OFFICIAL STATEMENT DATED MAY 14, 2018

US Capital Advisors

NEW ISSUE – Book-Entry-Only **Rating: Standard & Poor's: "AA/Stable"**
(See "OTHER INFORMATION–Rating" and "BOND INSURANCE" herein)

In the opinion of Bond Counsel, interest on the Notes 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. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel, including the alternative minimum tax consequences for corporations.

$2,850,000
BOWIE INDEPENDENT SCHOOL DISTRICT
(Montague, Clay and Jack Counties, Texas)
MAINTENANCE TAX NOTES
SERIES 2018

(The Notes have been designated as Qualified Tax-Exempt Obligations for Financial Institutions)

Dated Date: June 1, 2018 **Due: as shown on the inside cover page hereof**

The Bowie Independent School District Maintenance Tax Notes, Series 2018 (the "Notes") are being issued pursuant to the Constitution and general laws of the State of Texas (the "State") including particularly Section 45.108, Texas Education Code, as amended, and a resolution adopted by the Board of Trustees of the Bowie Independent School District (the "District") authorizing the issuance of the Notes (the "Resolution"). The Notes are direct obligations of the District, payable from the District's maintenance and operations tax, a limited annual ad valorem tax levied, within the limit prescribed by law, on all taxable property located within the District, as provided in Resolution. See "TAX RATE LIMITATIONS" herein.

The Notes are dated June 1, 2018 (the "Dated Date"). Interest on the Notes will accrue from the date of delivery to the Initial Purchaser, as defined herein (the "Delivery Date") and will be payable on August 15 and February 15 of each year until maturity or prior redemption, commencing August 15, 2018. Principal of the Notes will be payable by the Paying Agent/Registrar, initially The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/ Registrar"), upon presentation and surrender of the Notes for payment. See "THE NOTES—Description" herein.

The definitive Notes will be initially registered and delivered to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Notes may be acquired in denominations of $5,000 of principal or integral multiples thereof. **No physical delivery of the Notes will be made to the beneficial owners thereof.** Principal, premium, if any, and interest on the Notes will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amount so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Notes. See "THE NOTES–Book-Entry-Only System" herein.

The scheduled payment of principal of and interest on the Notes when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Notes by **BUILD AMERICA MUTUAL ASSURANCE COMPANY**.

BAM
BUILD AMERICA MUTUAL

Proceeds from the sale of the Notes will be used to: (i) rehabilitate, equip and repair existing school properties and (ii) pay the costs of issuing the Notes. See "THE NOTES—Sources and Uses of Funds" herein.

The Notes maturing on or after February 15, 2027 are subject to optional redemption in whole or in part on February 15, 2026, or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest from the most recent interest payment date to the date of redemption. See "THE NOTES—Optional Redemption" herein.

SEE MATURITY SCHEDULE ON THE INSIDE COVER PAGE

The Notes are offered for delivery when, as and if issued and received by the initial purchaser (the "Initial Purchaser") and will be subject to the approving opinion of the Attorney General of Texas and the approval of certain legal matters by Hunton Andrews Kurth LLP, Houston, Texas, Bond Counsel (see "APPENDIX C – FORM OF BOND COUNSEL'S OPINION" attached hereto).

It is expected that the Notes will be available for delivery through the facilities of DTC on or about June 19, 2018.

MATURITY SCHEDULE

BOWIE INDEPENDENT SCHOOL DISTRICT
(Montague, Clay and Jack Counties, Texas)

$2,850,000 MAINTENANCE TAX NOTES, SERIES 2018

Maturity		Principal Amount	Interest Rate	Initial Reoffering Yield [b]	CUSIP No [c]
2/15/2019		$ 145,000	4.000%	1.800%	102529 HY3
2/15/2020		150,000	4.000%	2.000%	102529 HZ0
2/15/2021		160,000	4.000%	2.150%	102529 JA3
2/15/2022		165,000	4.000%	2.250%	102529 JB1
2/15/2023		170,000	4.000%	2.350%	102529 JC9
2/15/2024		175,000	4.000%	2.450%	102529 JD7
2/15/2025		185,000	4.000%	2.550%	102529 JE5
2/15/2026		190,000	3.000%	2.650%	102529 JF2
2/15/2027	[a][d]	195,000	3.000%	2.800%	102529 JG0
2/15/2028	[a][d]	205,000	3.000%	2.950%	102529 JH8
2/15/2029	[a]	210,000	3.000%	3.050%	102529 JJ4
2/15/2030	[a]	215,000	3.000%	3.150%	102529 JK1
2/15/2031	[a]	220,000	3.000%	3.250%	102529 JL9
2/15/2032	[a]	230,000	3.125%	3.350%	102529 JM7
2/15/2033	[a]	235,000	3.250%	3.450%	102529 JN5

(Interest to accrue from the Delivery Date)

[a] The Notes maturing on or after February 15, 2027 are subject to optional redemption in whole or in part on February 15, 2026, or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest from the most recent interest payment date to the date of redemption.
[b] The initial yields at which Notes are priced are established by and are the sole responsibility of the Initial Purchaser.
[c] CUSIP numbers have been assigned to this issue by the CUSIP Global Services managed by Standard and Poor's Financial Services LLC on behalf of the American Bankers Association and are included solely for the convenience of the purchasers of the Notes. None of the District, the Financial Advisor, or the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.
[d] Priced to February 15, 2026.

DISTRICT OFFICIALS, STAFF AND CONSULTANTS

Board of Trustees

Name	**Title**	**Years of Service**	**Term Expires November**	**Occupation**
Shea Brown	President	4	2019	Owner
Jacky Betts	Vice President	3	2018	Director of Trauma/Hospital
Brenda Ogle	Secretary	4	2020	CPA
Debbie Leonard	Trustee	3	2018	Loan Officer
Warren Price	Trustee	2	2019	FEMA
Kenny Miller	Trustee	1	2020	Region 9 ESC
Guy Green	Trustee	1	2020	Police Chief

Administrators

Name	**Title**	**Years of Service**
Mr. Steven Monkres	Superintendent	8
Mr. Jonathan L. Pastusek	Chief Financial Officer	4

Consultants and Advisors

Certified Public Accountant .... Stephen G. Gilland, P.C.
Bowie, Texas

Bond Counsel .... Hunton Andrews Kurth LLP
Houston, Texas

Financial Advisor .... USCA Municipal Advisors, LLC
Houston, Texas

USE OF INFORMATION IN OFFICIAL STATEMENT

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 Financial Advisor or the Initial Purchaser. 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 "CONTINUING DISCLOSURE OF INFORMATION" for a description of the District's undertaking to provide certain information on a continuing basis.

THE NOTES 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 NOTES IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

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

The agreements of the District and others related to the Notes 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 Notes is to be construed as constituting an agreement with the Purchaser of the Notes. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Notes or the advisability of investing in the Notes. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE" and "Appendix D - Specimen Municipal Bond Insurance Policy".

TABLE OF CONTENTS

OFFICIAL STATEMENT SUMMARY

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

The District .... The Bowie Independent School District (the "District") operates as an independent school district under the laws of the State of Texas (the "State"). The District is located in Montague, Clay and Jack Counties, Texas. See "THE DISTRICT" herein.

The Notes........................ The Notes are being issued in the principal amounts and mature on the dates set forth on the inside cover page hereof. The Notes bear interest from the date of delivery, at the rates per annum set forth on the inside cover hereof, which interest is payable each August 15 and February 15, commencing August 15, 2018, until maturity or prior redemption. See "THE NOTES—Description" herein.

Authority for Issuance .. The Notes are being issued pursuant to a resolution passed by the Board of Trustees of the District, the Constitution and general laws of the State, including particularly Section 45.108, Texas Education Code, as amended. See "THE NOTES-Authority for Issuance" herein.

Use of Proceeds .... Proceeds from the sale of the Notes will be used to: (i) rehabilitate, equip and repair existing school properties and (ii) pay the costs of issuing the Notes. See "THE NOTES—Sources and Uses of Funds" and "—Use of Proceeds" herein.

Security for Notes .... The Notes are direct obligations of the District payable as to principal and interest from and secured by the proceeds of a continuing, direct annual ad valorem tax levied for maintenance purposes by the District, within the limits prescribed by law, against all taxable property located within the District. See "THE NOTES–Security and Source of Payment," "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS," "CURRENT SCHOOL FINANCE SYSTEM," and "TAX RATE LIMITATIONS" herein.

Redemption .... The Notes maturing on or after February 15, 2027 are subject to optional redemption in whole or in part on February 15, 2026, or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest from the most recent interest payment date to the date of redemption. See "THE NOTES—Optional Redemption" herein.

Tax Exemption............... In the opinion of Bond Counsel, interest on the Notes 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. See "TAX MATTERS" for a discussion of Bond Counsel's opinion, including the alternative minimum tax consequences for corporations.

Qualified Tax-
Exempt Obligations....... The District has designated the Notes as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS-Qualified Tax-Exempt Obligations for Financial Institutions" herein.

Rating .... Standard & Poor's Global Ratings ("S&P") has assigned its municipal bond rating of "AA/Stable" to the Notes. See "OTHER INFORMATION Rating" and "BOND INSURANCE" herein.

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

Payment Record ....The District has never defaulted in the payment of its tax-supported debt.

SELECTED FINANCIAL INFORMATION

Fiscal Year End	Estimated Population [a]	Taxable Assessed Valuation [b]	Per Capita Assessed Valuation	Ad Valorem Tax Supported Debt	Per Capita Tax Supported Debt	Ratio Tax Debt to Assessed Valuation	Tax Year
2014	11,491	$ 895,548,209	$ 77,935	$ 27,919,998	$ 2,430	3.118%	2013
2015	11,417	1,133,813,594	99,309	26,924,998	2,358	2.375%	2014
2016	11,493	1,066,764,890	92,819	25,719,998	2,238	2.411%	2015
2017	11,570	927,823,510	80,192	24,761,569	2,140	2.669%	2016
2018	11,577	937,600,854	80,988	26,805,178 [c]	2,315	2.859%	2017

[a] Source: Municipal Advisory Council of Texas.

