabilities related to compensated absences payable were adjusted to reflect the net change accrued during the year. The net effect of including the 2017 capital outlays, debt principal payments and changes in other long-term liabilities was to decrease net position.	(5,230,811)
4	Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of $397,698 a deferred resource inflow related to TRS in the amount of $419,459, and a deferred resource outflow related to TRS in the amount of $4,776,915. This amounted to a decrease in net position in the amount of $4,755,154.	(4,755,154)
5	The 2017 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(12,278,865)
6	Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	1,781,120
19	**Net position of governmental activities (see Exhibit A-1)**	$ 184,429,954

The accompanying notes are an integral part of the basic financial statements.

AMARILLO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2017

Data Control Codes		10 General Fund	60 Capital Projects Fund	Other Funds	98 Total Governmental Funds
	REVENUES				
5700	Local and intermediate sources	$ 92,282,078	$ 144,662	$ 17,144,830	$ 109,571,570
5800	State program revenues	167,612,806	-	5,994,456	173,607,262
5900	Federal program revenues	6,713,319	-	32,888,563	39,601,882
5020	Total revenues	266,608,203	144,662	56,027,849	322,780,714
	EXPENDITURES				
0011	Instruction	160,956,548	2,526	16,573,945	177,533,019
0012	Instructional resources and media services	3,239,928	-	310,544	3,550,472
0013	Curriculum and instructional staff development	7,227,636	-	2,804,877	10,032,513
0021	Instructional leadership	2,870,275	-	232,327	3,102,602
0023	School leadership	15,725,186	-	351,108	16,076,294
0031	Guidance, counseling, and evaluation services	10,707,530	-	684,561	11,392,091
0032	Social work services	403,893	-	526,727	930,620
0033	Health services	3,414,123	-	326,742	3,740,865
0034	Student transportation	4,087,392	-	2,585	4,089,977
0035	Food services	33,612	-	17,860,742	17,894,354
0036	Cocurricular/extracurricular activities	6,471,452	-	380,863	6,852,315
0041	General administration	5,288,060	-	6,257	5,294,317
0051	Plant maintenance and operations	25,276,753	50,735	500,000	25,827,488
0052	Security and monitoring services	1,005,126	-	1,421	1,006,547
0053	Data processing services	4,388,922	-	-	4,388,922
0061	Community services	350,087	-	560,408	910,495
0071	Debt service - principal on long-term debt	271,046	-	5,805,000	6,076,046
0072	Debt service - interest on long-term debt	3,325	-	7,264,725	7,268,050
0073	Debt service - bond issuance & carrying costs	-	242,948	2,500	245,448
0081	Facilities acquisition and construction	1,852,337	1,033,104	67,604	2,953,045
0093	Payments to fiscal agent/member districts of shared services arrangements	449,687	-	-	449,687
0095	Payments to juvenile justice alternative education programs	45,518	-	3,793	49,311
0099	Intergovernmental charges	1,054,491	-	-	1,054,491
6030	Total expenditures	255,122,927	1,329,313	54,266,729	310,718,969
1100	**EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES**	11,485,276	(1,184,651)	1,761,120	12,061,745
	OTHER FINANCING SOURCES (USES)				
7911	Capital-related debt issued	-	15,245,000	-	15,245,000
7912	Sale of real or personal property	55,086	-	-	55,086
7916	Premium or discount on issuance of bonds	-	997,948	1,739	999,687
7080	Total other financing sources (uses)	55,086	16,242,948	1,739	16,299,773
	SPECIAL ITEMS				
8913	Extraordinary items (uses)	(613,356)	-	-	(613,356)
1200	**NET CHANGE IN FUND BALANCE**	10,927,006	15,058,297	1,762,859	27,748,162
0100	**FUND BALANCES AT BEGINNING OF YEAR**	105,267,846	3,564,528	14,740,777	123,573,151
3000	**FUND BALANCES AT END OF YEAR**	$ 116,194,852	$18,622,825	$ 16,503,636	$ 151,321,313

The accompanying notes are an integral part of the basic financial statements.

AMARILLO INDEPENDENT SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2017

Total net change in fund balances - governmental funds (from Exhibit C-3)	$27,748,162
The District uses an internal service fund to charge the costs of self-insurance and the District's motor coach transportation pool to appropriate functions in other funds. The net income (loss) of the internal service fund is included in the governmental activities in the Statement of Activities. The net effect of this consolidation is to increase net position. (See Exhibit D-2)	7,108,798
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. There were also changes in the long-term liabilities with changes in compensated absences. The net effect of including the 2017 capital outlays and debt principal payments is to decrease net position.	(5,230,811)
Depreciation is not recognized as an expense in the governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(12,278,865)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, 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.	(21,427)
The implementation of GASB 68 required that certain expenditures be unexpended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/16 caused the change in the ending net position to increase in the amount of $4,852,336. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability for the District. This caused a decrease in the net position totalling $4,729,768. The District's proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by $4,877,722. The net result is to decrease the change in net position by $4,755,154.	(4,755,154)
Change in net position of governmental activities (see Exhibit B-1)	$12,570,703

The accompanying notes are an integral part of the basic financial statements.

AMARILLO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2017

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Funds
ASSETS		
Current Assets		
Cash and cash equivalents	$ 4,785,736	$ 29,663,959
Receivables:		
Due from other funds	116,230	2,132
Other receivables	16,701	5,815
Prepayments	33,774	-
Total current assets	4,952,441	29,671,906
Land, buildings and equipment:		
Land	224,455	-
Buildings and improvements, net	900,554	-
Furniture and equipment	-	772,301
Other depreciable capital assets	19,083	-
Total assets	6,096,533	30,444,207
LIABILITIES		
Current Liabilities		
Accounts payable	29,656	1,414,785
Accrued wages payable	61,270	7
Due to other governments	799	17
Accrued expenditures or expenses	-	3,792,077
Unearned revenues	30,750	-
Total current liabilities	122,475	5,206,886
Total liabilities	122,475	5,206,886
NET POSITION		
Net investment in capital assets	1,144,092	772,301
Unrestricted net position	4,829,966	24,465,020
Total net position	$ 5,974,058	$ 25,237,321

The accompanying notes are an integral part of the basic financial statements.

EXHIBIT D-2

AMARILLO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2017

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Funds
OPERATING REVENUES		
Charges for services	$ 2,043,859	$ 37,360,825
Total operating revenues	2,043,859	37,360,825
OPERATING EXPENSES		
Payroll costs	1,086,742	20,264
Purchased and contracted services	341,652	26,025,562
Supplies and materials	20,805	68,643
Other operating costs	75,990	4,342,848
Capital outlay	114,111	-
Total operating expenses	1,639,300	30,457,317
Operating income	404,559	6,903,508
NONOPERATING REVENUES		
Interest and investment income	17,591	205,290
Total nonoperating revenues	17,591	205,290
CHANGE IN NET POSITION	422,150	7,108,798
NET POSITION - BEGINNING OF YEAR	5,551,908	18,128,523
NET POSITION - END OF YEAR	$ 5,974,058	$ 25,237,321

The accompanying notes are an integral part of the basic financial statements.

AMARILLO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2017

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 2,043,030	$ 10,795,790
Payments to suppliers	(549,240)	(5,615,434)
Claims paid	-	(24,337,482)
Payments to employees	(1,081,555)	(20,231)
Internal activity - payments from other funds	-	26,783,628
Net cash provided by operating activities	412,235	7,606,271
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(529,743)	(630,998)
Net cash used by capital and related financing activities	(529,743)	(630,998)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	17,591	205,290
Net cash provided by investing activities	17,591	205,290
Net increase (decrease) in cash and cash equivalents	(99,917)	7,180,563
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	4,885,653	22,483,396
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 4,785,736	$ 29,663,959
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 404,559	$ 6,903,508
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	114,111	215,160
Change in assets and liabilities:		
(Increase) decrease in other receivables	(3,779)	503
(Increase) decrease in due from other funds	(141,562)	4,549
(Increase) decrease in other current assets	2,691	-
Increase (decrease) in accounts payable	2,697	667,033
Increase (decrease) in accrued wages payable	5,187	33
Increase (decrease) in due to other funds	25,332	-
Increase (decrease) in due to other governments	49	-
Increase (decrease) in accrued expenses	2,950	(182,896)
Increase (decrease) in unearned revenue	-	(1,619)
Net cash provided by operating activities	$ 412,235	$ 7,606,271

The accompanying notes are an integral part of the basic financial statements.

EXHIBIT E-1

AMARILLO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2017

	Agency Funds	Private Purpose Trust Funds
ASSETS		
Cash and cash equivalents	$ 187,126	$ 419,813
Investments - current	-	1,386,356
Receivables:		
Accrued interest	-	3,505
Total assets	$ 187,126	$ 1,809,674
LIABILITIES		
Accounts payable	$ -	$ 200
Due to other funds	(136)	21,467
Due to other governments	-	8
Due to student groups	187,262	-
Total liabilities	$ 187,126	$ 21,675
NET POSITION		
Restricted for:		
Scholarships		$ 1,761,888
Unrestricted net position		26,111
Total net position		$ 1,787,999

The accompanying notes are an integral part of the basic financial statements.

AMARILLO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
Year Ended June 30, 2017

ADDITIONS	
Miscellaneous local sources	$ 66,168
Memorial contributions	55,843
Investment income	49,381
Total additions	171,392
DEDUCTIONS	
Payroll costs	12,210
Purchased and contracted services	23,255
Supplies and materials	23,217
Other operating costs	71,030
Total deductions	129,712
Change in net position	41,680
NET POSITION - BEGINNING OF YEAR	1,746,319
NET POSITION - END OF YEAR	$1,787,999

The accompanying notes are an integral part of the basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Amarillo Independent School District (District) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees that are elected by registered voters of the District. The District prepares its basic financial statements in conformity with Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB). Additionally, the District complies with the requirements of the appropriate version of the Texas Education Agency (TEA) *Financial Accountability System Resource Guide* (FASRG) and the requirements of contracts and grants of agencies from which it receives funds.

Reporting Entity

The Board of the District is elected by the public; has the authority to make decisions, appoint administrators and managers, significantly influence operations, and has the primary accountability for fiscal matters. Therefore, the District is not included in any other governmental "reporting entity" as defined by the GASB. There are no component units included within the reporting entity.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. The *governmental activities* are supported by tax revenues, grants and intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

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

Since Internal Service Funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the District as a whole.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting,* as are the proprietary fund and fiduciary fund financial statements. 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.

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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

The District reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund. Major revenue sources include local property taxes, state funding and interest earnings. Expenditures include all costs associated with the daily operations of the District except for specific programs funded by the federal or state government, food service, debt service, and capital projects that are funded by the issuance of bonds.

The *capital projects fund* is used to account for proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Additionally, the District reports the following nonmajor governmental fund types:

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

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

The District reports the following proprietary funds:

The *internal service funds* account for the District's self-funded workers' compensation plan, medical insurance plan and dental insurance plan provided for the benefit of eligible employees. The plans are intended to be self-supporting and contributions for premiums are increased periodically to cover the cost of claims, insurance premiums and administrative fees. The internal service fund also accounts for the operations of the District's motor coach pool. These motor coaches are used primarily for extracurricular travel. This fund is also intended to be self-supporting through charges to users.

The *enterprise fund* accounts for the District's business-type activities, which consist primarily of the operations of an office complex owned by the District for the purpose of making a profit to offset the District's costs. The extended school day fund is used to account for the charges to parents for after-school care, the focus of which is reinforcing classroom instruction with coordination of the campus teachers.

Additionally, the District reports the following fiduciary funds:

Private Purpose Trust Funds - These funds are used to account for resources legally held in trust related to donations for scholarships.

Agency Funds - The District accounts for resources held for others in a custodial capacity in agency funds. The District's agency fund is the student activity fund.

Private-sector standards of accounting and financial reporting generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB.

Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund and internal service funds are charges to customers for rent, services, and user charges. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, and then unrestricted resources as they are needed.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance

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 date of acquisition. Investments for the District are reported at fair value.

The funds of the District must be deposited and invested under the terms of a depository contract, contents of which are set out in the Depository Contract Law. The depository bank may either place approved pledged securities for safekeeping and trust with the District's agent bank or file a corporate surety bond in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of FDIC insurance.

Interfund Balances and Transfers

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Transfers are used to move revenue from the General Fund to other funds to assist with payment of expenditures in various funds.

Inventories and Prepaid Items

Inventories of supplies on the balance sheet are stated at lower of cost or market and they

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance (Continued)

Inventories and Prepaid Items (Continued)

include consumable maintenance and cafeteria items. Inventories of governmental funds are recorded as expenditures when they are consumed rather than when purchased.

Capital Assets

Capital assets, which include land, buildings, furniture and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of $5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

When assets are retired or otherwise disposed of, the related costs or other recorded amounts are removed.

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

Assets	Years
Buildings and building improvements	35
Site improvements	10-15
Furniture, fixtures & equipment	5-10
Information systems (computer equipment)	3
Automobiles	5
Buses	10

Compensated Absence

The District employees are entitled to one paid leave day per contract month. The District's vested obligations under this policy are accrued and are reflected as liabilities in government-wide financial statements.

Risks and Uncertainties

The District is exposed to various risks of loss related to torts; theft of, damage to and

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance (Continued)

Risks and Uncertainties (Continued)

destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the current fiscal year, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three years. The District offers its employees the option of participating in its self-insured health plan or an "opt out" health plan. The District is self-insured for workers' compensation.

Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of GASB pronouncements are met. Claims and judgments that mature or become due are recorded during the year as expenditures in the governmental funds. If they have not matured, no liability is recognized in the governmental fund statements. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

Arbitrage Payable

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury for investment income received at yields that exceed the issuer's tax exempt borrowing rates. The Treasury requires payment for each issue every five years. The estimated liability is updated annually for all tax-exempt issuances or changes in yields until such time payment of the calculated liability is due. The District did not have an arbitrage liability due and payable as of June 30, 2017.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance (Continued)

Long-Term Obligations (Continued)

Interest on capital appreciation bonds is accreted over the term of the bonds and paid at maturity. Interest expense is not recognized in debt service until paid. The annual amount of accreted interest is recorded as an increase in bonds payable and is included in outstanding principal.

Pensions

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items totaling $28,158,196 that qualify for reporting in this category—a deferred charge on refunding of bonds in the amount of $2,158,699 and a deferred outflow related to the District's net pension liability in the amount of $25,999,497.

In addition to liabilities, 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 one item that qualifies for reporting in this category—a deferred inflow related to the District's net pension liability in the amount of $4,463,640.

Net Position

In the government-wide financial statements, the difference between the District's total assets, deferred outflows of resources and liabilities and deferred inflows of resources represents net position. Net position displays the following three components:

Net investment in capital assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Equity (Continued)

Net Position (Continued)

Restricted net position – This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted net position – This amount is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position." It represents the amount available for future operations.

Fund Balances

In the governmental funds financial statements, fund balances are classified as follows:

Nonspendable fund balance – Includes amounts that cannot be spent because they are not in spendable form or they are legally or contractually required to be maintained intact.

Restricted fund balance – Includes amounts that are restricted to specific purposes because of state or federal laws or externally imposed conditions by grantors or creditors.

Committed fund balance – Includes amounts that can only be used for specific purposes as pursuant to official action by the Board of Trustees prior to the end of the reporting period.

Assigned fund balance – Comprises amounts the District intends to use for a specific purpose but is neither restricted nor committed. The superintendent has authority to assign fund balance.

Unassigned fund balance – Represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

When restricted and other fund balance resources are available for use, it is the District's policy to use restricted resources first, followed by committed, assigned and unassigned amounts, respectively.

Use of Estimates

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Data Control Codes

The data control codes refer to the account code structure prescribed by TEA in the FASRG. The TEA requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

Budgetary Data

The Board of Trustees adopts an "appropriated budget" for the General Fund, the Debt Service Fund and the National School Breakfast & Lunch Program, which is included in the Special Revenue Funds. At a minimum, the District is required to present the final amended budgeted revenues and expenditures compared to actual revenues and expenditures for these three funds in Exhibits G-1, J-4 and J-5.

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

1. Prior to June 19, the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.

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

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

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.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

The District's total cash and cash equivalents at year-end primarily consisted of deposits with the contracted depository bank and amounts invested in uninsured public fund investment pools (Investment Pools). Investment Pools invest in certain eligible investments, including obligations of the United States and the State of Texas and fully collateralized direct repurchase agreements.

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits (Continued)

Cash and cash equivalents included on the statement of net position consists of the following:

Deposits	$ 41,860,050
TexPool	59,827,763
Lone Star Investment Pool	53,036,897
Total cash and cash equivalents	$ 154,724,710

Legal and Contractual Provisions Governing Deposits

The District's policy states that the depository selected shall be a bank located in the state of Texas and it cannot be at any bank where the deposits are not insured by the Federal Deposit Insurance Corporation. The District must secure public funds by eligible securities to the extent and in the manner required by the Public Funds Collateral Act. The District is in compliance with applicable legal and contractual provisions.

Policies Governing Deposits

Custodial Credit Risk: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's cash deposits at June 30, 2017, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank and, therefore, were not exposed to custodial credit risk.

Participation in External Investment Pools

As of June 30, 2017, the carrying amount of amounts invested in Investment Pools was $112,948,269 in all funds. The Investment Pools are recorded at cost, which approximated market value at June 30, 2017. All Investment Pools are uninsured and are not registered with the Securities and Exchange Commission. Investment Pools are not subject to custodial credit risk as they are not evidenced by securities that exist in physical or book entry form.

The District's investment in Investment Pools includes Lone Star Investment Pool and TexPool Participant Services. Lone Star Investment Pool's regulatory oversight agent is the Texas Association of School Boards and their credit risk rating is AAAf/S1+. Their financial reports may be obtained by writing TASB, Inc., P.O. Box 400, Austin, Texas 78767-0400. TexPool Participant Services' regulatory oversight agent is the Texas Treasury Safekeeping Trust Company and their credit risk rating is AAAm. Their financial reports may be obtained by writing Federated Investment Management Companies, Federated Investors Tower, 1001 Liberty Avenue, Pittsburgh, PA 15222-3779.

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

Investment Type	Market Value	Percent	Maturity Date	Security Rating
Municipal Bonds				
Levelland CISD School Bldg Bds 2013	$ 1,105,574	7.67%	02/15/2018	AAA
Texas State GO Water Financial Asst 2013	501,585	3.48%	08/01/2018	AAA
Houston TX Utility System Review	3,085,590	21.40%	05/15/2021	AA
New Hope Cultural (TAMU)	738,990	5.11%	04/01/2021	AA+
Total Municipal Bonds	5,431,739	37.66%		
U.S. Government Agency				
FHLMC Quarterly Call Multi Step Up	2,999,301	20.80%	02/14/2020	AA+
FHLMC Quarterly Call	2,993,562	20.77%	05/28/2020	AA+
FHLMC Quarterly Call	2,993,670	20.77%	03/29/2021	AA+
Total U.S. Government Agency	8,986,533	62.34%		
Total investments	$ 14,418,272	100.00%		

The District records investments at fair value as determined by quoted market prices except for short-term, highly liquid debt instruments with a remaining maturity at time of purchase of one year or less. These instruments are recorded at amortized cost, which approximates fair value.

Legal and Contractual Provisions Governing Investments

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

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

Policies Governing Investments

In compliance with the **Public Funds Investment Act**, the District has adopted an investment policy.

Custodial Credit Risk: For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District is not exposed to custodial credit risk for its investments as all are insured, registered and held by the District or by its agent in the District's name.

Interest Rate Risk: Interest rate risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. The District's policy generally states that the maximum allowable stated maturity of individual investments owned by the District shall not exceed one to two years from the time of purchase, within legal limits. The District uses the specific identification method to disclose interest-rate risk.

Credit Risk: State law limits investments in commercial paper to those rated not less than A-1 or P-1 and no-load money market mutual funds to those rated not less than AAA.

Concentration of Credit Risk: Concentration risk is defined as positions of 5% or more in the securities of a single issuer. The District's policy regarding concentration states that the investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from overconcentration of assets in a specific class of investments, specific maturity, or specific issuer.

NOTE 3 - FAIR VALUE MEASUREMENTS

The District adopted Governmental Accounting Standards Board's (GASB) Statement No. 72, *Fair Value Measurement and Application,* during 2016. The standard established a three-level valuation hierarchy for disclosure based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). An asset's fair value measurement level within the hierarchy is based on the lowest level of input that is significant to the valuation.

NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

The three levels are defined as follows:

- Level 1 – Quoted prices for identical assets or liabilities in active markets.
- Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The District uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the District measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were used only when Level 1 or Level 2 inputs were not available.

Assets Measured at Fair Value on a Recurring Basis

		Fair Value Measurements Using:		
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2017:				
U.S. government and agency obligations	$ 8,986,533	$ -	$ 8,986,533	$ -
Municipal bonds	5,431,739	-	5,431,739	-
Total	$ 14,418,272	$ -	$ 14,418,272	$ -

For the valuation of certain U.S. government and agency obligations and municipal bonds at June 30, 2017, the District used quoted prices in principal markets for identical assets as of the valuation date (Level 2).

Assets Measured at Fair Value on a Nonrecurring Basis

There were no fair values of assets and liabilities measured on a nonrecurring basis at June 30, 2017.

NOTE 4 - PROPERTY TAXES

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

The appraisal and recording of all property within the District is the responsibility of the Potter/Randall County Appraisal District (PRAD), an independent governmental unit with a board of directors appointed by the taxing jurisdictions within the county and funded from assessments against those taxing jurisdictions. PRAD is required by law to assess property at 100% of its appraised value. Real property must be reappraised at least every two years. Under certain circumstances taxpayers and taxing units, including the District, may challenge orders of the PRAD Review Board through various appeals and, if necessary, legal action.

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.

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

In the fund financial statements, interfund receivables and payables at June 30, 2017, consisted of the following:

Fund	Receivable	Payable
General Fund:		
Special Revenue Fund	$ 995,116	$ -
Debt Service Fund	(334)	-
Internal Service Fund	343	-
Trust and Agency Fund	21,331	-
Capital Projects Fund	(2,673)	-
Enterprise Fund	(141,562)	-
Total general fund	872,221	-

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

Fund	Receivable	Payable
Special Revenue Fund:		
General Fund	-	995,116
Internal Service Fund	-	2,475
Enterprise Fund	-	(25,332)
Total special revenue fund	-	972,259
Debt Service Fund:		
General Fund	334	-
Total debt service fund	334	-
Capital Projects Fund:		
General Fund	2,673	-
Total capital projects fund	2,673	-
Enterprise Fund:		
General Fund	141,562	-
Special Revenue Fund	(25,332)	-
Total enterprise fund	116,230	-
Internal Service Fund:		
General Fund	(343)	-
Special Revenue Fund	2,475	-
Total internal service fund	2,132	-
Private Purpose Trust Funds:		
General Fund	-	21,331
Total private purpose trust funds	-	21,331
Total	$ 993,590	$ 993,590

All transactions between funds represent "due to/from other funds" caused by cash from one fund paying for expenditures or expenses of another. The District did not incur transactions between funds that would represent lending/borrowing arrangements outstanding at the end of the fiscal year. At June 30, 2017, there were no interfund transfers.

NOTE 6 - DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables as of June 30, 2017, were as follows:

	Property Taxes	Other Governments	Accrued Interest	Other	Total Receivables
Governmental Activities:					
General Fund	$ 3,662,792	$ 46,905,241	$ 47,040	$ 123,812	$ 50,738,885
Capital Projects Fund	-	-	4,177	-	4,177
Nonmajor Governmental Funds	351,693	3,709,141	-	179,968	4,240,802
Internal Service Funds	-	-	-	5,815	5,815
Total governmental activities	$ 4,014,485	$ 50,614,382	$ 51,217	$ 309,595	$ 54,989,679
Amounts not scheduled for collection in subsequent year					
General Fund	$ 2,044,365	$ -	$ -	$ -	$ 2,044,365
Nonmajor Governmental Funds	189,000	-	-	-	189,000
Total governmental activities	$ 2,233,365	$ -	$ -	$ -	$ 2,233,365
Business-Type Activities:					
Office Park rental activities	$ -	$ -	$ -	$ 132,931	$ 132,931
Extended School Day acivities	-	-	-	-	-
Charter Bus transportation activities	-	-	-	-	-
Total business-type activities	$ -	$ -	$ -	$ 132,931	$ 132,931

Payables as of June 30, 2017, were as follows:

	Accounts Payable	Payroll Deductions	Accrued Wages	Due to Other Governments	Total Payables
Governmental Activities:					
General Fund	$ 1,923,597	$ 1,625,837	$ 27,717,584	$ 391,377	$ 31,658,395
Capital Projects Fund	276,934	-	-	-	276,934
Nonmajor Governmental Funds	465,184	-	2,646,781	105,787	3,217,752
Internal Service Funds	1,414,785	-	7	17	1,414,809
Total governmental activities	$ 4,080,500	$ 1,625,837	$ 30,364,372	$ 497,181	$ 36,567,890
Amounts not scheduled for payment during the subsequent year	$ -	$ -	$ -	$ -	$ -
Business-Type Activities:					
Office Park rental activities	$ 29,656	$ -	$ -	$ -	$ 29,656
Extended School Day activities	-	-	61,270	799	62,069
Total business-type activities	$ 29,656	$ -	$ 61,270	$ 799	$ 91,725

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended June 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 15,886,470	$ 492,944	$ (2,306,167)	$ 14,073,247
Construction in progress	17,334,017	989,173	(12,283,806)	6,039,384
Total capital assets not being depreciated	33,220,487	1,482,117	(14,589,973)	20,112,631
Capital assets being depreciated:				
Depreciable site improvements	3,951,250	9,841,255	(277,797)	13,514,708
Buildings & improvements	395,964,679	6,515,102	(180,664)	402,299,117
Furniture & equipment	27,744,853	1,405,340	(592,086)	28,558,107
Equipment purchased under capital lease	1,653,847	-	-	1,653,847
Total capital assets being depreciated	429,314,629	17,761,697	(1,050,547)	446,025,779
Less accumulated depreciation for:				
Depreciable site improvements	(3,059,176)	(626,022)	277,797	(3,407,401)
Buildings & improvements	(195,686,080)	(9,284,400)	180,664	(204,789,816)
Furniture & equipment	(20,676,333)	(2,314,551)	566,609	(22,424,275)
Equipment purchased under capital lease	(1,294,660)	(269,052)	-	(1,563,712)
Total accumulated depreciation	(220,716,249)	(12,494,025)	1,025,070	(232,185,204)
Total capital assets being depreciated, net	208,598,380	5,267,672	(25,477)	213,840,575
Governmental activities capital assets, net	$ 241,818,867	$ 6,749,789	$ (14,615,450)	$ 233,953,206