[b] Source: The District and the Montague, Clay and Jack appraisal districts.

[c] Includes the Notes.

General Fund Consolidated Statement Summary

	2017	2016	2015	2014	2013
Beginning Balance	$ 7,666,364	$ 8,105,009	$ 6,750,012	$ 4,892,399	$ 3,713,925
Adjustments to Fund Balance	-	-	-	-	(728,900)
Total Revenue	13,749,329	13,915,216	15,893,480	15,140,535	14,398,286
Total Expenses	14,744,273	14,428,413	14,538,483	13,282,922	12,495,134
Net Other Resources (Uses)	-	74,552	-	-	4,222
Ending Balance	$ 6,671,420	$ 7,666,364	$ 8,105,009	$ 6,750,012	$ 4,892,399

For Additional Information Regarding the District Contact:

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BOWIE INDEPENDENT SCHOOL DISTRICT
(Montague, Clay and Jack Counties, Texas)

$2,850,000
MAINTENANCE TAX NOTES
SERIES 2018

INTRODUCTION

This Official Statement, including the Appendices hereto, provides certain information regarding the issuance of the Bowie Independent School District Maintenance Tax Notes, Series 2018 (the "Notes"). Except as otherwise indicated herein, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the resolution (the "Resolution") adopted by the Board of Trustees (the "Board of Trustees") of the Bowie Independent School District (the "District") authorizing the issuance of the Notes.

There follows in this Official Statement descriptions of the Notes and certain information regarding 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 from the Financial Advisor, USCA Municipal Advisors, LLC, Houston, Texas, by electronic mail or upon payment of reasonable handling, mailing, and delivery charges.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. Copies of the final Official Statement pertaining to the Notes will be deposited with the Municipal Securities Rulemaking Board at www.emma.msrb.org. See "CONTINUING DISCLOSURE OF INFORMATION" herein for a description of the District's undertaking to provide certain information on a continuing basis.

THE NOTES

Description

The following is a description of some of the terms and conditions of the Notes, which description is qualified in its entirety by the Resolution which may be obtained upon request to the District.

The Notes are dated June 1, 2018 (the "Dated Date"). The Notes mature on February 15 in each of the years and in the amounts shown on the inside cover page hereof. Interest on the Notes will accrue from the date of delivery to the Initial Purchaser (the "Delivery Date") and will be payable each August 15 and February 15, commencing August 15, 2018, until maturity or earlier redemption. Interest on the Notes will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The definitive Notes will be issued only in fully registered form in any integral multiple of $5,000 of principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Notes will be made to the beneficial owners thereof**. Principal of, premium, if any, and accrued interest on the Notes be payable by the Paying Agent/Registrar, initially The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar") to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Notes. See "THE NOTES-Book-Entry-Only System" herein.

Authority for Issuance

The Notes are issued pursuant to authority conferred by the Constitution and laws of the State of Texas, including particularly Section 45.108, Texas Education Code, and the Resolution.

Security and Source of Payment

The Notes will be payable from and secured by the proceeds of a continuing, direct annual ad valorem tax levied for maintenance purposes, within the limits prescribed by law, against all taxable property located within the District. See "TAX RATE LIMITATIONS" for an explanation of the limits on such tax.

Use of Proceeds

Proceeds from the sale of the Notes will be used to: (i) rehabilitate, equip and repair existing school properties and (ii) pay the costs of issuing the Notes. See "THE NOTES—Sources and Uses of Funds" herein.

Optional Redemption

The Notes maturing on or after February 15, 2027 are subject to optional redemption in whole or in part on February 15, 2026, or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest from the most recent interest payment date to the date of redemption. If a Note (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Note (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Notice of Redemption

Not less than 30 days prior to a redemption date for the Notes, the Paying Agent/Registrar shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Notes 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. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE NOTES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, NOTWITHSTANDING THAT ANY NOTE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH NOTE OR PORTION THEREOF SHALL CEASE TO ACCRUE.

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

DTC Notices

The Paying Agent/Registrar and the District, so long as a Book-Entry-Only System is used for the Notes, will send any notice of redemption, notice of proposed amendment to the Resolution or other notices with respect to the Notes 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 Notes called for redemption or any other action premised on any such notice. Redemption of portions of the Notes by the District will reduce the outstanding principal amount of such Notes held by DTC. In such an event, DTC may implement, through its Book-Entry-Only System, a redemption of such Notes 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 redemption of such Notes from the beneficial owners. Any such selection of Notes to be redeemed will not be governed by the Resolution 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 Notes or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Notes for redemption. See "THE NOTES–Book-Entry Only System" herein.

Defeasance

The Resolution provides for the defeasance of the Notes in any manner permitted by law. Accordingly, defeasance would include when payment of the principal amount and interest on the Notes to their due date (whether such due date be by reason of maturity, redemption or otherwise), is provided by irrevocably depositing with the paying Agent/Registrar, or a trust company or commercial bank authorized to serve as Escrow Agent, (a) cash in an amount sufficient to make such payment or (b) pursuant to an escrow or trust agreement, cash and/or (1) direct, non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (2) non-callable 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 are rated as to investment quality by a nationally recognized investment rating firm of note less than "AAA" or its equivalent, and (3) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm of note less than "AAA" or its equivalent, the principal and interest on which will, wen or redeemable at the option of the holder, without further investment or reinvestment or either the principal amount thereof or the interest earnings thereon, provide money in an amount which, together with other money, if any, held in such escrow, will be sufficient to provide for the timely payment of the principal and interest on the Notes to their due date. Upon such deposit as described above, such Notes shall no longer be regarded to be outstanding for purposes of applying any limitation on indebtedness or for purposes of taxation.

Upon such deposit as described above, the Notes shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Notes have been made, as described above, all rights of the District to initiate proceedings to call the Notes for redemption or take any other action amending the terms of the Notes are extinguished; provided, however, that the right to call the Notes for redemption is not extinguished, if the District (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Notes for redemption, (ii) gives notice of the reservation of that right to the owners of the Notes 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.

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 Notes. Because the Resolution does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category.

Book-Entry-Only System

This section describes how ownership of the Notes is to be transferred and how the principal of, premium, if any, and interest on the Notes are to be paid to and credited by The Depository Trust Company, New York, New York ("DTC"), while the Notes 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 Initial 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 payment of debt service on the Notes, 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 Notes), 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 Notes. The Notes will be issued as fully-registered securities 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 certificate will be issued for each maturity of the Notes, 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 Standard & Poor's 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 Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmations from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmation 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 Notes 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 Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes 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 Notes 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 Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes 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 Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes 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 Paying Agent/Registrar and request that copies of notices be provided directly to them.

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

Redemption notices shall be sent to DTC. If less than all of the Notes 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 issue to be redeemed.

Redemption proceeds, principal, and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on the 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 nor its nominee, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest payments on the Notes to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and reimbursement 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 Notes 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, Note certificates are required to be printed and delivered. Discontinuance by the District of use of the system of book-entry transfers through DTC may require compliance with DTC operational arrangements.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Discontinuance of the system of book-entry transfers by the District may require the consent of Participants under DTC's operational arrangements. In that event, Note certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but neither the District, the Financial Advisor nor the Initial Purchaser take 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 Notes are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Notes, 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 Resolution will be given only to DTC.

Paying Agent/Registrar

The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. In the Resolution, the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times while any Notes are outstanding and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the United States or any state and duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Notes. Upon any change in the Paying Agent/Registrar for the Notes, the District agrees promptly to cause a written notice thereof to be sent to each registered owner of the Notes by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Transfer, Exchange and Registration

In the event the Book-Entry-Only System should be discontinued, the Notes may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar at its designated payment office and such transfer or exchange shall be without expenses or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Notes may be assigned by the execution of an assignment form on the Notes or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Note or Notes will be delivered by the Paying Agent/Registrar, in lieu of the Note or Notes being transferred or exchanged, at the designated payment office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Notes issued in an exchange or transfer of Notes will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Notes to be canceled, 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 Notes registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 of principal for any one maturity and for a like aggregate principal amount as the Note or Notes surrendered for exchange or transfer. See "THE NOTES-Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Notes.

Record Date for Interest Payment

The record date ("Record Date") for the interest payable on the Notes on any interest payment date means the close of business on the 1st day of the month next preceding such interest payment date. In the event of a non-payment of interest on a scheduled payment date, that continues for 30 days or more 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 ("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 holder of a Note appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Noteholders' Remedies

The Resolution does not establish specific events of default with respect to the Notes. Under Texas law, there is no right to the acceleration of maturity of the Notes upon the value of the District to observe any covenant under the Resolution. Such registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the District to levy, assess and collect an annual ad valorem maintenance tax, within the limits prescribed by law, sufficient to pay principal of and interest on the Notes as the Notes become due. The enforcement of such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basic.

The Resolution does not provide for the appointment of a trustee to represent the interest of Noteholders upon any failure of the District to perform in accordance with the terms of the Resolution or upon any other condition. The opinion of Bond Counsel will note that the rights of Noteholders are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

The Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, bondholders may not be able to bring such a suit against the District for breach of the Note or Resolution 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 Notes.

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. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Resolution and the Notes 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.

Sources and Uses of Funds

Proceeds from the sale of the Notes will be applied in the amounts shown below.