Capital asset activity for the business-type activities for the year ended June 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 224,455	$ -	$ -	$ 224,455
Construction in process	34,741	-	(34,741)	-
Total capital assets not being depreciated	259,196	-	(34,741)	224,455
Capital assets being depreciated:				
Buildings & improvements	2,691,217	544,484	-	3,235,701
Site Improvements	-	20,000	-	20,000
Furniture & equipment	27,452	-	-	27,452
Total capital assets being depreciated	2,718,669	564,484	-	3,283,153
Less accumulated depreciation for:				
Buildings & improvements	(2,221,953)	(113,194)	-	(2,335,147)
Site Improvements	-	(917)	-	(917)
Furniture & equipment	(27,452)	-	-	(27,452)
Total accumulated depreciation	(2,249,405)	(114,111)	-	(2,363,516)
Total capital assets being depreciated, net	469,264	450,373	-	919,637
Business-type activities capital assets, net	$ 728,460	$ 450,373	$ (34,741)	$ 1,144,092

NOTE 7 – CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs as follows:

11	Instruction	$ 7,092,934
12	Instructional resources and media sources	164,926
13	Curriculum and instructional staff development	56,416
21	Instructional leadership	18,229
23	School leadership	391,212
31	Guidance, counseling and evaluation services	270,334
32	Social work services	15,422
33	Health services	127,787
35	Food services	1,126,515
36	Cocurricular/extracurricular activities	1,019,268
41	General administration	23,701
51	Plant maintenance and operations	788,139
52	Security and monitoring services	58,814
53	Data processing services	1,056,018
61	Community services	69,150
		12,278,865
	Capital assets held by the District's internal service funds are charged to the various functions based on their usage of the asset	215,160
	Total depreciation expense governmental activities	$12,494,025
	Total depreciation expense - business-type activities	$ 114,111

NOTE 8 - LONG-TERM LIABILITIES

A summary of the changes in long-term liability activity for the year ended June 30, 2017, is as follows:

	Balance 7/1/16	Accretion of Discount	Additions	Deletions	Balance 06/30/17	Due Within One Year
Bonds payable	$ 158,985,000	$ -	$ 15,245,000	$ 5,805,000	$ 168,425,000	$ 5,095,000
Premium on bonds	12,312,992	-	999,687	733,992	12,578,687	737,136
Obligation under capital leases	363,614	-	-	272,098	91,516	45,777
Compensated absences payable	1,152,588	-	-	538,751	613,837	95,116
Total governmental activity long-term liabilities	$ 172,814,194	$ -	$ 16,244,687	$ 7,349,841	$ 181,709,040	$ 5,973,029
Net Pension Liability	$ 65,618,724	$ -	$ 5,948,350	$ 5,550,652	$ 66,016,422	$ -

NOTE 9 - LONG-TERM DEBT

A detail of the District's bonds payable at June 30, 2017, is as follows:

Unlimited Tax Refunding Bonds, Series 2012 - due in varying annual installments of $2,280,000 to $3,110,000 for the years 2018 through 2026; interest varies from 2.00% to 5.00%, payable semi-annually; callable on February 1, 2022	$ 23,730,000

NOTE 9 - LONG-TERM DEBT (CONTINUED)

Unlimited Tax School Building Bonds, Series 2013 - due in varying annual installments of $1,115,000 to $6,235,000 for the years 2027 through 2043; interest varies from 4.38% to 5.00%, payable semi-annually; callable on August 1, 2023	55,970,000
Unlimited Tax Refunding Bonds Series 2014 - due in varying annual installments of $1,230,000 to $2,315,000 for the years 2018 through 2034; interest varies from 2.00% to 5.00%, payable semi-annually; callable on August 1, 2023	28,820,000
Unlimited Tax Refunding Bonds, Series 2014-A - due in varying annual installments of $980,000 to $1,880,000 for the years 2018 through 2035; interest varies from 3.00% to 5.00%, payable semi-annually; callable on February 1, 2024	25,385,000
Unlimited Tax School Building Bonds, Series 2015 - due in varying annual installments of $65,000 to $2,805,000 for the years 2027 through 2043; interest varies from 3.00% to 5.00%, payable semi-annually; callable on February 1, 2025	20,730,000
Unlimited Tax School Building Bonds, Series 2016 – due in varying annual installments of $410,000 to $635,000 for the years 2018 through 2043; interest varies from 2.00% to 5.00%, payable semi-annually; callable on August 1, 2026	13,790,000
Total bonds payable	$ 168,425,000

The current portion of bonds payable at June 30, 2017, is as follows:

Unlimited Tax Refunding Bonds, Series 2012	$ 2,280,000
Unlimited Tax Refunding Bonds, Series 2014	1,230,000
Unlimited Tax Refunding Bonds, Series 2014-A	980,000
Unlimited Tax School Building Bonds, Series 2016	605,000
Total	$ 5,095,000

In November 2003, the District's constituents approved, through a general bond election, a bond issuance of approximately $108 million. The proceeds from the issuance of the bonds were used to construct several new campuses within the District and to fund capital improvements at all other campuses within the District. The District issued the first installments of the bonds totaling approximately $35 million in February 2004. Additional installments were issued in April and October 2005 totaling approximately $28 million and $45 million, respectively.

On July 1, 2012, the District issued $32,865,000 in Unlimited Tax Refunding Bonds, Series 2012 (2012 Bonds) for a refunding of $35,595,000 of outstanding Unlimited School Building Bonds, Series 2005A. The bonds were issued at a premium of $3,884,756. Accumulated amortization for 2017 was $1,429,972. The refunding was undertaken to reduce total debt service payments

NOTE 9 - LONG-TERM DEBT (CONTINUED)

by approximately $6,243,000 and resulted in an economic gain of approximately $4,684,000. At June 30, 2017, the deferred charge on the refunding was $992,931, net of accumulated amortization of $578,406. For financial reporting purposes, the 2005A debt was considered defeased and, therefore, removed as a liability from the District's government-wide financial statements. The defeased debt was called for full redemption on February 1, 2013.

In May 2013, the District's constituents approved, through a general bond election, a bond issuance of approximately $99.5 million. The proceeds from the issuance of the bonds will be used to construct several new campuses within the District.

On July 15, 2013, the District issued $56,795,000 in Unlimited Tax School Building Bonds, Series 2013 (2013 Bonds). The 2013 Bonds are payable as to principal and interest from the proceeds of an ad valorem tax levied, without legal limit as to rate or amount, against all taxable property located within the District. The bonds were issued at a premium of $3,777,736. Accumulated amortization for 2017 was $454,627. Proceeds from the sale of the 2013 Bonds were used to (i) acquire, construct, renovate, and equip school buildings in the District and to acquire sites for school buildings and (ii) pay the cost of issuing the Bonds. The 2013 Bonds consist of both serial bonds and term bonds.

On December 1, 2013 the District issued $30,155,000 in Unlimited Tax Refunding Bonds, Series 2014 (2014 Bonds) for a refunding of $30,305,000 of the outstanding Unlimited Tax School Building Bonds Series 2004. The bonds were issued at a premium of $1,475,195. Accumulated amortization for 2017 was $262,121. The refunding was undertaken to reduce total debt service payments over the next 21 years by approximately $3,838,000 and resulted in an economic gain of approximately $2,723,000. At June 30, 2017, the deferred charge on the refunding was $589,722, net of amortization of $127,427. For financial reporting purposes, the 2004 debt has been considered defeased and, therefore, removed as a liability from the District's government-wide financial statements. The defeased debt was called for a full redemption on February 1, 2014.

On August 13, 2014, the District issued $26,855,000 in Unlimited Tax Refunding Bonds, Series 2014A (2014A Bonds) for a refunding of the Series 2005 Bonds. The bonds were issued at a premium of $1,942,105. Accumulated amortization for 2017 was $272,923. The refunding was undertaken to reduce total debt service payments over the next 20 years by approximately $6,628,000 and resulted in an economic gain of approximately $4,881,000. At June 30, 2017, the deferred charge on the refunding was $576,046, net of amortization of $94,188. For financial reporting purposes, the 2005 debt has been considered defeased and, and therefore, removed as a liability from the District's government-wide financial statements. The defeased debt was called for a full redemption on February 1, 2015.

NOTE 9 - LONG-TERM DEBT (CONTINUED)

On April 15, 2015, the District issued $20,730,000 in Unlimited Tax School Building Bonds, Series 2015 (2015 Bonds). The 2015 Bonds are payable as the principal and interest from the proceeds of an ad valorem tax levied, without legal limit as to rate or amount, against all taxable property located within the District. The bonds were issued at a premium of $3,208,371. Accumulated amortization for 2017 was $254,938. Proceeds from the sale of the 2015 Bonds will be used to: (i) acquire, construct, renovate, and equip school buildings in the District and to acquire sites for school buildings and (ii) pay the cost of issuing the Bonds. The 2015 Bonds consist of both serial bonds and term bonds.

On August 1, 2016, the District issued $15,245,000 in Unlimited Tax School Building Bonds, Series 2016 (2016 Bonds). The 2016 Bonds are payable as principal and interest from the proceeds of an ad valorem tax levied, without legal limit as to rate or amount, against all taxable property located within the District. The bonds were issued at a premium of $999,687. Accumulated amortization for 2017 was $34,580. Proceeds from the sale of the 2016 Bonds will be used to (i) acquire, construct, renovate, and equip school buildings in the District and to acquire sites for school buildings and (ii) pay the cost of issuing the Bonds. The 2016 Bonds consist of both serial bonds and term bonds.

The District is required to create a special sinking fund for paying the interest on and the principal of the bonds which is to be kept separate and apart from all other funds.

Annual ad valorem taxes sufficient to provide for the payment of the interest on and principal of the District's bonds are irrevocably pledged without limit as to rate or amount.

The District is subject to arbitrage provisions under the Internal Revenue Code (IRC), which requires that excess earnings on invested proceeds from tax-exempt bond sales over interest expense paid to bond holders be remitted to the Internal Revenue Service (IRS). The District did not have an arbitrage liability due and payable at June 30, 2017.

Total interest expenditures related to the bonds for the year ended June 30, 2017, was $7,264,725.

Following is a summary of bonds payable principal maturities and interest requirements excluding accretion:

Year Ending June 30,	Principal	Interest	Total
2018	$ 5,095,000	$ 7,343,518	$ 12,438,518
2019	5,270,000	7,158,271	12,428,271
2020	5,250,000	7,000,768	12,250,768
2021	5,450,000	6,835,870	12,285,870
2022	5,675,000	6,604,468	12,279,468
2023-2027	30,145,000	29,105,083	59,250,083
2028-2032	26,885,000	23,190,068	50,075,068
2033-2037	33,065,000	17,209,363	50,274,363
2038-2042	41,915,000	8,636,400	50,551,400
2043-2047	9,675,000	466,050	10,141,050
Totals	$ 168,425,000	$ 113,549,859	$ 281,974,859

NOTE 10 - UNEARNED REVENUE

In the fund financial statements, governmental funds report *unearned revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

As of June 30, 2017, the various components of unavailable revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable (general fund)	$ 1,618,427	$ -
Delinquent property taxes receivable (debt service fund)	162,693	-
Miscellaneous local grants	-	10
Prepaid student cafeteria accounts	-	231,008
Miscellaneous state grant revenues	-	42,623
Miscellaneous local revenues	-	219,304
Total unavailable revenue	$ 1,781,120	$ 492,945

NOTE 11 - LEASES

The District leases certain office space to unrelated third parties under noncancelable operating leases. The following reflects the carrying amount and accumulated depreciation of assets held for lease at June 30, 2017:

Land	$ 244,455
Buildings and improvements	3,235,701
Furniture and equipment	27,452
Accumulated depreciation	(2,363,516)
Assets under operating lease	$ 1,144,092

The following is a schedule by years of minimum future rentals to be received from such noncancelable operating leases as of June 30, 2017:

Year Ending June 30,	
2018	$ 478,312
2019	368,734
2020	153,579
2021	30,604
2022	17,042
2023	5,210
Total minimum future rentals	$ 1,053,481

NOTE 11 – LEASES (CONTINUED)

The District has various leases for copiers, land, educational and storage facilities classified as operating leases. Total rent expense for all operating leases for 2017 was approximately $87,000.

Future minimum lease payments under the noncancelable operating leases with initial or remaining terms of one year or more are as follows:

Year Ending June 30,	
2018	$ 88,464
2019	65,064
2020	57,264
2021	28,658
2022	3,750
Total future minimum lease payments	$ 243,200

Capital Leases

The District has entered into noncancelable lease agreements for certain equipment totaling $1,653,847 which have been capitalized for financial reporting purposes. Following is a summary of future minimum lease payments remaining under these capital leases as of June 30, 2017:

Year Ending June 30,	
2018	$ 46,674
2019	19,904
2020	19,904
2021	6,812
2022	-
	93,294
Less: imputed interest	(1,778)
Present value of capital leases	91,516
Less: Current maturities of capital lease obligations	(45,777)
Long-term capital lease obligations	$ 45,739

NOTE 12 - EMPLOYEE BENEFITS AND RISK FINANCING

The District participates in the Texas Association of School Board's public entity risk pool for general, professional and auto liability. Claims and judgments are accounted for in accordance with GASB Statement No. 10, *Accounting and Financial Reporting Principles for Risk Financing and Related Insurance Issues*. Property and casualty risks are insured through insurance contracts.

NOTE 12 - EMPLOYEE BENEFITS AND RISK FINANCING (CONTINUED)

The District sponsors a self-insurance health and prescription plan and an "opt out" health plan to provide health and prescription benefits to eligible employees and their dependents. Participation in one of the plans is mandatory for full-time and half-time employees. The "opt out" plan is a fixed indemnity/limited benefit that is provided to employees who have health coverage through other sources. Transactions related to these plans are accounted for in the Health Insurance Fund (the Fund), an internal service fund of the District. The District obtained stop-loss insurance for specific claims in excess of $250,000 in the self-insured health plan with no aggregate specific deductible. The total aggregate benefit maximum is unlimited.

The District sponsors a self-insured workers' compensation insurance plan. Transactions related to the plan are accounted for in the Workers' Compensation Fund, an internal service fund of the District. The District funded 100% of the premium. Stop-loss insurance was obtained for dollars paid in excess of $4,000,000 over a two-year period. Individual employee claims in excess of $400,000 in one year are also covered by stop-loss insurance.

The District hires an actuary to determine the liability for the self-insured medical and workers' compensation plans. Estimates of claims payable and of claims incurred, but not reported at June 30, 2017, are reflected as accounts and claims payable of the Fund. The plan is funded to discharge liabilities of the Fund as they become due. Claim payments based on actual claims ultimately filed could differ materially from this estimate.

Changes in the balances of claims liabilities during the years ended June 30 are as follows:

	2017	2016
Workers' Compensation Plan Liability		
Unpaid claims, beginning of year	$ 1,667,743	$ 1,395,305
Incurred claims (including incurred but not reported)	601,586	1,067,941
Claims payments	(660,853)	(795,503)
Unpaid claims, end of year	$ 1,608,476	$ 1,667,743
Dental Insurance Plan Liability		
Unpaid claims, beginning of year	$ 99,000	$ 99,000
Incurred claims (including incurred but not reported)	1,255,783	1,283,986
Claims payments	(1,255,783)	(1,283,986)
Unpaid claims, end of year	$ 99,000	$ 99,000

NOTE 12 - EMPLOYEE BENEFITS AND RISK FINANCING (CONTINUED)

	2017	2016
Medical Insurance Plan Liability		
Unpaid claims, beginning of year	$ 2,208,230	$ 2,592,281
Incurred claims (including incurred but not reported)	22,297,217	23,244,990
Claims payments	(22,420,846)	(23,629,041)
Unpaid claims, end of year	$ 2,084,601	$ 2,208,230
Combined Liability		
Unpaid claims, beginning of year	$ 3,974,973	$ 4,086,586
Incurred claims (including incurred but not reported)	24,154,586	25,596,917
Claims payments	(24,337,482)	(25,708,530)
Unpaid claims, end of year	$ 3,792,077	$ 3,974,973

District employees earn one paid leave day per contract month, of which a maximum of five days can be used for personal business. There is no maximum vested amount of paid leave, which is paid only upon retirement. All full-year, non-maintenance employees receive unpaid discretionary leave with a fifteen day maximum accrual. Payment for accumulated discretionary leave is made only to non-exempt employees. All maintenance employees receive between five to fifteen paid vacation days per year that accumulate to a maximum of 15 days at the end of the work year. Days above the maximum are forfeited at the end of the work year. Unused vacation days are forfeited at termination. Compensated absences are accrued as earned in the government-wide financial statements.

NOTE 13 - GENERAL INFORMATION ABOUT THE PENSION PLAN

Plan Description

The District participates in TRS, a cost-sharing, multiple-employer defined benefit pension plan (the Plan) that has a special funding situation. TRS administers retirement and disability annuities and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of 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 IRC. The Texas Legislature has the authority to establish and amend benefit provisions of the pension plan. The pension's Board of Trustees does not have the authority to establish or amend benefits.

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.

NOTE 13 - GENERAL INFORMATION ABOUT THE PENSION PLAN (CONTINUED)

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided

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

Contributions

Contribution requirements are established or amended pursuant to Article XVI, Section 67 of the Texas Constitution requires the Texas Legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code Section 821.006 prohibits benefit improvements if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

NOTE 13 - GENERAL INFORMATION ABOUT THE PENSION PLAN (CONTINUED)

Contributions (Continued)

Contribution rates for Plan fiscal year (September to August) 2016 and 2017 follow:

	Contribution Rates Plan Fiscal Year	
	2016	**2017**
Member	7.2%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employer	6.8%	6.8%

	Contributions Required and Made
2017 District (Employer)	$ 5,673,220
2017 Member (Employee)	14,585,874
2017 Non-employer contributing agency (State)	9,698,862

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity, 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 including public schools are required to pay the employer contribution rate in the following instances:

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

NOTE 13 - GENERAL INFORMATION ABOUT THE PENSION PLAN (CONTINUED)

Contributions (Continued)

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

- 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.
- When a school district does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of salary up to statutory minimum for certain instructional or administrative employees; and 1.5% of total salaries for all other employees.

Actuarial Assumptions

The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

The following assumptions were applied to this measurement period:

Valuation date	August 31, 2016
Actuarial cost method	Individual entry age normal
Asset valuation method	Market Value
Single Discount rate	8.00%
Long-term expected investment rate of return	8.00%
Inflation	2.50%
Salary increases	3.5% to 9.5%
Payroll growth rate	2.50%
Ad hoc postemployment benefit changes	None
Benefit changes during the year	None

The actuarial methods and assumptions are based primarily on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

Discount Rate

The discount rate used to measure the total pension liability was 8.0 %. There was no change in the discount rate since the previous fiscal year. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the 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.

NOTE 13 - GENERAL INFORMATION ABOUT THE PENSION PLAN (CONTINUED)

Discount Rate (Continued)

The long-term rate of return on pension plan investments is 8.0%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the systems target asset allocation as of August 31, 2016, are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. developed	13%	5.1%	0.8%
Emerging markets	9%	5.9%	0.7%
Directional hedge funds	4%	3.2%	0.1%
Private equity	13%	7.0%	1.1%
Stable Value			
U.S. treasuries	11%	0.7%	0.1%
Absolute return	0%	1.8%	0.0%
Stable value hedge funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global inflation linked bonds	3%	0.9%	0.0%
Real assets	16%	5.1%	1.1%
Energy and natural resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100%		8.7%

**The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.*

NOTE 13 - GENERAL INFORMATION ABOUT THE PENSION PLAN (CONTINUED)

Sensitivity of the District's Share of the Net Pension Liability

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2016 Net Pension Liability.

	1% Decrease Discount Rate 7%	Current Discount Rate 8%	1% Increase Discount Rate 9%
District's proportionate share of the net pension liability	$102,171,182	$66,016,422	$35,349,876

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

At June 30, 2017, the District reported a liability of $66,016,422 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	$ 66,016,422
State's proportionate share of the net pension liability associated with the District	115,123,996
Total	$ 181,140,418

The net pension liability was measured as of August 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all participating entities to the Plan for the period September 1, 2015, through August 31, 2016.

At August 31, 2016 the District's proportion of the collective net pension liability was .1746997% which was a decrease of .0109331% from its proportion measured as of August 31, 2015.

Changes Since the Prior Actuarial Valuation

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

NOTE 13 - GENERAL INFORMATION ABOUT THE PENSION PLAN (CONTINUED)

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

For the year ended June 30, 2017, the District recognized pension expense of $11,947,126 and revenue of $11,947,126 for support provided by the State in the Government Wide Statement of Activities.

At June 30, 2017, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,035,125	$ 1,971,212
Changes of assumptions	2,012,062	1,829,887
Net difference between projected and actual earnings on pension plan investments	5,590,135	-
Changes in proportion and differences between District contributions and proportionate share of contributions	12,509,839	662,541
District contributions subsequent to the measurement date	4,852,336	-
Total	$ 25,999,497	$ 4,463,640

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

Year ended June 30,	
2018	$ 2,954,731
2019	2,954,731
2020	6,520,391
2021	2,680,773
2022	1,586,350
Thereafter	(13,455)
Total	$ 16,683,521

NOTE 14 - SCHOOL DISTRICT RETIREE HEALTH PLAN

Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at www.trs.state.tx.us, under the TRS Publications heading, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling TRS Communications Department at 1-800-223-8778.

Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2016-2014.

Contribution Rates

	Active Member		State		School District	
Year	Rate	Amount	Rate	Amount	Rate	Amount
2017	.65%	$ 1,244,549	1.00%	$ 1,914,690	.55%	$ 1,053,080
2016	.65%	1,218,788	1.00%	1,875,058	.55%	1,031,282
2015	.65%	1,192,881	1.00%	1,835,202	.55%	1,009,361

In addition to the pension plan and TRS-Care on behalf, the District is allocated a portion of the Medicare Part D retiree drug subsidy the TRS-Care receives. The amount allocated on behalf by TRS for the years ended June 30, 2017, 2016, and 2015, that has been recognized by the District, is $1,056,533, $764,167, and $537,956, respectively.

NOTE 15 - DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita programs. Amounts due from federal, state, and other governments as of June 30, 2017, are summarized below:

NOTE 15 - DUE FROM OTHER GOVERNMENTS (CONTINUED)

	State Entitlements	Federal Grants	Other Government	Total
General Fund	$ 44,089,601	$ 2,815,640	$ -	$ 46,905,241
Special Revenue Fund	8,747	3,449,322	251,072	3,709,141
Total	$ 44,098,348	$ 6,264,962	$ 251,072	$ 50,614,382

NOTE 16 - REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Capital Project Fund	Special Revenue Service	Debt Service Fund	Total
Tax revenues including penalties and interest	$ 89,416,058	$ -	$ -	$ 9,013,975	$ 98,430,033
Revenues from services to other districts	73,847	-	734,761	-	808,608
Tuition and fees	273,711	-	-	-	273,711
Investment income	893,274	144,662	23,385	124,433	1,185,754
Athletic, food service, extra-curricular, co-curricular, and enterprising activities	694,111	-	2,888,091	-	3,582,202
Other	931,077	-	4,360,185	-	5,291,262
Total	$ 92,282,078	$ 144,662	$ 8,006,422	$ 9,138,408	$ 109,571,570

NOTE 17 - COMMITMENTS AND CONTINGENCIES

The District had commitments for capital improvement projects of approximately $6,437,000 at June 30, 2017.

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the District's administration, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants. The District participates in the school nutrition program and contracts with a Food Service Management Company (FSMC). The contract is in effect for a period of one year ending June 30, 2017 and may be renewed for three additional terms of one year. The contract is a Cost-Reimbursable contract, direct costs incurred plus fees, and provides for a guaranteed return to the District of $455,726, subject to certain conditions as identified in the contract. The District may charge the food services budget for certain identified direct and allocated expenses not to exceed $2,232,247.

At June 30, 2017, the District had no known or threatened pending litigation, which would materially affect the District's financial condition.

NOTE 18 - SPECIAL AND EXTRAORDINARY ITEMS

On May 28, 2013, a severe hail storm damaged forty-six of the District's facilities and other assets that are covered under a property insurance policy at Replacement Cost. The District expects the policy to cover the damage incurred from the hail storm with the exception of the $100,000 deductible. The insurance carrier has paid approximately $11.8 million on an Actual Cash Value basis for the claim. Until the property is repaired, rebuilt, or replaced, the insurance carrier will not pay Replacement Cost.

The District and the insurance carrier disagree about the scope of the loss. Both have engaged engineers and other experts to survey and assess the damage. The District filed a lawsuit to require additional payment and the insurance carrier requested appraisal. The parties mediated their disagreements on two occasions with no settlement reached. The court ruled to send the matter through the appraisal process on November 23, 2016. An umpire and two appraisers have been approved by the court, and the appraisal work is currently in process. The District is optimistic about receiving payment for the Replacement Cost and is in the process of preparing the first bid for repairs.

On June 8, 2017, another hail storm damaged four additional campuses that were not damaged in the 2013 hail storm. These facilities are covered under a property insurance policy at Replacement Cost. Claims have been filed with the insurance carrier for the damages and a preliminary inspection has been done on one of the campuses. The District expects the policy to cover the damage incurred from the hail storm with the exception of the $1,000,000 deductible. No damages have been paid on these claims at this time.

NOTE 19 - GENERAL FUND FEDERAL SOURCE REVENUES

Federally financed programs are generally accounted for in the Special Revenue Funds of the District, except for indirect costs charged to federal programs which are accounted for in the General Fund as prescribed by the TEA. The District recognized in the General Fund such revenues for the year ended June 30, 2017, from various federal sources as follows:

Program or source	CFDA number	Total grant or entitlement	Amount
ROTC salaries and other	12.000	$ 229,394	$ 229,394
ESEA, Title I, Part A, School Improvement Program	84.010A	168,616	4,089
ESEA, Title I, Part A	84.010A	9,472,329	321,240
ESEA, Title I, Part C, Migrant	84.011A	596,627	6,334
IDEA, Part B, Formula	84.027A	5,824,548	135,931
Carl D. Perkins Basic Grant Formula for CATE	84.048A	426,258	16,027
IDEA, Part B, Preschool	84.173A	164,295	771
ESEA, Title III, Subtitle B, Education for Homeless	84.196	138,613	5,064
ESEA, Title IV, Part B, 21st Century Community Learning Centers	84.287C	91,937	161
ESEA, Title III, Part A, English Language Acquisition and Enhancement	84.365A	790,768	8,793

NOTE 19 - GENERAL FUND FEDERAL SOURCE REVENUES (CONTINUED)

Program or source	CFDA number	Total grant or entitlement	Amount
ESEA, Title II, Part A, Teacher/Principal Training and Recruiting	84.367A	1,533,668	46,058
Americorps Literacy	94.006	313,661	9,237
Medicaid Reimbursement	NA	5,930,220	5,930,220
Total		$ 25,680,934	$ 6,713,319

NOTE 20 - SHARED SERVICE ARRANGEMENTS

The District is the fiscal agent for a shared service arrangement (SSA) that provides education to deaf students of area school districts. This program is called the Regional Education Program for the Deaf (REPD) and is funded by a grant from the TEA, reimbursements received from Medicaid and from billings to the home school districts of the students participating in the program. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in the following Special Revenue Funds: 315, 340, and 435, depending upon the type of revenue received for the regional program for the deaf. The REPD bills its member districts for their pro rata share of the program costs that exceed the state grant and for all administrative costs. In addition, the District has accounted for this SSA using Model 2 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

District	District ID	Fund 315	Fund 340	Fund 435	Total
Amarillo	188901	$ 48,556	$ 1,305	$ 729,073	$ 778,934
Borger	117901	1,563	42	23,073	24,678
Bovina	185901	1,563	42	23,073	24,678
Bushland	188904	18	-	261	279
Canyon	191901	7,817	209	115,366	123,392
Dimmitt	035901	61	-	913	974
Dumas	171901	9,433	252	139,221	148,906
Hereford	059901	1,864	50	27,505	29,419
Highland Park	188903	1,563	42	23,073	24,678
Muleshoe	009901	165	-	2,477	2,642
Pampa	090904	35	-	521	556
River Road	188902	3,135	84	46,277	49,496
Tulia	219903	1,792	47	26,462	28,301
Total		$ 77,565	$ 2,073	$1,157,295	$1,236,933

NOTE 21 - NEW GASB PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued several new pronouncements that the District has reviewed for application to their accounting and reporting.