Sources of Funds	
Par Amount of Notes	$2,850,000.00
Net Premium	54,594.90
Total	$2,904,594.90
Uses of Funds	
Deposit to Project Fund	$2,804,336.10
Costs of Issuance	65,000.00
Initial Purchaser's Discount (Including Bond Insurance Premium)	35,258.80
Total	$2,904,594.90

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Litigation Relating to the Texas Public School Finance System

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

On May 13, 2016, the Court issued its opinion in the most recent school finance litigation, Morath, et.al v. The Texas Taxpayer & 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 and Notes

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

Although, as a matter of law, the Notes, 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 Notes, specifically, the District's obligation to levy an unlimited debt service tax and any Permanent School Fund guarantee of the Notes 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 "AD VALOREM TAX PROCEDURES-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" herein). 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 "AD VALOREM TAX PROCEDURES-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 options 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.

THE SCHOOL FINANCE SYSTEM AS APPLIED TO THE BOWIE INDEPENDENT SCHOOL DISTRICT

The District's wealth per student for the 2017-18 school year is $415,997 which is more than the equalized wealth value. Accordingly, the District has been required to exercise one of the permitted wealth equalization options. As a district with wealth per student greater than the equalized wealth value, the District has elected to purchase "Attendance Credits" in order to transfer tax revenues from its excess property.

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 exceed the maximum permitted level in future school years, it will be required each such 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 Notes) could be assumed by the district to which the property is annexed, in which case timely payment of the Notes could become dependent in part on the financial performance of the annexing district.

AD VALOREM TAX PROCEDURES

Tax Code and County-Wide Appraisal District

Title I of the Texas Tax Code, as amended (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 Montague, Clay and Jack Counties Appraisal District (the "Appraisal District") is responsible for appraising property within the District, generally, as of January 1 of each year. The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board, (the "Appraisal Review Board"), the members of which are appointed by the Appraisal District. 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 Texas 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 Board of Trustees) include property owned by the State of Texas 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; so-called "freeport property" including property detained in the District for up to 175 days for purpose of assembly or other processing; certain household goods, family supplies and personal effects; farm products owned by the producers; certain real property and tangible personal property owned by a non- profit community business organization or a charitable organization. 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 exemption to residential homesteads of disabled persons or persons ages 65 or over; an exemption from $5,000 to a maximum of $12,000 for real or personal property of disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; $25,000 in market value for all residential homesteads (see "Residential Homestead Exemption" below); and certain classes of intangible property. In addition, State law mandates a complete exemption for the residential homestead of disabled veterans determined to be 100% disabled by the U.S. Department of Veterans Affairs. Furthermore, 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, a partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Effective January 1, 2018, this exemption will also apply to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. Effective January 1, 2018, the surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferrable to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

A city or a county may create a tax increment reinvestment zone ("TIF") within the city or county, as applicable, 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. 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. Under current law, the Comptroller of Public Accounts is to determine taxable value of property within each school district in the State (which taxable value figure is used in calculating a district's wealth per student) and in making such determination the taxable value is to exclude (i) the total dollar amount of any captured appraised value of property located in a reinvestment zone on August 31, 1999, that generates taxes paid into a tax increment fund and is eligible for tax increment financing under a reinvestment zone financing plan approved before September 1, 1999, and (ii) the total dollar value of taxable property covered by a tax abatement agreement entered into prior to June 1, 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 tax abatements on certain eligible property to encourage economic development in their tax base and provides additional State funding for each year of such tax abatement in the amount of the tax credit provided to the taxpayer by the district.

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" is defined by a provision of the Tax Code, which is effective for tax years 2008 and thereafter, 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 exemptions or the goods-in-transit exemptions for items of personal property. See "Table 1 – Valuation Exemptions and Tax Supported Debt" and "District Application of Tax Code" for a schedule of exemptions allowed by the District.

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 market data comparison method of appraisal. The Appraisal District's chief appraiser determines the method to be used (except that State law requires a residence homestead to be valued on the basis of its value as such regardless of whether it has another more valuable use). 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 further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the market value of the property or (2) 110% of the appraised value of the resident homestead for the preceding tax year plus the market value of all new improvements to the property.

The Tax Code permits 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 a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate 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 Exemption

The Texas Constitution permits the exemption of certain percentages of the market value of residential homesteads from ad valorem taxation. The Constitution authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the market value of all residential homesteads from ad valorem taxation, and permits an additional optional homestead exemption for taxpayers 65 years of age or older and disabled persons.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal an order 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.

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 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 Property 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 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.

Tax Freeze

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.

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such function to another governmental entity. By September 30 or the 60th day after the District receives the appraisal roll, whichever is later, the rate of taxation must be set by the Board of Trustees of the District based upon the valuation of property within the District as of the preceding January 1. Taxes are due October 1, or when billed, whichever comes later, and generally become delinquent after January 31 of the following year. A delinquent tax incurs a penalty from six percent (6%) to twelve percent (12%) of the amount of the tax, depending on the time of payment, and accrued interest at the rate of one percent (1%) per month. If the tax is not paid by the following November 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.

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. 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.

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

Penalties and Interest

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

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

[(a)] Includes delinquent tax attorney fee.

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

District Application of Tax Code

The District does not grant an exemption to the market value of the residence homestead of persons 65 years of age or older, or disabled veterans over the State-mandated exemption. The District has not granted an additional local for the market value of residence homesteads.

Ad valorem taxes are not levied by the District against the exempt value of residence homesteads for the payment of debt. The District does not tax nonbusiness personal property. The District has not granted an additional local exemption of market value of residence homesteads.

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 next succeeding paragraph. 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 December 19, 1970, pursuant to Chapter 20, Texas Education Code (now codified at 45.003, Texas Education Code).

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 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 fiscal year 2017-18. 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."

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

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 reduces 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 issues of "new debt". 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 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 other than EDA or IFA allotment funding or projected property values to satisfy this threshold test.

The Notes are payable from the District's M&O Taxes, levied and collected within the limits prescribed by law, and are not secured by an unlimited ad valorem tax. Therefore, issuance of the Notes is not subject to evidence of compliance with the limitations described above that pertain to unlimited tax bonds. However, Chapter 45.108 of the Texas Education Code, as amended, requires that a district incurring indebtedness pursuant to the authority granted thereunder limit such indebtedness to not more than 75% of the previous year's income (which includes M&O tax collections, as well as Tier One basic allotments). In addition, prior to the issuance of such indebtedness, the Texas Attorney General requires that the District demonstrate the prospective ability to pay maximum annual debt service on all outstanding indebtedness secured by M&O taxes, after taking into consideration the proposed new indebtedness, from its M&O tax collections prior to the Attorney General's approval of the proposed indebtedness. The District will demonstrate compliance with these requirements in connection with its issuance of the Notes.

EMPLOYEES' BENEFIT PLANS

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.

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

As a result of its participation in the TRS and having no other post-retirement benefit plans, the District has no 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 Texas law, as are strikes by teachers. There are various local, state and national organized employee groups who engage in efforts to better the 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.

THE DISTRICT

The District, an independent school district and political subdivision of the State of Texas, comprises approximately 52 square miles within Montague, Clay and Jack Counties. Montague, Clay and Jack Counties and the City of Bowie each have authority to levy ad valorem taxes on territory located in the District. See Appendix A, Table 6, "ESTIMATED OVERLAPPING DEBT."

For additional information regarding the District, see also "APPENDIX A – INFORMATION REGARDING THE DISTRICT" attached hereto.

Administration

The Board of Trustees is the governing body of the District and consists of seven members, who serve three-year terms without salary. The District is under the administrative supervision of the Superintendent of Schools, who is employed by the Board of Trustees.

District School Operations

As of April 1, 2018, the District owned and operated a high school, a junior high school, an intermediate school and elementary school. The following table provides information regarding student enrollment in the District.

	For the Year Ending August 31				
	2018[a]	2017	2016	2015	2014
Student Enrollment	1,696	1,699	1,704	1,704	1,706
Average Daily Attendance	1,583	1,582	1,572	1,573	1,575
Cost Per Student	$8,556	$8,556	$8,350	$8,554	$7,786

[a] Projected.

Financial Policies

Special Revenue Funds – accounts for recourses restricted to, or designated for, specific purposes by the District or a grantor. Most Federal and some State financial assistance are accounted for in the Special Revenue Funds.

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

Internal Service Funds – accounts for the District's self-funded Worker's Compensation Insurance Fund. Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an Internal Service Fund.

Agency Funds – accounts for resources held by the District for others in a custodial capacity. The District's Agency Funds consist of various school activity funds.

Private Purpose Trust Funds - is used to account for donations for scholarship monies. These are donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District.

INVESTMENTS

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

Legal Investments

Under Texas 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 of Texas or its agencies and instrumentalities, (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, (4) other obligations, the principal and interest of which are unconditionally guaranteed, insured, or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent, (6) bonds issued, assumed, or guaranteed by the State of Israel, (7) certificates of deposit and share certificates (i) issued by a depository institution that has its main office or a branch office in the State of Texas, that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for District deposits, or (ii) where (a) the funds are invested by the District through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted, at least annually, by the District as required by law or (II) a depository institution that has its main office or a 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; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas; (9) certain bankers' acceptances with a stated maturity of 270 days or less from the date of its issuance, 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; (10) 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; (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share; (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the preceding clauses, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent; and (13) public funds investment pools that have an advisory board which includes participants in the pool and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent. Texas law also permits the District to invest bond proceeds in a guaranteed investment contract, subject to limitations as set forth in the Public Funds Investment Act, Texas Government Code, Chapter 2256 (the "PFIA").

A political subdivision such as the District may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (10) through (12) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

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

Investment Policies

Under Texas 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, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. 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, marketability of each investment, (4) diversification of the portfolio, and (5) yield.

Under Texas law, 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 and ending market value of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest District funds without express written authority from the Board of Trustees.

Additional Provisions

Under Texas 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 of Trustees; (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 non-money market 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 March 31, 2018, the District had approximately $14,020,415 invested with Jacksboro National Bank. The market value of such investments is approximately 100% of their 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.