Recently Issued Accounting Pronouncements

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Statement 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting or defined benefit OPEB plans in Statement 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. Statement 74 also sets forth note disclosure requirements for defined contribution OPEB plans. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2016. The District is currently evaluating the effect of this statement on their financial statements.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* Among other things, Statement 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide and requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information about their OPEB liabilities. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2017. The District is currently evaluating the effect of this statement on their financial statements.

GASB Statement No. 77, *Tax Abatement Disclosures*, requires state and local governments, for the first time, to disclose information about tax abatement agreements. It requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues. The requirements of this Statement are effective for financial statements for reporting periods beginning after December 15, 2015. The implementation of this statement did not have a significant impact on the District's financial statements.

NOTE 21 - NEW GASB PRONOUNCEMENTS (CONTINUED)

Recently Issued Accounting Pronouncements (Continued)

GASB Statement No. 78, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, amends the scope and applicability of GASB 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that: (1) is not a state or local governmental pension plan; (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers; and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. GASB 78 is effective for financial statements for reporting periods beginning after December 15, 2015. The implementation of this statement did not have a significant impact on the District's financial statements.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, permits qualifying external investment pools to measure pool investments at amortized cost for financial reporting purposes and provides guidance that will allow many pools to continue to qualify for amortized cost accounting. Existing standards provide that external investment pools may measure their investments at amortized cost for financial reporting purposes, if they follow substantially all of the provisions of the SEC's Rule 2a-7. Likewise, participants in those pools are able to report their investments in the pool at amortized cost per share. GASB 79 replaces the reference in existing GASB literature to Rule 2a-7 with criteria that are similar in many respects to those in Rule 2a-7. GASB 79 is effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. The implementation of this statement did not have a significant impact on the District's financial statements.

GASB Statement No. 80, *Blending Requirement for Certain Component Units,* clarifies the display requirements in GASB Statement No. 14, *The Financial Reporting Entity*, by requiring these component units to be blended into the primary state or local government's financial statements in a manner similar to a department or activity of the primary government. The guidance addresses diversity in practice regarding the presentation of not-for-profit corporations in which the primary government is the sole corporate member. Although GASB 80 applies to a limited number of governmental units, such as, for example, public hospitals, the GASB intends for it to enhance the comparability of financial statements among those units and improve the value of this information for users of state and local government financial statements. GASB 80 is effective for financial statements for reporting periods beginning after June 15, 2016. The implementation of this statement did not have a significant impact on the District's financial statements.

NOTE 21 - NEW GASB PRONOUNCEMENTS (CONTINUED)

Recently Issued Accounting Pronouncements (Continued)

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. GASB 81 requires that a government recognize revenue when the resources become applicable to the reporting period. GASB 81 is effective for financial statements for reporting periods beginning after June 15, 2016. The implementation of this statement did not have a significant impact on the District's financial statements.

GASB Statement No. 82, *Pension Issues*, is designed to improve consistency in the application of the pension standards by clarifying or amending related areas of existing guidance. Specifically, the practice issues raised by stakeholders during implementation relate to GASB 67, 68, and 73. GASB 82 is effective for financial statements for reporting periods beginning after June 15, 2016. The implementation of this statement did not have a significant impact on the District's financial statements.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). It requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred and requires that a deferred outflow of resources associated with an ARO to be measured at the amount of the corresponding liability upon initial measurement. In addition, this statement requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation, at least annually, and requires a government to evaluate all relevant factors, at least annually, and requires a government to evaluate all relevant factors, at least annually, to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays. In cases where governments are legally required to provide funding or other financial assurance for their performance of asset retirement activities, this statement requires disclosure of how those funding and assurance requirements are being met, as well as the amount of any assets restricted for payment of the government's AROs, if not separately displayed in the financial statements. This statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. GASB 83 is effective for financial statements for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The District is currently evaluating the effect of this statement on their financial statements.

NOTE 21 - NEW GASB PRONOUNCEMENTS (CONTINUED)

Recently Issued Accounting Pronouncements (Continued)

GASB Statement No. 84, *Fiduciary Activities*, the objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement establishes criteria for identifying fiduciary activities of all state and local governments. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. GASB No. 84 is effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The District is currently evaluating the effect of this statement on their financial statements.

GASB Statement No. 85, *Omnibus 2017,* the objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). GASB 85 is effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. The District is currently evaluating the effect of this statement on their financial statements.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, the primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance debt that is extinguished and notes to financial statements for debt that is defeased in substance. GASB 86 is effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. The District is currently evaluating the effect of this statement on their financial statements.

GASB Statement No. 87, *Leases,* the objective of this statement is to better meet the information needs of the financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB 87 is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The District is currently evaluating the effect of this statement on their financial statements.

NOTE 22 - SUBSEQUENT EVENT

On November 7, 2017, the District's taxpayers approved a bond issue for $100 million. The bond proceeds will be used for safety and security, classroom additions, facility update and restoration and replacement.

The District has evaluated for inclusion as a subsequent event disclosure only those events that occurred prior to November 20, 2017, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT G-1

AMARILLO INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2017

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP Basis)	Variance with Final Budget Positive (Negative)
	REVENUES:				
5700	Local and intermediate sources	$ 91,451,511	$ 93,129,881	$ 92,282,078	$ (847,803)
5800	State program revenues	156,974,600	167,623,602	167,612,806	(10,796)
5900	Federal program revenues	5,730,000	6,542,577	6,713,319	170,742
	Total revenues	254,156,111	267,296,060	266,608,203	(687,857)
	EXPENDITURES:				
	Current:				
0011	Instruction	158,007,370	163,503,322	160,956,548	2,546,774
0012	Instructional resources and media services	3,226,677	3,385,539	3,239,928	145,611
0013	Curriculum and instructional staff development	7,630,509	7,793,120	7,227,636	565,484
0021	Instructional leadership	2,431,700	3,007,705	2,870,275	137,430
0023	School leadership	14,601,771	16,073,666	15,725,186	348,480
0031	Guidance, counseling, and evaluation services	10,481,814	10,893,227	10,707,530	185,697
0032	Social work services	315,528	430,543	403,893	26,650
0033	Health services	3,333,005	3,569,214	3,414,123	155,091
0034	Student transportation	4,182,885	4,363,130	4,087,392	275,738
0035	Food services	-	43,200	33,612	9,588
0036	Cocurricular/extracurricular activities	5,191,261	6,708,724	6,471,452	237,272
0041	General administration	4,864,646	5,293,419	5,288,060	5,359
0051	Plant maintenance and operations	27,862,146	27,252,149	25,276,753	1,975,396
0052	Security and monitoring services	1,177,137	1,095,763	1,005,126	90,637
0053	Data processing services	3,909,678	5,480,807	4,388,922	1,091,885
0061	Community services	-	383,355	350,087	33,268
0071	Debt service - principal on long-term debt	313,043	271,046	271,046	-
0072	Debt service - interest on long-term debt	274,376	4,330	3,325	1,005
0081	Facilities acquisition and construction	1,050,000	3,819,176	1,852,337	1,966,839
0093	Payments to fiscal agent/member districts of shared services arrangements	530,130	530,130	449,687	80,443
0095	Payments to juvenile justice alternative education programs	45,000	47,063	45,518	1,545
0099	Intergovernmental charges	1,142,000	1,055,550	1,054,491	1,059
6030	Total expenditures	250,570,676	265,004,178	255,122,927	9,881,251
1100	Excess (deficiency) of revenues over (under) expenditures	3,585,435	2,291,882	11,485,276	9,193,394
	OTHER FINANCING SOURCES (USES):				
7912	Sale of real or personal property	-	56,054	55,086	(968)
7080	Total other financing sources (uses)	-	56,054	55,086	(968)
	SPECIAL AND EXTRAORDINARY ITEMS:				
8913	Uses for extraordinary items	-	(9,402,730)	(613,356)	8,789,374
1200	Net change in fund balance	3,585,435	(7,054,794)	10,927,006	17,981,800
0100	**BUDGETARY FUND BALANCE, JULY 1**	105,267,846	105,267,846	105,267,846	-
3000	**BUDGETARY FUND BALANCE, JUNE 30**	$ 108,853,281	$ 98,213,052	$116,194,852	$ 17,981,800

EXHIBIT G-2

AMARILLO INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM OF TEXAS
For the Year Ended June 30, 2017

	Measurement Year Ended August 31,		
	2016	**2015**	**2014**
District's proportionate share of the net pension liability	0.1746997%	0.1856328%	0.1196745%
District's proportionate share of the net pension liability	$ 66,016,422	$ 65,618,724	$ 31,966,714
State's proportionate share of the net pension liability associated with the District	115,123,996	111,117,238	97,866,761
Total	$ 181,140,418	$ 176,735,962	$ 129,833,475
District's covered-employee payroll (for measurement year)	$ 188,171,306	$ 183,927,857	$ 179,348,201
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	35.08%	35.68%	17.82%
Plan's fiduciary net pension as a percentage of the total pension liability	78.00%	78.43%	83.25%

Note: GASB 68, Paragraph 81 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, 2016, 2015 and 2014 for the District's Fiscal Year 2017, 2016 and 2015.

Note: In accordance with GASB 68, Paragraph 138, only three years of data are presented this reporting period. "The information for all periods for the 10 year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

EXHIBIT G-3

AMARILLO INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS TEACHERS RETIREMENT SYSTEM OF TEXAS
For the Year Ended June 30, 2017

	Fiscal Year Ended June 30,		
	2017	2016	2015
Contractually required contributions	$ 5,673,220	$ 5,556,939	$ 5,098,196
Contributions in relation to the contractually required contributions	(5,673,220)	(5,556,939)	(5,098,196)
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 191,469,031	$ 187,505,819	$ 183,520,154
Contributions as a percentage of covered-employee payroll	2.96%	2.96%	2.78%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31, 2016, 2015 and 2014 for the District's Fiscal Year, 2107, 2016 and 2015.

Note: In accordance with GASB 68, Paragraph 138, only three years of data are presented this reporting period. "The information for all periods for the 10 year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2017

NOTE 1 - CHANGES OF BENEFIT TERMS

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

NOTE 2 - CHANGES OF ASSUMPTIONS

There were no changes of assumptions that affected measurement of the total liability during the measurement period.

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OTHER SCHEDULES

AMARILLO INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017

Data Control Codes		205 Head Start	206 ESEA Title III, B Education for Homeless	211 ESEA Title I, A Improving Basic Programs
	ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
	Assets:			
1110	Cash and cash equivalents	$ (3,689)	$(70,969)	$ 522,577
1120	Investments	-	-	-
	Receivables:			
1225	Property taxes (net)	-	-	-
1240	Due from other governments	3,689	90,470	1,603,615
1250	Accrued interest	-	-	-
1260	Due from other funds	-	-	-
1290	Other receivables	-	-	-
1300	Inventory, at cost	-	-	-
1410	Prepayments	-	-	13,848
1000	Total assets	$ -	$ 19,501	$ 2,140,040
	LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
	Liabilities:			
2110	Accounts payable	$ -	$ -	$ 85,926
2160	Accrued wages payable	-	18,870	1,079,520
2170	Due to other funds	-	-	942,239
2180	Due to other governments	-	631	32,355
2300	Unearned revenue	-	-	-
2000	Total liabilities	-	19,501	2,140,040
	Deferred Inflows of Resources:			
2601	Unavailable revenue - property taxes	-	-	-
2600	Total deferred inflows of resources	-	-	-
	Fund Balances:			
	Nonspendable fund balance			
3410	Investment in inventory	-	-	-
	Restricted fund balance			
3450	Food service	-	-	-
3480	Retirement of long-term debt	-	-	-
3490	Campus activities	-	-	-
3000	Total fund balances	-	-	-
4000	Total liabilities, deferred inflows of resources, and fund balances	$ -	$ 19,501	$ 2,140,040

Special Revenue Funds				
212 ESEA Title I, C Education of Migrants	224 IDEA Part B Formula	225 IDEA Part B Preschool	240 Nat'l School Breakfast and Lunch Program	244 Vocational Education Basic Grant
$ (5,971)	$ (140,751)	$ (40,177)	$ 2,542,369	$(18,292)
-	-	-	-	-
-	-	-	-	-
19,314	1,007,202	62,904	195,518	19,267
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	110,262	-
-	2,811	-	-	-
$ 13,343	$ 869,262	$ 22,727	$ 2,848,149	$ 975
$ -	$ 2,415	$ -	$ 260,421	$ 975
12,671	829,168	21,578	85,645	-
-	831	-	(275,034)	-
672	36,848	1,149	6,354	-
-	-	-	200,258	-
13,343	869,262	22,727	277,644	975
-	-	-	-	-
-	-	-	-	-
-	-	-	110,262	-
-	-	-	2,460,243	-
-	-	-	-	-
-	-	-	-	-
-	-	-	2,570,505	-
$ 13,343	$ 869,262	$ 22,727	$ 2,848,149	$ 975

AMARILLO INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017

Data Control Codes		255 ESEA Title II, A Teacher & Principal Trng & Recruiting	263 Title III, A English Language Acquisition & Enhancement	265 Title IV, B 21st Century Community Learning Ctrs
	ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
	Assets:			
1110	Cash and cash equivalents	$ (78,327)	$ (9,333)	$ -
1120	Investments	-	-	-
	Receivables:			
1225	Property taxes (net)	-	-	-
1240	Due from other governments	296,884	110,067	-
1250	Accrued interest	-	-	-
1260	Due from other funds	-	-	-
1290	Other receivables	-	-	-
1300	Inventory, at cost	-	-	-
1410	Prepayments	1,864	-	-
1000	Total assets	$ 220,421	$ 100,734	$ -
	LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
	Liabilities:			
2110	Accounts payable	$ 50,105	$ -	$ -
2160	Accrued wages payable	164,656	98,468	-
2170	Due to other funds	-	-	-
2180	Due to other governments	5,660	2,266	-
2300	Unearned revenue	-	-	-
2000	Total liabilities	220,421	100,734	-
	Deferred Inflows of Resources:			
2601	Deferred inflows	-	-	-
2600	Total deferred inflows of resources	-	-	-
	Fund Balances:			
	Nonspendable fund balance			
3410	Investment in inventory	-	-	-
	Restricted fund balance			
3450	Food service	-	-	-
3480	Retirement of long-term debt	-	-	-
3490	Campus activities	-	-	-
3000	Total fund balances	-	-	-
4000	Total liabilities, deferred inflows of resources, and fund balances	$ 220,421	$ 100,734	$ -

Special Revenue Funds					
272 Medicaid Administrative Claims	289 Other Federal Special Revenue Funds	315 IDEA Part B Discretionary SSA	316 IDEA Part B Deaf SSA	317 IDEA Part B Preschool Deaf SSA	340 IDEA Part C Deaf SSA
$ (139,728)	$ (46,305)	$ 31,105	$ -	$ -	$ 7
-	-	-	-	-	-
-	-	-	-	-	-
139,728	96,147	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ -	$ 49,842	$ 31,105	$ -	$ -	$ 7
$ -	$ 8,370	$ 776	$ -	$ -	$ -
-	24,730	13,839	-	-	-
-	472	-	-	-	-
-	471	16,490	-	-	7
-	15,799	-	-	-	-
-	49,842	31,105	-	-	7
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ -	$ 49,842	$ 31,105	$ -	$ -	$ 7

AMARILLO INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017

Data Control Codes		397 Advanced Placement Incentives	410 Instructional Materials Allotment	429 Other State Funded Special Rev. Funds
	ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
	Assets:			
1110	Cash and cash equivalents	$ 11,396	$1,713,855	$ (4,672)
1120	Investments	-	-	-
	Receivables:			
1225	Property taxes (net)	-	-	-
1240	Due from other governments	-	-	8,747
1250	Accrued interest	-	-	-
1260	Due from other funds	-	-	-
1290	Other receivables	-	-	-
1300	Inventory, at cost	-	-	-
1410	Prepayments	-	-	-
1000	Total assets	$ 11,396	$1,713,855	$ 4,075
	LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
	Liabilities:			
2110	Accounts payable	$ -	$ 8,940	$ 2,378
2160	Accrued wages payable	-	-	980
2170	Due to other funds	-	-	-
2180	Due to other governments	-	-	-
2300	Unearned revenue	11,396	-	717
2000	Total liabilities	11,396	8,940	4,075
	Deferred Inflows of Resources:			
2601	Deferred inflows	-	-	-
2600	Total deferred inflows of resources	-	-	-
	Fund Balances:			
	Nonspendable fund balance			
3410	Investment in inventory	-	-	-
	Restricted fund balance			
3450	Food service	-	-	-
3480	Retirement of long-term debt	-	-	-
3490	Campus activities	-	1,704,915	-
3000	Total fund balances	-	1,704,915	-
4000	Total liabilities, deferred inflows of resources, and fund balances	$ 11,396	$1,713,855	$ 4,075

Special Revenue Funds				
435 Regional Day School for Deaf SSA	461 Campus Activity Funds	499 Locally Funded Special Rev. Funds	599 Debt Service Fund	Total (See C-1)
$ 159,228	$ 2,180,612	$ 128,042	$ 10,371,390	$ 17,102,367
-	-	-	-	-
-	-	-	162,693	162,693
55,589	-	-	-	3,709,141
-	-	-	-	-
-	-	-	334	334
-	84	172,756	7,128	179,968
-	-	-	-	110,262
-	-	-	-	18,523
$ 214,817	$ 2,180,696	$ 300,798	$ 10,541,545	$ 21,283,288
$ -	$ 36,997	$ 7,881	$ -	$ 465,184
198,219	-	98,437	-	2,646,781
-	294,335	9,416	-	972,259
1,887	-	997	-	105,787
14,711	-	184,067	-	426,948
214,817	331,332	300,798	-	4,616,959
-	-	-	162,693	162,693
-	-	-	162,693	162,693
-	-	-	-	110,262
-	-	-	-	2,460,243
-	-	-	10,378,852	10,378,852
-	1,849,364	-	-	3,554,279
-	1,849,364	-	10,378,852	16,503,636
$ 214,817	$ 2,180,696	$ 300,798	$ 10,541,545	$ 21,283,288

AMARILLO INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2017

Data Control Codes		205 Head Start	206 ESEA Title III, B Education for Homeless	211 ESEA Title I, A Improving Basic Programs
	REVENUES			
5700	Local and intermediate sources	$ -	$ -	$ -
5800	State program revenues	-	-	-
5900	Federal program revenues	3,689	127,717	8,205,013
5020	Total revenues	3,689	127,717	8,205,013
	EXPENDITURES			
	Current:			
0011	Instruction	3,689	145	4,940,971
0012	Instructional resources and media service	-	-	169,680
0013	Curriculum and instructional staff development	-	-	2,217,254
0021	Instructional leadership	-	-	5,685
0023	School leadership	-	-	66,559
0031	Guidance, counseling, and evaluation services	-	-	113,680
0032	Social work services	-	126,897	240,758
0033	Health services	-	-	-
0034	Student transportation	-	675	-
0035	Food services	-	-	-
0036	Cocurricular/extracurricular activities	-	-	2,689
0041	General administration	-	-	1,783
0051	Plant maintenance and operations	-	-	-
0052	Security and monitoring services	-	-	527
0061	Community services	-	-	445,427
0071	Debt service - principal on long-term debt	-	-	-
0072	Debt service - interest on long-term debt	-	-	-
0073	Debt service - bond servicing fees	-	-	-
0081	Facilities acquisition and construction	-	-	-
0095	Payments to juvenile justice alternative education programs	-	-	-
6030	Total expenditures	3,689	127,717	8,205,013
	OTHER FINANCING SOURCES (USES)			
7911	Refunding bonds issued	-	-	-
7916	Premium or discount on issuance of bonds	-	-	-
8940	Payment to bond refunding escrow agent	-	-	-
7080	Total other financing sources and (uses)	-	-	-
1200	**NET CHANGE IN FUND BALANCE**	-	-	-
0100	**FUND BALANCES - BEGINNING OF YEAR**	-	-	-
3000	**FUND BALANCES - END OF YEAR**	$ -	$ -	$ -

	Special Revenue Funds				
	212 ESEA Title I, C Education of Migrants	224 IDEA Part B Formula	225 IDEA Part B Preschool	240 Nat'l School Breakfast and Lunch Program	244 Vocational Education Basic Grant
	$ -	$ -	$ -	$ 2,910,172	$ -
	-	-	-	95,520	-
	159,756	5,688,617	202,930	15,905,362	404,213
	159,756	5,688,617	202,930	18,911,054	404,213
	30,249	5,341,742	202,930	-	365,557
	-	-	-	-	-
	3,341	34,073	-	-	31,448
	37,131	12,910	-	-	2,981
	-	-	-	-	1,182
	54,569	296,934	-	-	3,045
	-	182	-	-	-
	-	2,248	-	-	-
	-	528	-	-	-
	-	-	-	17,860,742	-
	720	-	-	-	-
	-	-	-	-	-
	-	-	-	500,000	-
	-	-	-	-	-
	33,746	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	483	-
	-	-	-	-	-
	159,756	5,688,617	202,930	18,361,225	404,213
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	549,829	-
	-	-	-	2,020,676	-
	$ -	$ -	$ -	$ 2,570,505	$ -

AMARILLO INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2017

Data Control Codes		255 ESEA, Title II, A Teacher & Principal Training & Recruiting	263 Title III, A English Language Acquisition & Enhancement	265 Title IV, B 21st Century Community Learning Ctrs
	REVENUES			
5700	Local and intermediate sources	$ -	$ -	$ -
5800	State program revenues	-	-	-
5900	Federal program revenues	1,161,616	439,670	4,065
5020	Total revenues	1,161,616	439,670	4,065
	EXPENDITURES			
	Current:			
0011	Instruction	772,015	439,580	1,919
0012	Instructional resources and media service	-	-	-
0013	Curriculum and instructional staff development	331,223	90	-
0021	Instructional leadership	4,050	-	1,133
0023	School leadership	24,026	-	-
0031	Guidance, counseling, and evaluation services	-	-	-
0032	Social work services	-	-	-
0033	Health services	-	-	-
0034	Student transportation	-	-	-
0035	Food services	-	-	-
0036	Cocurricular/extracurricular activities	-	-	-
0041	General administration	-	-	-
0051	Plant maintenance and operations	-	-	-
0052	Security and monitoring services	-	-	-
0061	Community services	30,302	-	1,013
0071	Debt service - principal on long-term debt	-	-	-
0072	Debt service - interest on long-term debt	-	-	-
0073	Debt service - bond servicing fees	-	-	-
0081	Facilities acquisition and construction	-	-	-
0095	Payments to juvenile justice alternative education programs	-	-	-
6030	Total expenditures	1,161,616	439,670	4,065
	OTHER FINANCING SOURCES (USES)			
7911	Refunding bonds issued	-	-	-
7916	Premium or discount on issuance of bonds	-	-	-
8940	Payment to bond refunding escrow agent	-	-	-
7080	Total other financing sources and (uses)	-	-	-
1200	**NET CHANGE IN FUND BALANCE**	-	-	-
0100	**FUND BALANCES - BEGINNING OF YEAR**	-	-	-
3000	**FUND BALANCES - END OF YEAR**	$ -	$ -	$ -

Special Revenue Funds					
272 Medicaid Administrative Claims	289 Other Federal Special Rev. Funds	315 IDEA Part B Discretionary SSA	316 IDEA Part B Deaf SSA	317 IDEA Part B Preschool Deaf SSA	340 IDEA Part C Deaf SSA
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
202,363	295,830	77,565	-	-	2,073
202,363	295,830	77,565	-	-	2,073
-	210,971	74,442	-	-	2,073
-	-	-	-	-	-
-	655	2,745	-	-	-
-	81,891	378	-	-	-
-	-	-	-	-	-
202,363	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	2,313	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
202,363	295,830	77,565	-	-	2,073
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -

AMARILLO INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2017

Data Control Codes		397 Advanced Placement Incentives	410 Instructional Materials Allotment	429 Other State Funded Special Rev. Funds
	REVENUES			
5700	Local and intermediate sources	$ -	$ -	$ -
5800	State program revenues	5,644	2,055,794	39,095
5900	Federal program revenues	-	-	8,084
5020	Total revenues	5,644	2,055,794	47,179
	EXPENDITURES			
	Current:			
0011	Instruction	-	424,075	19,928
0012	Instructional resources and media service	-	13,931	52
0013	Curriculum and instructional staff development	5,644	4,000	23,730
0021	Instructional leadership	-	-	3,469
0023	School leadership	-	-	-
0031	Guidance, counseling, and evaluation services	-	-	-
0032	Social work services	-	-	-
0033	Health services	-	-	-
0034	Student transportation	-	-	-
0035	Food services	-	-	-
0036	Cocurricular/extracurricular activities	-	-	-
0041	General administration	-	-	-
0051	Plant maintenance and operations	-	-	-
0052	Security and monitoring services	-	-	-
0061	Community services	-	-	-
0071	Debt service - principal on long-term debt	-	-	-
0072	Debt service - interest on long-term debt	-	-	-
0073	Debt service - bond servicing fees	-	-	-
0081	Facilities acquisition and construction	-	-	-
0095	Payments to juvenile justice alternative education programs	-	-	-
6030	Total expenditures	5,644	442,006	47,179
	OTHER FINANCING SOURCES (USES)			
7911	Refunding bonds issued	-	-	-
7916	Premium or discount on issuance of bonds	-	-	-
8940	Payment to bond refunding escrow agent	-	-	-
7080	Total other financing sources and (uses)	-	-	-
1200	**NET CHANGE IN FUND BALANCE**	-	1,613,788	-
0100	**FUND BALANCES - BEGINNING OF YEAR**	-	91,127	-
3000	**FUND BALANCES - END OF YEAR**	$ -	$ 1,704,915	$ -