TAX MATTERS

Tax Exemption

Delivery of the Notes is subject to the opinion of Hunton Andrews Kurth LLP, Houston, Texas, Bond Counsel, that interest on the Notes will be (1) excludable from gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (2) not includable in the alternative minimum taxable income of individuals or, except as described below, corporations. The foregoing opinions of Bond Counsel are based on the Code and the regulations, rulings and court decisions thereunder in existence on the date of issue of the Notes. Such authorities are subject to change and any such change could prospectively or retroactively result in the inclusion of the interest on the Notes in gross income of the owners thereof or change the treatment of such interest for purposes of computing alternative minimum taxable income.

Interest on the Notes owned by a corporation, other than an S corporation, a regulated investment company, a real estate investment trust (REIT), a real estate mortgage investment conduit (REMIC) or a financial asset securitization investment trust (FASIT), will be included in such corporation's adjusted current earnings for purposes of calculating such corporation's alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by the Code is computed. The Tax Cuts and Jobs Act, signed into law on December 22, 2017, repeals the alternative minimum tax on corporations for taxable years beginning after December 31, 2017.

In rendering its opinions, Bond Counsel has assumed continuing compliance by the District with certain covenants contained in the Resolution and has relied on representations by the District with respect to matters solely within the knowledge of the District, which Bond Counsel has not independently verified. The covenants and representations relate to, among other things, the use of Note proceeds and any facilities financed therewith, the source of repayment of the Notes, the investment of Note proceeds and certain other amounts prior to expenditure, and requirements that excess arbitrage earned on the investment of Note proceeds and certain other amounts be paid periodically to the United States and that the District file an information report with the Internal Revenue Service. If the District should fail to comply with the covenants in the Resolution or if its representations relating to the Notes that are contained in the Resolution should be determined to be inaccurate or incomplete, interest on the Notes could become taxable from the date of delivery of the Notes, regardless of the date on which the event causing such taxability occurs.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt or accrual of interest on or acquisition or disposition of the Notes.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Notes is commenced, under current procedures the Service is likely to treat the District as the "taxpayer," and the owners of the Notes may have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Notes, the District may have different or conflicting interests from the owners of the Notes. Public awareness of any future audit of the Notes could adversely affect the value and liquidity of the Notes during the pendency of the audit, regardless of its ultimate outcome.

Under the Code, taxpayers are required to provide information on their returns regarding the amount of tax-exempt interest, such as interest on the Notes, received or accrued during the year.

Prospective purchasers of the Notes should be aware that the ownership of tax-exempt obligations, such as the Notes, may result in collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who are deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. Such prospective purchasers should consult their tax advisors as to the consequences of investing in the Notes.

Proposed Tax Legislation

Tax legislation, administrative actions taken by tax authorities, and court decisions may cause interest on the Notes to be subject, directly or indirectly, to federal income taxation or state income taxation, or otherwise prevent the beneficial owners of the Notes from realizing the full current benefit of the tax status of such interest. For example, future legislation to resolve certain federal budgetary issues may significantly reduce the benefit of, or otherwise affect, the exclusion from gross income for federal income tax purposes of interest on all state and local obligations, including the Notes. In addition, such legislation or actions (whether currently proposed, proposed in the future or enacted) could affect the market price or marketability of the Notes. Prospective purchasers of the Notes should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and its impact on their individual situations, as to which Bond Counsel expresses no opinion.

Tax Accounting Treatment of Original Issue Discount Notes

Some of the Notes may be offered at an initial offering price which is less than the stated redemption price payable at maturity of such Notes. If a substantial amount of any maturity of the Notes is sold to members of the public (which for this purpose excludes bond houses, brokers and similar persons or entities acting in the capacity of wholesalers or underwriters) at such initial offering price, each of the Notes of that maturity (a "Discount Note") will be considered to have "original issue discount" for federal income tax purposes equal to the difference between (a) the stated redemption price payable at the maturity of such Discount Note and (b) the initial offering price to the public of such Discount Note. Under existing law, such original issue discount will be treated for federal income tax purposes as additional interest on a

Note and such initial owner will be entitled to exclude from gross income for federal income tax purposes that portion of such original issue discount deemed to be earned (as discussed below) during the period while such Discount Note continues to be owned by such initial owner. Except as otherwise provided herein, the discussion regarding interest on the Note under the caption "Tax Exemption" generally applies to original issue discount deemed to be earned on a Discount Note while held by an owner who has purchased such Note at the initial offering price in the initial public offering of the Notes and that discussion should be considered in connection with this portion of the Official Statement.

In the event of a redemption, sale, or other taxable disposition of a Discount Note prior to its stated maturity, however, any amount realized by such initial owner in excess of the basis of such Discount Note in the hands of such owner (increased to reflect the portion of the original issue discount deemed to have been earned while such Discount Note continues to be held by such initial owner) will be includable in gross income for federal income tax purposes.

Because original issue discount on a Discount Note will be treated for federal income tax purposes as interest on a Note, such original issue discount must be taken into account for certain federal income tax purposes as it is deemed to be earned even though there will not be a corresponding cash payment. Corporations that purchase a Discount Note must take into account original issue discount as it is deemed to be earned for purposes of determining alternative minimum tax. Other owners of a Discount Note may be required to take into account such original issue discount as it is deemed to be earned for purposes of determining certain collateral federal tax consequences of owning a Note. See "Tax Exemption" for a discussion regarding the alternative minimum taxable income consequences for corporations and for a reference to collateral federal tax consequences for certain other owners.

The characterization of original issue discount as interest is for federal income tax purposes only and does not otherwise affect the rights or obligations of the owner of a Discount Note or of the District. The portion of the principal of a Discount Note representing original issue discount is payable upon the maturity or earlier redemption of such Note to the registered owner of the Discount Note at that time.

Under special tax accounting rules prescribed by existing law, a portion of the original issue discount on each Discount Note is deemed to be earned each day. The portion of the original issue discount deemed to be earned each day is determined under an actuarial method of accrual, using the yield to maturity as the constant interest rate and semi-annual compounding.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Discount Notes by an owner that did not purchase such Notes in the initial public offering and at the initial offering price may be determined according to rules which differ from those described above. All prospective purchasers of Discount Notes should consult their tax advisors with respect to the determination for federal, state and local income tax purposes of interest and original issue discount accrued upon redemption, sale or other disposition of such Discount Notes and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Discount Notes.

Tax Accounting Treatment of Original Issue Premium Notes

Some of the Notes may be offered at an initial offering price which exceeds the stated redemption price payable at the maturity of such Notes. If a substantial amount of any maturity of the Notes is sold to members of the public (which for this purpose excludes bond houses, brokers and similar persons or entities acting in the capacity of wholesalers or underwriters) at such initial offering price, each of the Notes of such maturity (a "Premium Note") will be considered for federal income tax purposes to have "bond premium" equal to such excess. The basis for federal income tax purposes of a Premium Note in the hands of an initial purchaser who purchases such Note in the initial offering must be reduced each year and upon the sale or other taxable disposition of the Note by the amount of amortizable bond premium. This reduction in basis will increase the amount of any gain (or decrease the amount of any loss) recognized for federal income tax purposes upon the sale or other taxable disposition of a Premium Note by the initial purchaser. Generally, no corresponding deduction is allowed for federal income tax purposes, for the reduction in basis resulting from amortizable bond premium with respect to a Premium Note. The amount of bond premium on a Premium Note which is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Note) is determined under special tax accounting rules which use a constant yield throughout the term of the Premium Note based on the initial purchaser's original basis in such Note.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition by an owner of Notes that are not purchased in the initial offering or which are purchased at an amount representing a price other than the initial offering price for the Notes of the same maturity may be determined according to rules which differ from those described above. Moreover, all prospective purchasers of Notes should consult their tax advisors with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of Premium Notes.

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(a) of the Code provides, in general, that interest expense incurred to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. Financial institutions are precluded from deducting any interest expense allocable to tax exempt obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this rule for interest expense allocable to tax-exempt obligations (other than private activity bonds) which are designated by an issuer, such as the District, as "qualified tax-exempt obligations." An issuer may designate obligations as "qualified tax-exempt obligations" only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed $10,000,000.

The District has designated the Notes as "qualified tax-exempt obligations" and has certified its expectation that the above-described $10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions that purchase the Notes will not be subject to the limitation of interest expense allocable to interest on the Notes under section 265(b) of the Code; however, 20% of the interest expense incurred by a financial institution which is allocable to the interest on the Notes will not be deductible pursuant to Section 291 of the Code.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide updated financial information and operating data to the MSRB annually via EMMA. The information to be updated includes all quantitative financial information and operating data of the general type included in this Official Statement in Appendix A, Tables 1 through 5 and Tables 7 through 10, and Appendix B. The District will update and provide this information within six months after the end of each fiscal year.

The District may provide updated information in full text or may incorporate by reference other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements if the District commissions an audit and the audit is completed by the required time. If audited financial statements are not available by the required time, the District will provide such financial statements on an unaudited basis within the required time and audited financial statements when they become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation.

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

Event Notices

The District shall notify the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, of any of the following events with respect to the Notes: (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 Notes, or other material events affecting the tax status of the Notes; (7) modifications to rights of holders of the Notes, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Notes, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of trustee, if material. The District shall notify the MSRB in an electronic format prescribed by the MSRB, in a timely manner, of any failure by the District to provide financial information or operating data in accordance with the Rule. All documents provided to the MSRB pursuant to this section shall be accompanied by identifying information as prescribed by the MSRB.

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

Limitations and Amendments

The District has agreed to update information and to provide notices of material 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 Notes 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 Notes may seek a writ of mandamus to compel the District to comply with its agreement. Nothing in this paragraph is intended or shall act to disclaim, waive or limit the District's duties under federal or state securities laws.

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, but only if, (1) the agreement, as so amended, would have permitted underwriters to purchase or sell Notes 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 Notes 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 Notes. 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 its previous continuing disclosure agreements in accordance with the Rule.

OTHER INFORMATION

Rating

Standard & Poor's Global Ratings ("S&P") has assigned its municipal rating of "AA/Stable" to the Notes based upon the issuance of the Policy by Build America Mutual Assurance Company at the time of delivery of the Notes. The rating reflects only the view of S&P and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P if in the judgment of the company circumstances so warrant. Any such downward revision or withdrawal by such rating may have an adverse effect on the market price of the Notes. See "BOND INSURANCE" herein.

Registration and Qualification of Notes for Sale

No registration statement relating to the Notes has been filed with the U.S. Securities and Exchange Commission under the federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Notes have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Notes been registered or qualified under the securities acts of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Notes under the securities laws of any other jurisdiction in which the Notes may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration and qualification for sale or other disposition of the Notes shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdictions.

The Notes as Legal Investments in Texas

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201, as amended), the Notes (1) are negotiable instruments, (2) are investment securities to which Chapter 8 of the Texas Business and Commerce Code applies, and (3) are legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, or (C) a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. The Notes are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. With respect to investment in the Notes by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, requires the Notes to be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. (See "OTHER INFORMATION-Rating" above). In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Notes are legal investments for State banks, savings banks, trust companies with at least $1 million of capital and savings and loan associations.

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

Legal Matters

The delivery of the Notes is subject to the approval of the Attorney General of Texas, who will deliver its opinion, to the effect that the Notes are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, within the limit prescribed by law, upon all taxable property in the District, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, which will deliver its opinion to the effect that the Notes are valid and legally binding obligations of the District and, subject to the qualifications set forth herein under "TAX MATTERS," the interest on the Notes is excludable from the gross income of the owners thereof for federal income tax purposes under existing statutes, published rulings, regulations, and court decisions. The form of Bond Counsel's opinion is attached hereto as Appendix C. The legal fee to be paid to Bond Counsel is contingent upon the sale and delivery of the Notes.

Bond Counsel represents purchasers of school district bonds from time to time in matters unrelated to the issuance of the Notes, but Bond Counsel has been engaged by and only represents the District in the issuance of the Notes. 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 Notes in the Official Statement to verify that such description conforms to the provisions of the Resolution.

The various legal opinions to be delivered concurrently with the delivery of the Notes 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.

Financial Advisor

USCA Municipal Advisors, LLC ("USCA" or the "Financial Advisor"), a subsidiary of U.S. Capital Advisors, LLC, is employed as Financial Advisor to the District in connection with the issuance of the Notes. The Financial Advisor's fee for services rendered with respect to the sale of the Notes is contingent upon the issuance and delivery of the Notes. USCA, in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Notes, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

Sale of Notes

After requesting competitive bids for the Notes, the District has accepted a bid tendered by SAMCO Capital Markets (the "Initial Purchaser") to purchase the Notes at the rate shown on the cover page of this Official Statement at a price of $2,869,336.10. No assurance can be given that any trading market will be developed for the Notes after their initial sale by the District. The District has no control over the prices at which the Notes will initially be re-offered to the public.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Notes, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Notes when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.
The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2018 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $518.3 million, $97.4 million and $420.9 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditinsights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

BOND INSURANCE RISKS

In the event of default of the payment of principal or interest with respect to the Notes when all or some becomes due, any owner of the Note shall have a claim under the applicable bond insurance policy (the "Policy") for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Notes by the District which is recovered from the Note owner as a voidable preference under applicable bankruptcy law is covered by the Policy, however, such payments will be made by the insurer at such time and in such amounts as would have been due absent such prepayment by the District unless the bond insurer chooses to pay such amounts at an earlier date.

Under no circumstances does default of payment of principal and interest obligate acceleration of the obligations of the bond insurer without their consent, so long as the bond insurer performs its obligations under the applicable Policy. In the event the bond insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Notes are payable solely from the ad valorem taxes under the Order. In the event the bond insurer becomes obligated to make payments with respect to the Notes, no assurance is given that such event will not adversely affect the market price of the Notes or the marketability (liquidity) for the Notes.

In the event bond insurance is purchased, the long-term rating on the Notes will be dependent in part on the financial strength of the bond insurer and its claims paying ability. The bond insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the bond insurer and of the Notes insured by the bond insurer will not be subject to downgrade and such event could adversely affect the market price of the Notes or the marketability (liquidity) for the Notes. See "OTHER INFORMATION - Rating" herein for a description of the ratings.

The obligations of the bond insurer are general obligations of the bond insurer and in an event of default by the bond insurer the remedies may be limited by applicable bankruptcy law. Neither the District nor the Financial Advisor have made an independent investigation into the claims paying ability of any potential bond insurer and no assurance or representation regarding the financial strength or projected financial strength of any potential bond insurer is given.

MISCELLANEOUS

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 such 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 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.

Closing Certification

At the time of payment for and delivery of the Notes, the Initial Purchaser will be furnished a certificate, executed by a proper officer acting in his or her official capacity, to the effect that to the best of his or her 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, on the date of such Official Statement, on the date of sale of said Notes 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 any 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 the date of the last audited financial statements of the District; 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 Notes or which would affect the provisions made for their payment or security or in any manner question the validity of the Notes.

Approval of Official Statement

In the Resolution, the Board of Trustees approved the form and content of this Official Statement, and any addenda, supplement or amendment hereto, and authorized its use in the reoffering of the Notes by the Initial Purchaser.

BOWIE INDEPENDENT SCHOOL DISTRICT

/s/ Shea Brown
President, Board of Trustees

ATTEST:

/s/ Brenda Ogle
Secretary, Board of Trustees

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APPENDIX A

INFORMATION REGARDING THE DISTRICT

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TABLE 1 - VALUATION, EXEMPTIONS AND TAX SUPPORTED DEBT

2017 Certified Net Taxable Valuation (100% of Estimated Market Value)	$ 937,600,854	(a)
Outstanding Unlimited Tax Debt (April 1, 2018)	$ 24,346,569	
Plus: The Notes	2,850,000	(b)
Total Direct Debt	$ 27,196,569	(b)
As a % of Assessed Valuation	2.90%	

(a) Source: Montague, Clay and Jack Counties Appraisal District.
(b) Includes the Notes.

TABLE 2 - ASSESSED VALUATION BY CATEGORY (a)

	Tax Year 2017	Tax Year 2016	Tax Year 2015	Tax Year 2014	Tax Year 2013
Real Property	$ 1,311,204,330	$ 1,278,354,780	$ 1,363,089,830	$ 1,299,410,500	$ 1,172,737,870
Personal Property	214,057,570	214,067,980	250,734,490	281,038,190	187,584,200
Gross Value	$ 1,525,261,900	$ 1,492,422,760	$ 1,613,824,320	$ 1,580,448,690	$ 1,360,322,070
Less Adjustments (b)	587,661,046	560,820,787	553,846,274	557,301,673	464,771,433
Net Taxable Value (c)	$ 937,600,854	$ 931,601,973	$ 1,059,978,046	$ 1,023,147,017	$ 895,550,637

(a) Values may differ from those shown elsewhere in the documents due to subsequent additions, deletions, and adjustments to the tax rolls.
(b) Includes exemptions and productivity loss.
(c) Includes Frozen Values of $83,073,247 for 2017, $81,504,935 for 2016, $76,391,904 for 2015, $86,328,380 for 2014 and $82,413,517 for 2013.

TABLE 3 - TAX RATE, LEVY AND COLLECTION HISTORY; TAX RATE DISTRIBUTION

Fiscal Year End	Tax Year	Taxable Assessed Valuation		Tax Rate	Tax Levy		Percent Collected Current	Percent Collected Total (a)
2014	2013	$ 895,548,209	(b)	$ 1.2307	$ 10,638,364	(b)	110.44%	112.58%
2015	2014	1,133,813,594	(b)	1.1830	12,773,215	(b)	100.21%	102.95%
2016	2015	1,066,764,890	(b)	1.1832	12,211,287	(b)	99.28%	101.35%
2017	2016	927,823,510	(b)	1.2200	10,996,786	(b)	97.42%	98.69%
2018	2017	937,600,854	(c)	1.2200	11,073,020	(c)	(In process of Collection)	

(a) Excludes penalties and interest.
(b) Source: The District's audited financial statements.
(c) Source: Montague, Clay and Jack County Appraisal District.

Tax Rate Distribution

	2017	2016	2015	2014	2013
Maintenance	$ 1.0400	$ 1.0400	$ 1.0400	$ 1.0400	$ 1.0400
Debt Service	0.1800	0.1800	0.1432	0.1430	0.1907
Total	$ 1.2200	$ 1.2200	$ 1.1832	$ 1.1830	$ 1.2307

TABLE 4 - TEN LARGEST TAX PAYERS [a]

Name	2017 Net Taxable Assessed Valuation	% of Total 2017 Assessed Valuation
PECAN PIPELINE (EOG-PLANT)	$ 90,877,150	9.693% [b]
EOG RESOURCES INC (WI)	31,803,720	3.392% [b]
EOG RESOURCES INC PP/U	14,550,560	1.552% [b]
DCP SOUTHERN HILLS PL LLC U	13,308,860	1.419%
BNSF RAILWAY U	13,204,090	1.408%
ATMOS ENERGY/MID TEX PL U	12,102,490	1.291%
CDM RESOURCE MANAGEMENT LTD PP	10,792,160	1.151%
ONCOR ELECTRIC DELIVERY CO U	9,228,010	0.984%
ENERGY SERVICE CO PP	8,808,380	0.939%
UNION PACIFIC RAILROAD U	8,018,970	0.855%
	$ 212,694,390	22.685%

[a] Source: Montague, Clay and Jack Counties Appraisal Districts.