Special Revenue Funds				
435 Regional Day School for Deaf SSA	461 Campus Activity Funds	499 Locally Funded Special Rev. Funds	599 Debt Service Fund	Total (See C-3)
$ 734,761	$ 3,529,339	$ 832,150	$ 9,138,408	$17,144,830
422,534	-	-	3,375,869	5,994,456
-	-	-	-	32,888,563
1,157,295	3,529,339	832,150	12,514,277	56,027,849
1,056,593	2,455,428	231,638	-	16,573,945
-	126,881	-	-	310,544
199	137,020	13,455	-	2,804,877
81,115	-	1,584	-	232,327
-	253,391	5,950	-	351,108
8,375	281	5,314	-	684,561
-	-	158,890	-	526,727
-	171	324,323	-	326,742
-	1,382	-	-	2,585
-	-	-	-	17,860,742
6,745	330,194	40,515	-	380,863
-	-	2,161	-	6,257
-	-	-	-	500,000
-	894	-	-	1,421
4,268	1,125	44,527	-	560,408
-	-	-	5,805,000	5,805,000
-	-	-	7,264,725	7,264,725
-	-	-	2,500	2,500
-	67,121	-	-	67,604
-	-	3,793	-	3,793
1,157,295	3,373,888	832,150	13,072,225	54,266,729
-	-	-	-	-
-	-	-	1,739	1,739
-	-	-	-	-
-	-	-	1,739	1,739
-	155,451	-	(556,209)	1,762,859
-	1,693,913	-	10,935,061	14,740,777
$ -	$ 1,849,364	$ -	$ 10,378,852	$16,503,636

AMARILLO INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2017

	751 Transportation	771 Workers' Compensation Plan	772 Dental Insurance Plan	773 Medical Insurance Plan	Total (See D-1)
ASSETS					
Current Assets					
Cash and cash equivalents	$ 498,549	$ 5,758,398	$ 1,131,859	$ 22,275,153	$ 29,663,959
Due from other funds	2,475	-	-	(343)	2,132
Other receivables	-	-	132	5,683	5,815
Total current assets	501,024	5,758,398	1,131,991	22,280,493	29,671,906
Noncurrent Assets					
Furniture and equipment	2,161,598	-	-	-	2,161,598
Depreciation on furniture and equipment	(1,389,297)	-	-	-	(1,389,297)
Total noncurrent assets	772,301	-	-	-	772,301
Total assets	1,273,325	5,758,398	1,131,991	22,280,493	30,444,207
LIABILITIES					
Current Liabilities					
Accounts payable	38,772	18,200	-	1,357,813	1,414,785
Accrued wages payable	-	-	7	-	7
Due to other governments	-	-	17	-	17
Accrued expenditures or expenses	-	1,608,476	99,000	2,084,601	3,792,077
Total current liabilities	38,772	1,626,676	99,024	3,442,414	5,206,886
Total liabilities	38,772	1,626,676	99,024	3,442,414	5,206,886
NET POSITION					
Net investment in capital assets	772,301	-	-	-	772,301
Unrestricted net position	462,252	4,131,722	1,032,967	18,838,079	24,465,020
Total net position	$ 1,234,553	$ 4,131,722	$ 1,032,967	$ 18,838,079	$ 25,237,321

AMARILLO INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
Year Ended June 30, 2017

	751 Transportation	771 Workers' Compensation Plan	772 Dental Insurance Plan	773 Medical Insurance Plan	Total (See D-2)
REVENUES					
Charges for services	$ 559,040	$ -	$ 1,388,067	$ 35,413,718	$ 37,360,825
Total revenues	559,040	-	1,388,067	35,413,718	37,360,825
EXPENSES					
Payroll costs	-	-	20,264	-	20,264
Professional and contracted services	204,153	698,830	1,255,783	23,866,796	26,025,562
Supplies and materials	68,191	-	-	452	68,643
Other operating costs	442,244	106,396	-	3,794,208	4,342,848
Total expenses	714,588	805,226	1,276,047	27,661,456	30,457,317
Operating income (loss)	(155,548)	(805,226)	112,020	7,752,262	6,903,508
NONOPERATING REVENUES					
Interest and investment income	-	47,924	8,451	148,915	205,290
Income before operating transfers	(155,548)	(757,302)	120,471	7,901,177	7,108,798
CHANGE IN NET POSITION	(155,548)	(757,302)	120,471	7,901,177	7,108,798
NET POSITION - BEGINNING OF YEAR	1,390,101	4,889,024	912,496	10,936,902	18,128,523
NET POSITION - END OF YEAR	$ 1,234,553	$ 4,131,722	$ 1,032,967	$ 18,838,079	$ 25,237,321

EXHIBIT H-5

AMARILLO INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2017

	751 Transportation	771 Workers' Compensation Plan	772 Dental Insurance Plan	773 Medical Insurance Plan	Total (See D-3)
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers/user charges	$ -	$ -	$ 1,386,316	$ 9,409,474	$ 10,795,790
Payments to suppliers	(697,497)	(185,440)		(4,732,497)	(5,615,434)
Claims paid	-	(660,853)	(1,255,783)	(22,420,846)	(24,337,482)
Payments to employees	-	-	(20,231)	-	(20,231)
Internal activity - payments from other funds	778,515	(18,200)	-	26,023,313	26,783,628
Net cash provided (used) by operating activities	81,018	(864,493)	110,302	8,279,444	7,606,271
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(630,998)	-	-	-	(630,998)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments	-	47,924	8,451	148,915	205,290
Net cash provided by investing activities	-	47,924	8,451	148,915	205,290
Net increase (decrease) in cash and cash equivalents	(549,980)	(816,569)	118,753	8,428,359	7,180,563
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,048,529	6,574,967	1,013,106	13,846,794	22,483,396
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 498,549	$ 5,758,398	$ 1,131,859	$ 22,275,153	$ 29,663,959
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	$ (155,548)	$ (805,226)	$ 112,020	$ 7,752,262	$ 6,903,508
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	215,160	-	-	-	215,160
Changes in assets and liabilities:					
(Increase) decrease in other receivables	-	-	(132)	635	503
(Increase) decrease in due from other funds	4,315	(18,200)	-	18,434	4,549
Increase (decrease) in accounts payable	17,091	18,200	-	631,742	667,033
Increase (decrease) in accrued wages payable	-	-	33	-	33
Increase (decrease) in accrued expenses	-	(59,267)	-	(123,629)	(182,896)
Increase (decrease in unearned revenue	-	-	(1,619)	-	(1,619)
Net cash provided by operating activities	$ 81,018	$ (864,493)	$ 110,302	$ 8,279,444	$ 7,606,271

EXHIBIT H-6

AMARILLO INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
June 30, 2017

	711 Office Park	712 Extended School Day	Total (See D-1)
ASSETS			
Current Assets			
Cash and cash equivalents	$ 2,218,690	$ 2,567,046	$ 4,785,736
Due from other funds	141,562	(25,332)	116,230
Other receivables	16,701	-	16,701
Other assets	33,774	-	33,774
Total current assets	2,410,727	2,541,714	4,952,441
Noncurrent Assets			
Land	224,455	-	224,455
Buildings and improvements	3,263,153	-	3,263,153
Site improvements	20,000	-	20,000
Accumulated depreciation	(2,363,516)	-	(2,363,516)
Total noncurrent assets	1,144,092	-	1,144,092
Total assets	3,554,819	2,541,714	6,096,533
LIABILITIES			
Current Liabilities			
Accounts payable	29,656	-	29,656
Accrued wages payable	-	61,270	61,270
Due to other governments	-	799	799
Unearned revenue	-	30,750	30,750
Total current liabilities	29,656	92,819	122,475
Total liabilities	29,656	92,819	122,475
NET POSITION			
Net investment in capital assets	1,144,092	-	1,144,092
Unrestricted net position	2,381,071	2,448,895	4,829,966
Total net position	$ 3,525,163	$ 2,448,895	$ 5,974,058

AMARILLO INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2017

	711 Office Park	712 Extended School Day	Total (See D-2)
REVENUES			
Local and intermediate sources	$ 524,922	$ 1,518,937	$ 2,043,859
Total revenues	524,922	1,518,937	2,043,859
EXPENSES			
Payroll costs	-	1,086,742	1,086,742
Professional and contracted services	341,152	500	341,652
Supplies and materials	1,209	19,596	20,805
Other operating costs	17,697	58,293	75,990
Capital outlay	114,111	-	114,111
Total expenses	474,169	1,165,131	1,639,300
Operating income	50,753	353,806	404,559
NONOPERATING REVENUES			
Interest income	17,591	-	17,591
Total nonoperating revenues	17,591	-	17,591
CHANGE IN NET POSITION	68,344	353,806	422,150
NET POSITION - BEGINNING OF YEAR	3,456,819	2,095,089	5,551,908
NET POSITION - END OF YEAR	$ 3,525,163	$ 2,448,895	$ 5,974,058

EXHIBIT H-8

AMARILLO INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2017

	711 Office Park	712 Extended Day School	Total (See D-3)
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers/user charges	$ 521,143	$ 1,521,887	$ 2,043,030
Payments to suppliers	(496,161)	(53,079)	(549,240)
Payments to employees	-	(1,081,555)	(1,081,555)
Net cash provided by operating activities	24,982	387,253	412,235
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(529,743)	-	(529,743)
Net cash used by capital and related financing activities	(529,743)	-	(529,743)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	17,591	-	17,591
Net cash used by investing activities	17,591	-	17,591
Net increase (decrease) in cash and cash equivalents	(487,170)	387,253	(99,917)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,705,860	2,179,793	4,885,653
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,218,690	$ 2,567,046	$ 4,785,736
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	$ 50,753	$ 353,806	$ 404,559
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	114,111	-	114,111
Changes in assets and liabilities:			
(Increase) decrease in other receivables	(3,779)	-	(3,779)
(Increase) decrease in due from other funds	(141,562)	-	(141,562)
(Increase) decrease in other current assets	2,691	-	2,691
Increase (decrease) in accounts payable	2,768	(71)	2,697
Increase (decrease in accrued wages payable	-	5,187	5,187
Increase (decrease in due to other funds	-	25,332	25,332
Increase (decrease in due to other governments	-	49	49
Increase (decrease) in unearned revenue	-	2,950	2,950
Net cash provided by operating activities	$ 24,982	$ 387,253	$ 412,235

AMARILLO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
Year Ended June 30, 2017

	1	2	3	10
Last Ten Years	Tax rate		Net assessed/appraised value	Balance
	Maintenance	Debt service	for school tax purposes	July 1, 2016
2008 and prior	Various	Various	Various	$ 701,384
2009	1.080	.090	7,076,850,085	130,218
2010	1.080	.090	7,243,384,957	162,055
2011	1.080	.090	7,260,884,701	192,017
2012	1.080	.090	7,397,553,333	184,733
2013	1.080	.090	7,547,772,479	221,157
2014	1.080	.109	7,757,488,310	312,941
2015	1.080	.109	7,972,500,673	477,297
2016	1.080	.109	7,926,792,178	1,678,745
2017 (School year under audit)	1.080	.109	8,230,816,232	-
1000 Totals				$4,060,547

20 Current year's total levy	31 Maintenance collections	32 Debt service collections	40 Entire year's adjustments	50 Balance June 30, 2017
$ -	$ 45,832	$ 5,228	$ (63,427)	$ 586,897
-	10,546	883	(1,077)	117,712
-	13,577	1,131	(1,266)	146,081
-	17,289	1,441	(1,208)	172,079
-	39,178	3,265	11,446	153,736
-	51,556	4,297	11,302	176,606
-	88,158	8,898	15,076	230,961
-	148,545	14,992	1,170	314,930
-	1,024,215	103,369	(66,879)	484,282
97,864,405	87,161,298	8,796,823	(279,448)	1,626,836
$ 97,864,405	$ 88,600,194	$ 8,940,327	$ (374,311)	$ 4,010,120

Amount receivable relating to the abolished County Education District	4,365
Total delinquent taxes receivable	$ 4,014,485

EXHIBIT J-4

AMARILLO INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
NATIONAL SCHOOL BREAKFAST & LUNCH PROGRAM FUND
Year Ended June 30, 2017

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP Basis)	Variance with Final Budget Positive (Negative)
	REVENUES:				
5700	Local and intermediate sources	$ 3,533,222	$ 3,539,222	$ 2,910,172	$ (629,050)
5800	State program revenues	92,594	92,594	95,520	2,926
5900	Federal program revenues	15,540,421	15,676,183	15,905,362	229,179
5020	Total revenues	19,166,237	19,307,999	18,911,054	(396,945)
	EXPENDITURES:				
	Current:				
0011	Instruction	-	-	-	-
0012	Instructional resources and media services	-	-	-	-
0013	Curriculum and instructional staff development	-	-	-	-
0021	Instructional leadership	-	-	-	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling, and evaluation services	-	-	-	-
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0034	Student transportation	-	-	-	-
0035	Food services	18,724,537	18,402,516	17,860,742	541,774
0036	Cocurricular/extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0051	Plant maintenance and operations	36,700	500,000	500,000	-
0052	Security and monitoring services	-	-	-	-
0053	Data processing services	-	-	-	-
0061	Community services	-	-	-	-
0071	Debt service	-	-	-	-
0081	Facilities acquisition and construction	-	483	483	-
0093	Payments to fiscal agent/member districts of shared services arrangements	-	-	-	-
0095	Payments to juvenile justice alternative education programs	-	-	-	-
6030	Total expenditures	18,761,237	18,902,999	18,361,225	541,774
1200	Net change in fund balance	405,000	405,000	549,829	144,829
0100	Budgetary fund balance, July 1	2,020,676	2,020,676	2,020,676	-
3000	Budgetary fund balance, June 30	$ 2,425,676	$ 2,425,676	$ 2,570,505	$ 144,829