[b] As shown in the table above, the EOG Resources within in the District currently account for approximately 15% of the District's tax base. Adverse developments in economic conditions, specifically with EOG Resources, could adversely impact the businesses that own properties in the District and the tax values in the District, resulting in less local tax revenue. See "THE BONDS – Bondholders' Remedies" and "AD VALOREM TAX PROCEDURES - District's Rights in the Event of Tax Delinquencies" in this Official Statement.

TABLE 5 - TAX ADEQUACY

Unlimited Tax Bonds

Average Annual Debt Service Requirements	$	1,500,142
$ 0.1633 per $100 AV against the 2017 Net Taxable AV, at 98% collection, produces	$	1,500,480
Maximum Annual Debt Service Requirements (2032)	$	1,707,533
$ 0.1859 per $100 AV against the 2017 Net Taxable AV, at 98% collection, produces	$	1,708,140

Limited Tax Debt

Average Annual Debt Service Requirements	$	362,505 [a]
$ 0.0395 per $100 AV against the 2017 Net Taxable AV, at 98% collection, produces	$	362,578
Maximum Annual Debt Service Requirements (2028)	$	430,750 [a]
$ 0.0469 per $100 AV against the 2017 Net Taxable AV, at 98% collection, produces	$	430,848

[a] Includes the Notes.

TABLE 6 - ESTIMATED OVERLAPPING DEBT[b]

The following summary of estimated ad valorem tax bonds of taxing entities in the District was compiled from a variety of sources listed below. No representation is made with respect to the accuracy or completion of the information obtain from sources other than the District. Furthermore, certain entities listed below my have issued substantial amounts of bonds since the dates shown in this table and may have capital improvement programs requiring the issuance of a substantial amounts of additional bonds. Sources include: The Texas Municipal Reports compiled and published by the Municipal Advisory Council of Texas and the Montague, Clay and Jack County Appraisal Districts.

Taxing Jurisdiction	Total Debt [a]	Estimated % Overlapping	Overlapping Debt
City of Bowie	$ 1,600,000	100.00%	$ 1,600,000
Clay County	-	1.43%	-
Jack County	2,285,000	1.89%	43,187
Montague County	1,385,000	40.54%	561,479
Estimated Overlapping Debt			$ 2,204,666
The District	$ 27,196,569	100.00%	27,196,569 [c]
Total Estimated & Overlapping Debt			$ 29,401,234

[a] Gross Debt.

[b] As of 4/30/2018.

[c] Includes the Notes.

TABLE 7 - PROFORMA TAX SUPPORTED DEBT SERVICE REQUIREMENTS

UNLIMITED TAX BONDS

FYE	Outstanding Debt Service
2018	$ 1,695,489
2019	1,703,789
2020	1,626,683
2021	1,636,083
2022	1,634,133
2023	1,641,033
2024	1,646,533
2025	1,655,633
2026	1,663,133
2027	1,677,933
2028	1,675,301
2029	1,685,483
2030	1,694,014
2031	1,703,321
2032	1,707,533
2033	1,157,313
2034	1,160,838
2035	1,173,213
2036	1,182,775
2037	1,200,800
2038	581,950
	$ 31,502,976

Average Annual Debt Service Requirements	$ 1,500,142
Maximum Annual Debt Service Requirements (2032)	$ 1,707,533

Limited Tax Debt

FYE	Outstanding Debt Service	The Notes Principal	The Notes Interest	The Notes Total	Total Debt Service
2018	$ 174,875	$ -	$ 15,225	$ 15,225	$ 190,100
2019	175,750	145,000	94,975	239,975	415,725
2020	176,438	150,000	89,075	239,075	415,513
2021	176,938	160,000	82,875	242,875	419,813
2022	177,250	165,000	76,375	241,375	418,625
2023	182,375	170,000	69,675	239,675	422,050
2024	182,125	175,000	62,775	237,775	419,900
2025	186,688	185,000	55,575	240,575	427,263
2026	185,875	190,000	49,025	239,025	424,900
2027	189,875	195,000	43,250	238,250	428,125
2028	188,500	205,000	37,250	242,250	430,750
2029	188,469	210,000	31,025	241,025	429,494
2030	-	215,000	24,650	239,650	239,650
2031	-	220,000	18,125	238,125	238,125
2032	-	230,000	11,231	241,231	241,231
2033	-	235,000	3,819	238,819	238,819
	$ 2,185,156	$ 2,850,000	$ 764,925	$ 3,614,925	$ 5,800,081

Average Annual Debt Service Requirements	$ 362,505
Maximum Annual Debt Service Requirements (2028)	$ 430,750

TABLE 8 - AUTHORIZED BUT UNISSUED UNLIMITED TAX BONDS

Date Authorized	Purpose	Amount Authorized	Heretofore Issued	The New Money Bonds	Authorized but Unissued

The District does not have any authorized but unissued debt outstanding.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Tax Supported Debt Service Requirements, FYE 2018		$ 1,695,489
Estimated Debt Service Fund, FYE 2017	$ 976,064	
Estimated Interest and Sinking Fund Tax Levy @ 98% collection	1,653,928	2,629,992
Estimated Debt Service Fund Balance, FYE 2018		$ 934,503

TABLE 10 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY[(a)]

FOR FISCAL YEAR END	2017	2016	2015	2014	2013
REVENUES					
Local and Intermediate Sources	$ 9,722,871	$ 11,390,392	$ 12,035,095	$ 10,581,552	$ 9,440,081
State Program Revenues	3,555,997	2,177,217	3,689,361	4,430,948	4,850,931
Federal Program Revenues	470,461	347,607	169,024	128,035	107,274
Total Revenues	$ 13,749,329	$ 13,915,216	$ 15,893,480	$ 15,140,535	$ 14,398,286
EXPENDITURES					
Instruction	$ 8,152,340	$ 7,943,873	$ 7,787,318	$ 7,262,125	$ 7,023,135
Instructional Resources & Media	150,867	197,006	203,247	196,798	173,450
Curriculum & Staff Dev.	41,815	54,539	46,042	34,972	36,361
Instructional Leadership	95,977	91,940	88,409	85,644	88,028
School Leadership	901,979	903,300	895,900	839,453	828,899
Guidance, Counsel & Evaluation. Serv.	432,292	428,473	340,498	255,709	257,744
Health Services	122,689	115,941	103,470	82,201	80,360
Student (Pupil) Transportation	382,492	388,442	708,506	637,206	429,123
Food Services	28,626	24,576	24,482	24,617	15,180
Extracurricular Activities	806,312	751,337	852,856	727,146	621,589
General Administration	656,779	630,178	652,592	642,612	688,187
Plant Maintenance and Operations	2,176,952	2,049,665	1,937,321	1,704,003	1,475,808
Security Monitoring Service	64,853	62,278	56,289	58,304	54,408
Data Processing Services	148,582	143,409	141,499	110,622	98,114
Debt Services- Principal on long-term debt	118,836	102,253	95,000	115,000	110,000
Debt Services- Interest on long-term debt	71,453	73,056	76,125	80,438	84,562
Bond Issuance Costs and Fees	-	-	-	750	500
Facilities Acquisitrion and Consrtuction	-	-	75,652	-	177,645
Payments to Shared Service Arrangements	212,131	268,843	263,602	250,232	252,041
Other Intergovernmental	179,298	199,304	189,675	175,090	-
Total Expenditures	$ 14,744,273	$ 14,428,413	$ 14,538,483	$ 13,282,922	$ 12,495,134
Excess (Deficiency) Rev. Over Exp.	$ (994,944)	$ (513,197)	$ 1,354,997	$ 1,857,613	$ 1,903,152
Capital Leases	-	74,552	-	-	-
Other Resources	-	-	-	-	4,222
Other (Uses)	-	-	-	-	-
Excess (Deficiency) of Rev. and Other Resources Over Exp. and Other Uses	$ (994,944)	$ (438,645)	$ 1,354,997	$ 1,857,613	$ 1,907,374
Fund Balance - (Beginning)	$ 7,666,364	$ 8,105,009	$ 6,750,012	$ 4,892,399	$ 3,713,925
Increase (Decrease) in Fund Balance	-	-	-	-	(728,900) [(b)]
Fund Balance - (Ending)	$ 6,671,420	$ 7,666,364	$ 8,105,009	$ 6,750,012	$ 4,892,399

[(a)] Source: District's audited financial reports. See "APPENDIX B - Audited Financial Statements."

[(b)] Adjustment made to correct state revenues which were overstated in the prior year.

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APPENDIX B

EXCERPTS FROM THE DISTRICT'S AUDITED FINANCIAL REPORT FOR YEAR ENDED AUGUST 31, 2017

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BOWIE
INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2017

BOWIE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2017

TABLE OF CONTENTS

CERTIFICATE OF BOARD

Bowie Independent School District	Montague	169-901
Name of School District	County	Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) ✓ approved ____ disapproved for the year ended August 31, 2017 at a meeting of the Board of Trustees of such school district on the 18th day of JANUARY, 2018.

Signature of Board Secretary

Signature of Board President

If the board of trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are): (attach list as necessary)

STEPHEN G. GILLAND, P.C.
CERTIFIED PUBLIC ACCOUNTANT
707 HWY 59 NORTH • BOWIE, TEXAS 76230

MEMBER OF
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS
•
(940) 872-5157
fax (940) 872-5158

January 18, 2018

Independent Auditor's Report

Board of Trustees
Bowie Independent School District
PO Box 1168
Bowie, Texas 76230

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bowie Independent School District as of and for the year ended August 31, 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 entity'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 entity'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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bowie Independent School District as of August 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; budgetary comparison information, Schedule of the District’s Proportionate Share of the Net Pension Liability (TRS) and Schedule of District Contributions to TRS with footnote identified as Required Supplementary Information in the table of contents 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 Bowie Independent School District's basic financial statements. Schedules J-1, J-2 and J-3 listed in the table of contents under other supplementary information, which are required by the Texas Education Agency, 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 (CFR)* 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.

This other supplementary information 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 other supplementary information 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 January 18, 2018, on our consideration of Bowie Independent School District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Bowie Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

Stephen G. Gilland, P.C.

Stephen G. Gilland, P.C.
Bowie, Texas

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In this section of the Annual Financial and Compliance Report, we, the managers of Bowie Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2017. Please read it in conjunction with the independent auditor's report on page 2, and the District's Basic Financial Statements that begin on Exhibit A-1.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on Exhibits A-1 and B-1). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on Exhibit C-1) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The section labeled OTHER SUPPLEMENTARY INFORMATION SECTION; contains data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on Exhibit A-1. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

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

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

In the Statement of Net Position and the Statement of Activities, we report the District's activities:

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements on Exhibit C-1 provide detailed information about the most significant funds–not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the Head Start Program from the U.S. Department of Health and Human Services. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's uses primarily one fund, described as follows:

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

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities and teacher grants. All of the District's fiduciary activities are reported in separate Statement of Fiduciary Net Position and Statement of Activities on Exhibits E-1 and E-2. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net position of the District's governmental activities decreased from $15.19 million to $13.74 million.

- Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was $5.0 million at August 31, 2017.

- This decrease in governmental net position was the result of the following:

  - First, the District expenses exceeded revenues by about $1.44 million, and net position was further reduced by special items of $17 thousand. Expenditures included capital outlay acquisitions of $348 thousand and scheduled debt principal payments of $1.13 million which are not recognized as expenses on the accrual basis of accounting.

  - Second, the District recorded depreciation of $1.38 million not recognized as expenditures in the fund financial statements.

Table I
NET POSITION

	Governmental Activities 2017	Governmental Activities 2016
Current and other assets	$ 9,105,798	$ 10,224,306
Capital assets	34,863,117	35,911,239
Total assets	43,968,915	46,135,545
Deferred outflows of resources	1,445,406	1,652,174
Long-term liabilities	30,469,580	31,352,066
Other liabilities	1,020,338	1,013,233
Total liabilities	31,489,918	32,365,299
Deferred inflows of resources	184,685	230,196
Net Position:		
Net Investment in Capital Assets	7,597,024	7,652,995
Restricted for State and Federal Programs	79,870	77,731
Restricted for Debt Service	986,075	1,028,000
Restricted for Capital Projects	120,916	276,538
Unrestricted	4,955,832	6,156,960
Total net position	$ 13,739,717	$ 15,192,224

Table II
CHANGES IN NET POSITION

	Governmental Activities 2017	Governmental Activities 2016
Revenues:		
Program Revenues:		
Charges for Services	$ 218,667	$ 226,026
Operating grants and contributions	2,675,549	2,750,363
General Revenues:		
Maintenance and operations taxes	9,415,183	10,953,050
Debt service taxes	1,630,552	1,512,921
Grants and Contributions not restricted to specific functions	2,854,591	1,501,521
Investment Earnings	48,011	56,016
Miscellaneous	61,250	80,557
Total Revenue	16,903,803	17,080,454
Expenses		
Instruction	9,920,966	9,684,942
Instructional resources and media services	155,711	207,108
Curriculum and staff development	44,873	55,658
Instructional leadership	99,962	96,503
School leadership	935,000	952,341
Guidance, counseling and evaluation services	445,526	449,671
Health services	126,674	121,570
Student pupil transportation	491,301	509,797
Food service	719,975	650,548
Cocurricular/Extracurricular activities	1,129,723	1,076,987
General administration	692,137	674,160
Facilities maintenance and operations	2,024,923	1,960,440
Security and monitoring services	87,263	76,593
Data processing services	154,191	151,989
Debt services - interest on long term debt	905,916	799,783
Debt services - bond issuance cost and fees	4,249	199,060
Payments related to shared services arrangements	221,973	279,756
Other intergovernmental charges	179,298	199,304
Total Expenses	18,339,661	18,146,210
Increase (Decrease) in net position before special items	(1,435,858)	(1,065,756)
Special Item - inflow	-	39,497
Special Item - outflow	(16,649)	(544,307)
Change in net position	(1,452,507)	(1,570,566)
Net position at 9/1	15,192,224	16,762,790
Net position at 8/31	$ 13,739,717	$ 15,192,224

CHANGES IN NET POSITION:

The District's total revenues decreased 1 percent ($177 thousand) resulting mostly from a decrease in tax revenues and offset by an increase in state foundation revenues.

Local tax revenues decreased 11.4 percent ($1.42 million) and state foundation aide increased 90.1 percent ($1.35 million). State and federal funded special revenue fund programs decreased 2.7 percent ($75 thousand).

The total cost of all programs and services increased 1.1 percent ($193 thousand) due to increases in costs in several areas, with the largest increases being in instruction and debt service interest costs.

The cost of all governmental activities this year was $18.34 million. As shown in the Statement of Activities on Exhibit B-1, only $11.05 million of costs were financed with local property tax dollars. Activity costs of $219 thousand were provided through co-curricular activities, food service operations, and other activity receipts by those who directly benefited from specific programs. In addition, $5.53 million was subsidized by other governments and organizations through grants and contributions.

THE DISTRICT'S FUNDS:

At year-end, the District's governmental funds reported a combined fund balance of $7.86 million as presented in the balance sheet on Exhibit C-1. This represents a decrease from last year's fund balance of approximately $1.20 million, due primarily to expenditures exceeding revenues in the General Fund.

Other fund balance changes to note:

- Over the course of the year, the Board of Trustees amended the District's budget for the following changes:

  To provide for an increase in costs for instruction, co-curricular/ extracurricular activities and facilities maintenance and operations.

- The District's General Fund fund balance of $6.67 million reported on Exhibit G-1 varies from the General Fund's final budgetary fund balance of $6.03 million due to 1) Federal and state program revenues exceeding expectations, and 2) costs in almost all functions were less than or equal to the amount expected.

CAPITAL ASSET AND DEBT ADMINISTRATION:

Capital Assets:

At the end of school year 2017, the District had $34.9 million invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net decrease of approximately $1.048 million from the prior school year.

School year 2017 major additions include:

Land improvement paid for out of fund balance	$	63,300
Furniture and Equipment paid for out of fund balance		128,884
Building improvements and athletic facilities paid for with bond proceeds		156,156
Total	$	348,340

The District's fiscal year 2018 General Fund capital budget calls for $59 thousand of capital expenditures. The Capital Projects Fund budget calls for $133 thousand of capital expenditures using the remaining bond proceeds. More information about the District's capital assets is presented in Note D to the financial statements.

Debt:

At year-end, the District had $25.26 million in long-term debt versus $26.15 million in the preceding year. More detailed information about the District's long-term liabilities is presented in Note F to the financial statements.

ECONOMIC FACTORS:

The District's elected and appointed officials considered many factors when planning the fiscal year 2018 budget and tax rate. Those factors include:

- Enrollment over the next year is expected to remain stable.
- Tax base is expected to remain stable.
- District population is expected to remain stable.
- Grant revenues are expected to remain stable.
- State foundation revenues are expected to increase.
- District will continue programs currently offered.

If the above estimates are realized, the Bowie ISD budgetary General Fund fund balance is expected to decrease approximately $672 thousand by the close of 2018.

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 show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Bowie Independent School District, 100 West Wichita Street, Bowie, Texas.

EXHIBIT A-1

BOWIE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2017

Data Control Codes		Primary Government
		Governmental Activities
	ASSETS	
1110	Cash and Cash Equivalents	$ 7,132,513
1220	Property Taxes Receivable (Delinquent)	581,920
1230	Allowance for Uncollectible Taxes	(325,324)
1240	Due from Other Governments	1,694,763
1300	Inventories	21,927
	Capital Assets:	
1510	Land	1,906,123
1520	Buildings, Net	31,535,095
1530	Furniture and Equipment, Net	1,360,660
1550	Leased Property Under Capital Leases, Net	61,239
1580	Construction in Progress	-
1000	Total Assets	43,968,915
	DEFERRED OUTFLOWS OF RESOURCES	
1705	Deferred Outflow Related to TRS	1,445,406
1700	Total Deferred Outflows of Resources	1,445,406
	LIABILITIES	
2110	Accounts Payable	24,885
2140	Interest Payable	27,848
2150	Payroll Deductions & Withholdings	94,105
2160	Accrued Wages Payable	679,709
2200	Accrued Expenses	189,999
2300	Unearned Revenue	3,791
	Noncurrent Liabilities	
2501	Due Within One Year	1,149,399
2502	Due in More Than One Year	26,116,691
2540	Net Pension Liability (District's Share)	3,203,490
2000	Total Liabilities	31,489,918
	DEFERRED INFLOWS OF RESOURCES	
2605	Deferred Inflow Related to TRS	184,685
2600	Total Deferred Inflows of Resources	184,685
	NET POSITION	
3200	Net Investment in Capital Assets	7,597,024
3820	Restricted for Federal and State Programs	79,870
3850	Restricted for Debt Service	986,075
3860	Restricted for Capital Projects	120,916
3900	Unrestricted	4,955,832
3000	Total Net Position	$ 13,739,717