AMARILLO INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
Year Ended June 30, 2017

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP Basis)	Variance with Final Budget Positive (Negative)
	REVENUES:				
5700	Local and intermediate sources	$ 8,911,195	$ 9,100,967	$ 9,138,408	$ 37,441
5800	State program revenues	2,910,845	3,373,230	3,375,869	2,639
5900	Federal program revenues	-	-	-	-
5020	Total revenues	11,822,040	12,474,197	12,514,277	40,080
	EXPENDITURES:				
	Current:				
0011	Instruction	-	-	-	-
0012	Instructional resources and media services	-	-	-	-
0013	Curriculum and instructional staff development	-	-	-	-
0021	Instructional leadership	-	-	-	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling, and evaluation services	-	-	-	-
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0034	Student transportation	-	-	-	-
0035	Food services	-	-	-	-
0036	Cocurricular/extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0052	Security and monitoring services	-	-	-	-
0053	Data processing services	-	-	-	-
0061	Community services	-	-	-	-
0071	Debt service - principal on long-term debt	4,350,000	5,805,000	5,805,000	-
0072	Debt service - interest on long-term debt	6,985,131	7,264,725	7,264,725	-
0073	Debt service - bond servicing fees	10,000	10,000	2,500	7,500
0081	Facilities acquisition and construction	-	-	-	-
0093	Payments to fiscal agent/member districts of shared services arrangements	-	-	-	-
0095	Payments to juvenile justice alternative education programs	-	-	-	-
6030	Total expenditures	11,345,131	13,079,725	13,072,225	7,500
1100	Excess (deficiency) of revenues over (under) expenditures	476,909	(605,528)	(557,948)	47,580
	OTHER FINANCING SOURCES:				
7901	Refunding bonds issued	-	-	-	-
7916	Premium or discount on issuance of bonds	-	1,739	1,739	-
7917	Prepaid interest	-	-	-	-
8940	Payment to bond refunding escrow agent	-	-	-	-
7080	Total other financing sources (uses)	-	1,739	1,739	-
1200	Net change in fund balance	476,909	(603,789)	(556,209)	47,580
0100	Budgetary fund balance, July 1	10,935,061	10,935,061	10,935,061	-
3000	Budgetary fund balance, June 30	$11,411,970	$10,331,272	$ 10,378,852	$ 47,580

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FEDERAL AWARDS SECTION

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CMMS
CONNOR ◆ McMILLON ◆ MITCHELL ◆ SHENNUM PLLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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*

The Board of Trustees
Amarillo Independent School District
Amarillo, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Amarillo Independent School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 20, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of

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laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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.

Connor McMillon Mitchell & Shennum PLLC

Amarillo, Texas
November 20, 2017

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CMMS
CONNOR ◆ McMILLON ◆ MITCHELL ◆ SHENNUM PLLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Trustees
Amarillo Independent School District
Amarillo, Texas

Report on Compliance for Each Major Federal Program

We have audited Amarillo Independent School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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 June 30, 2017.

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Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2017-001. Our opinion of each major federal program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit is described in the accompanying District's Corrective Action Plan, schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weakness or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-001, that we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Connor McMillon Mitchell & Shennum PLLC

Amarillo, Texas
November 20, 2017

AMARILLO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: ___Unmodified___

Internal control over financial reporting:

- Material weakness(es) identified? ______ yes __X__ no
- Significant deficiencies identified? ______ yes __X__ none reported

Noncompliance material to financial statements noted? ______ yes __X__ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ______ yes __X__ no
- Significant deficiencies identified? __X__ yes ______ none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? __X__ yes ______ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
	USDA Child Nutrition Cluster
10.553	National School Breakfast Program
10.555	National School Lunch Program - Combined
10.555	National School Lunch Program - Cash in Lieu of Commodities Program
84.048A	Career and Technical Education - Basic Grants to States

Dollar threshold used to distinguish between type A and type B programs: $ 1,010,150

Auditee qualified as low-risk auditee? __X__ yes ______ no

AMARILLO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

Section II—Financial Statement Findings

None.

Section III—Major Federal Award Findings and Questioned Costs

Finding 2017-001

Program:	National School Lunch Program–Combined 10.555
Program Requirement:	Reporting
Criteria:	AISD Child Nutrition personnel obtain counts of students receiving free, paid, and reduced price meals and snacks from each location via a document uploaded to their server titled "Edit Check". The numbers from the Edit Check are electronically imported into the Reimbursement Claim – Site Breakdown Report. This report is electronically submitted to TDA for reimbursement.
Condition:	Multiple users had access to data and updated the counts between the time the data was originally accessed and the time the counts were used to calculate reimbursement amounts.
Questioned Costs:	$37.72
Context:	CMMS tested 3 months (October 2016, January 2017, and April 2017) and noted differences in the meal counts between the April 2017 Edit Check and Reimbursement Claim – Site Breakdown. This resulted in an over reimbursement of $37.72.
Effect:	The school received an incorrect amount of federal funding for the month of April 2017, which was subsequently corrected in May 2017.
Recommendation:	The District should maintain proper cut-off procedures for reporting.
Views of Responsible Officials:	The District agreed with the recommendation and has filed a corrected report. See the District's Corrective Action Plan.

AMARILLO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF CORRECTIVE ACTION
FOR AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

Finding 2017-001

Condition:	Multiple users had access to data and updated the counts between the time the data was originally accessed and the time the counts were used to calculate reimbursement amounts.
Corrective Action Plan:	The District agreed with the recommendation and has filed a corrected report. See the District's Corrective Action Plan on page 117.

AMARILLO INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2016

Finding 2016-001

Condition:	The Title 1 Campus Allocation Report, prepared from the Disaggregation of PEIMS Student Data Report, contained transposition errors for two schools. Information transposed included the total number of students enrolled at the school and the total number of "low income" students at the school.
Corrective Action Plan:	The Director of Federal Programs and Grants, will ensure data is reviewed.
Current Status:	Corrective Action was implemented. See the District's Summary Schedule of Prior Audit Findings on page 118.

Amarillo Independent School District
Schedule of Expenditures of Federal Awards
Year ended June 30, 2017

(1) Federal Grantor/Pass-Through Grantor/Program Title	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. Department of Education			
Passed Through Texas Education Agency:			
ESEA, Title I, Part A*	84.010A	16610101188901	32,354
Title I, Part A-Improving Basic Programs*	84.010A	17610101188901	8,390,776
ESEA, TTL I 1003(A) Priority & Focus School Grant*	84.010A	16610112188901000	728
TTL I 1003(A) Priority and Focus School Grant*	84.010A	17610112188901000	106,484
Total CFDA No. 84.010A			8,530,342
Title I, Part C, Migrant	84.011A	17615001188901	166,090
Total CFDA No. 84.011A			166,090
IDEA, Part B, Discretionary, Deaf*	84.027A	166600111889016673	1,312
IDEA-B, Discretionary Deaf*	84.027A	17660011188901	76,253
IDEA- B Formula*	84.027A	176600011889016600	5,824,548
IDES-B Discretionary	84.027A	176600021889016674	39,406
Total CFDA No. 84.027A			5,941,519
Title I, Part C, Carl D Perkins Career and Technical Education Act Grant	84.048A	17420006188901	420,240
Total CFDA No. 84.048A			420,240
IDEA B, Preschool*	84.173A	176610011889016610	164,295
Total CFDA No. 84.173A			164,295
IDEA- C ECI*	84.181A	173911011889013911	2,073
Total CFDA No. 84.181A			2,073
ESEA, Title IV, Part B, 21st Century Community Learning Centers	84.287C	166950167110001	4,226
Total CFDA No. 84.287C			4,226
Title III, Part A - LEP	84.365A	17671001188901	448,463
Total CFDA No. 84.365A			448,463
ESEA, Title II, Part A, Teacher/Principal Training & Recruiting	84.367A	16694501188901	33,344
Title II, Part A Teacher & Principal Training & Recruiting	84.367A	17694501188901	1,174,330
Total CFDA No. 84.367A			1,207,674
ESEA, Title VI, Part A, Summer School LEP	84.369A	069551602	12,184
Total CFDA No. 84.369A			12,184
Total Passed Through Texas Education Agency			16,897,106
Passed Through Education Service Center, Region X:			
ESEA, Title III, Subtitle B, Education for Homeless*	84.196A	16-004	11,883
McKinney-Vento/TEXSHEP (Texas Support for Homeless Education)	84.196A	17-054	120,898
Total Passed Through Education Service Center, Region 10			132,781
Total U.S. Department of Education			17,029,887

Continued

Amarillo Independent School District
Schedule of Expenditures of Federal Awards
Year ended June 30, 2017

(1) Federal Grantor/Pass-Through Grantor/Program Title	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
ACTION			
Passed Through OneStar National Service Commission:			
AmeriCorps Literacy	94.006	13AFHTX0010008 ('15-16)	328
Amarillo ISD AmeriCorps	94.006	13AFHTX0010008 ('16-17)	292,555
Total Passed Through OneStar National Service Commission			292,883
Total Action			292,883
U.S. Department of Agriculture			
Direct:			
Cash in Lieu of Commodities Program*	10.555	-	1,195,177
Total Direct			1,195,177
2016 National School Lunch Program NSLP Equipment Assistance Grant	10.579	6TX300355	35
Total Passed Through Texas Department of Agriculture			35
Passed Through Texas Education Agency:			
National School Breakfast Program*	10.553	-	4,667,280
National School Lunch Program-Combined*	10.555	-	10,042,870
Total Passed Through Texas Education Agency			14,710,150
Total U.S. Department of Agriculture			15,905,362
U.S. Department of Health & Human Services			
Direct:			
Medicaid Admin Cost Reimbursement	93.778	-	202,363
Total CFDA 93.778			202,363
Total Direct			202,363
Passed Through Education Service Center, Region XVI:			
Head Start	93.600	06CH10104-02-00	3,689
Total Passed Through ESC, Region XVI			3,689
Total U.S. Department of Health & Human Services			206,052

Continued

Amarillo Independent School District
Schedule of Expenditures of Federal Awards
Year ended June 30, 2017

(1) Federal Grantor/Pass-Through Grantor/Program Title	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. Department of Defense			
Direct:			
ROTC salaries & other (Note A)	12.000	-	229,394
Total U.S. Department of Defense			229,394
U.S. Department of Labor			
Passed Through Texas Workforce Commission			
WIA Disl Worker Formula Grants	17.278	0117ATP000	8,084
Total CFDA 17.278			8,084
Total Passed Through Texas Workforce Commission			8,084
Total U.S. Department of Labor			8,084
Total Expenditures of Federal Awards			33,671,662
Medicaid Reimbursement accounted for in the general fund as revenue from federal sources but not considered "federal financial assistance" for inclusion in the Schedule of Expenditures of Federal Awards			5,930,220
Revenue from federal sources per Exhibit C-3			$ 39,601,882

Note A:
These programs are accounted for in the general fund. Expenditures for these programs are not specifically attributable to this revenue source and are shown on this schedule in an amount equal to revenue for balancing purposes only.

*Clustered programs as required by the 2017 Compliance Supplement

AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017

NOTE 1 - GENERAL

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal awards programs of Amarillo Independent School District (the District) for the year ended June 30, 2017. The District's reporting entity is defined in Note 1 - Summary of Significant Accounting Policies to the District's basic financial statements. Federal financial assistance received directly from federal agencies as well as assistance passed through other government agencies is included on the Schedule. The District did not elect to use the 10% de minimis indirect cost rate. The District did not provide pass-through funds to subrecipients for the year ended June 30, 2017.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying Schedule is presented using the modified accrual basis of accounting, which is described in Note 1 - Summary of Significant Accounting Policies to the District's basic financial statements.

NOTE 3 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying Schedule agree with the amounts reported in the related federal financial reports considering timing differences of cash receipts.

NOTE 4 - COMMITMENTS AND CONTINGENCIES

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the District's administration, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grant.

Amarillo Independent School District

7200 West Interstate 40 • Amarillo, TX 79106 • (806)326-1121 • Fax • (806)354-4292

Pati Buchenau
Chief Financial Officer

November 20, 2017

Federal Fiscal Monitoring Division
Texas Education Agency
1701 North Congress Avenue
Austin, TX 78701-1494

Re: Amarillo I.S.D. Finding 2017-001

In response to Finding 2017-001 issued by our auditors, Connor McMillon Mitchell & Shennum, PLLC, I am presenting the following Corrective Action Plan.

Program: 84.010A – Title 1 Grant to Local Education Agencies (Title 1, Part A of ESEA)

Contact Person: Matt Buck, Chartwells Resident District Manager

Condition: Multiple users had access to data and updated the counts between the time the data was originally accessed and the time the counts were used to calculate reimbursement amounts.

Corrective Action Plan: The District filed a corrected report with the Texas Department of Agriculture as soon as the error was discovered in May, 2017 and the amount was deducted from the May meal claim. The District has also implemented the following preventive measures:

* Stricter cut-off times for the meal count data to be completed by campuses was instituted in May, 2017.
* The access to view and edit the meal count data is now limited to the Director of Food Service only.
* The meal claim report is now being reviewed for accuracy by the Director of Food Service before it is submitted.

Amarillo Independent School District

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Pati Buchenau
Chief Financial Officer

Amarillo Independent School District
Summary schedule of prior audit finding
Year ended June 30, 2017

Status of prior audit finding
2016-001
84.010A – Title 1 Grant to Local Education Agencies C Title 1, Part A of ESEA

Status: Corrected

Financial Advisory Services
Provided By:

SAMCO CAPITAL MARKETS, INC.