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

BOWIE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes		1	Program Revenues 3	4	Net (Expense) Revenue and Changes in Net Position 6
		Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
	Primary Government:				
	GOVERNMENTAL ACTIVITIES:				
11	Instruction	$ 9,920,966	$ 16,081	$ 1,767,499	$ (8,137,386)
12	Instructional Resources and Media Services	155,711	-	8,861	(146,850)
13	Curriculum and Staff Development	44,873	-	3,058	(41,815)
21	Instructional Leadership	99,962	-	5,861	(94,101)
23	School Leadership	935,000	-	64,895	(870,105)
31	Guidance, Counseling and Evaluation Services	445,526	-	26,010	(419,516)
33	Health Services	126,674	-	8,765	(117,909)
34	Student (Pupil) Transportation	491,301	-	27,717	(463,584)
35	Food Services	719,975	139,446	530,092	(50,437)
36	Extracurricular Activities	1,129,723	56,661	22,034	(1,051,028)
41	General Administration	692,137	-	25,065	(667,072)
51	Facilities Maintenance and Operations	2,024,923	6,479	133,144	(1,885,300)
52	Security and Monitoring Services	87,263	-	-	(87,263)
53	Data Processing Services	154,191	-	10,662	(143,529)
72	Debt Service - Interest on Long Term Debt	905,916	-	32,041	(873,875)
73	Debt Service - Bond Issuance Cost and Fees	4,249	-	-	(4,249)
93	Payments related to Shared Services Arrangements	221,973	-	9,842	(212,131)
99	Other Intergovernmental Charges	179,298	-	-	(179,298)
[TP]	TOTAL PRIMARY GOVERNMENT:	$ 18,339,661	$ 218,667	$ 2,675,549	(15,445,445)

Data Control Codes		
	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	9,415,183
DT	Property Taxes, Levied for Debt Service	1,630,552
GC	Grants and Contributions not Restricted	2,854,591
IE	Investment Earnings	48,011
MI	Miscellaneous Local and Intermediate Revenue	61,250
S2	Special Item - (Use)	(16,649)
TR	Total General Revenues & Special Items	13,992,938
CN	Change in Net Position	(1,452,507)
NB	Net Position - Beginning	15,192,224
NE	Net Position--Ending	$ 13,739,717

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

EXHIBIT C-1

BOWIE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2017

Data Control Codes		10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
	ASSETS				
1110	Cash and Cash Equivalents	$ 5,990,771	$ 976,064	$ 165,678	$ 7,132,513
1220	Property Taxes - Delinquent	502,372	79,548	-	581,920
1230	Allowance for Uncollectible Taxes (Credit)	(283,634)	(41,690)	-	(325,324)
1240	Receivables from Other Governments	1,590,555	-	104,208	1,694,763
1260	Due from Other Funds	7,039	-	-	7,039
1300	Inventories	13,483	-	8,444	21,927
1000	Total Assets	$ 7,820,586	$ 1,013,922	$ 278,330	$ 9,112,838
	LIABILITIES				
2110	Accounts Payable	$ 24,740	$ -	$ 145	$ 24,885
2150	Payroll Deductions and Withholdings Payable	94,105	-	-	94,105
2160	Accrued Wages Payable	627,337	-	52,372	679,709
2170	Due to Other Funds	-	-	7,039	7,039
2200	Accrued Expenditures	184,246	-	5,753	189,999
2300	Unearned Revenues	-	-	3,791	3,791
2000	Total Liabilities	930,428	-	69,100	999,528
	DEFERRED INFLOWS OF RESOURCES				
2601	Unavailable Revenue - Property Taxes	218,738	37,858	-	256,596
2600	Total Deferred Inflows of Resources	218,738	37,858	-	256,596
	FUND BALANCES				
	Nonspendable Fund Balance:				
3410	Inventories	13,483	-	8,444	21,927
	Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	79,870	79,870
3470	Capital Acquisition and Contractural Obligation	-	-	120,916	120,916
3480	Retirement of Long-Term Debt	-	976,064	-	976,064
	Committed Fund Balance:				
3530	Capital Expenditures for Equipment	800,000	-	-	800,000
3540	Self Insurance	900,000	-	-	900,000
3545	Other Committed Fund Balance	300,000	-	-	300,000
3600	Unassigned Fund Balance	4,657,937	-	-	4,657,937
3000	Total Fund Balances	6,671,420	976,064	209,230	7,856,714
4000	Total Liabilities, Deferred Inflows & Fund Balances	$ 7,820,586	$ 1,013,922	$ 278,330	$ 9,112,838

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

BOWIE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2017

	Total Fund Balances - Governmental Funds	$ 7,856,714
1	Capital assets used in governmental activities are not reported in the governmental funds.	34,863,117
2	Payables for bond principal which are not due in the current period are not reported in the governmental funds.	(23,473,883)
3	Payables for bond interest which are not due in the current period are not reported in the governmental funds.	(27,848)
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 $3,203,490, a Deferred Resource Inflow related to TRS in the amount of $184,685 and a Deferred Resource Outflow related to TRS in the amount of $1,445,406. This amounted to a decrease in Net Position in the amount of $1,942,769.	(1,942,769)
5	Payables for notes which are not due in the current period are not reported in the governmental funds.	(1,730,000)
6	Payable for capital leases which are not due in the current period are not reported in the governmental funds.	(58,463)
7	Other long-term liabilities which are not due and payable in the current period are not reported in the governmental funds.	(2,003,747)
8	Property taxes receivable unavailable to pay for current expenditures are deferred in the governmental funds.	256,596
19	**Net Position of Governmental Activities**	$ 13,739,717

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

EXHIBIT C-2

BOWIE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes		10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 9,722,871	$ 1,622,570	$ 140,242	$ 11,485,683
5800	State Program Revenues	3,555,997	32,041	223,386	3,811,424
5900	Federal Program Revenues	470,461	-	1,120,609	1,591,070
5020	Total Revenues	13,749,329	1,654,611	1,484,237	16,888,177
	EXPENDITURES:				
	Current:				
0011	Instruction	8,152,340	-	786,177	8,938,517
0012	Instructional Resources and Media Services	150,867	-	-	150,867
0013	Curriculum and Instructional Staff Development	41,815	-	3,058	44,873
0021	Instructional Leadership	95,977	-	-	95,977
0023	School Leadership	901,979	-	-	901,979
0031	Guidance, Counseling and Evaluation Services	432,292	-	-	432,292
0033	Health Services	122,689	-	-	122,689
0034	Student (Pupil) Transportation	382,492	-	-	382,492
0035	Food Services	28,626	-	637,674	666,300
0036	Extracurricular Activities	806,312	-	-	806,312
0041	General Administration	656,779	-	-	656,779
0051	Facilities Maintenance and Operations	2,176,952	-	36,370	2,213,322
0052	Security and Monitoring Services	64,853	-	-	64,853
0053	Data Processing Services	148,582	-	-	148,582
	Debt Service:				
0071	Principal on Long Term Debt	118,836	1,010,000	-	1,128,836
0072	Interest on Long Term Debt	71,453	697,779	-	769,232
0073	Bond Issuance Cost and Fees	-	4,249	-	4,249
	Capital Outlay:				
0081	Facilities Acquisition and Construction	-	-	156,156	156,156
	Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	212,131	-	9,842	221,973
0099	Other Intergovernmental Charges	179,298	-	-	179,298
6030	Total Expenditures	14,744,273	1,712,028	1,629,277	18,085,578
1200	Net Change in Fund Balances	(994,944)	(57,417)	(145,040)	(1,197,401)
0100	Fund Balance - September 1 (Beginning)	7,666,364	1,033,481	354,270	9,054,115
3000	Fund Balance - August 31 (Ending)	$ 6,671,420	$ 976,064	$ 209,230	$ 7,856,714

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

BOWIE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2017

Total Net Change in Fund Balances - Governmental Funds	$	(1,197,401)
Capital outlays are not reported as expenses in the Statement of Activities.		348,340
The depreciation of capital assets used in governmental activities is not reported in the governmental funds.		(1,379,813)
Certain property tax revenues are deferred in the governmental funds. This is the change in these amounts this year.		71,790
Repayment of bond principal is an expenditure in the governmental funds but is not an expense in the Statement of Activities.		1,010,000
Repayment of loan principal is an expenditure in the governmental funds but is not an expense in the Statement of Activities.		105,000
Repayment of capital lease principal is an expenditure in the governmental funds but is not an expense in the Statement of Activities.		13,836
Amortization of bond premiums and discounts are reported in the Statement of Activities but not in the governmental funds.		104,729
The accretion of interest on capital appreciation bonds is not reported in the governmental funds.		(241,413)
Current year changes due to GASB 68 increased revenues in the amount of $127,646, but also increased expenditures in the amount of $398,571. The net effect on the change in the ending net position was a decrease in the amount of ($270,925).		(270,925)
Loss on disposal of capital asset is reported in the Statement of Activities, but not in the governmental funds.		(16,649)
Rounding differences		(1)
Change in Net Position of Governmental Activities	$	(1,452,507)

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

EXHIBIT E-1

BOWIE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2017

	Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash and Cash Equivalents	$ -	$ 58,021
Restricted Assets	19,511	-
Total Assets	19,511	$ 58,021
LIABILITIES		
Due to Student Groups	-	$ 58,021
Total Liabilities	-	$ 58,021
NET POSITION		
Held in Trust	19,511	
Total Net Position	$ 19,511	

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

BOWIE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

	Private Purpose Trust Fund
ADDITIONS:	
Local and Intermediate Sources	$ 21
Total Additions	21
Change in Net Position	21
Total Net Position - September 1 (Beginning)	19,490
Total Net Position - August 31 (Ending)	$ 19,511

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

A. Summary of Significant Accounting Policies

The basic financial statements of Bowie Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity" and there are no component units included within the reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The District reports the following major governmental funds:

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

Debt Service Fund: This is the District's fund that accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

In addition, the District reports the following fund types:

Private-Purpose Trust Funds: These funds are used to report trust arrangements under which principal and/or income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types.

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. Financial Statement Amounts

a. 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 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 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon 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.

b. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as deferred expenditures.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of $5,000 is used.

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

Asset Class	Estimated Useful Lives
Buildings and Improvements	25-50
Furniture and Equipment	3-25

d. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

e. Interfund Activity

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

f. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

g. Data Control Codes

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

h. Fund Balances -Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the District. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

By a majority vote in a scheduled meeting the Board of Trustees may commit fund balances and it may modify or rescind commitments. The Board may also delegate authority to persons or parties to assign fund balances in specific circumstances or funds.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

Violation	Action Taken
Food Service Expenditures Exceeded Budget	Scheduled Recording Commodities Transaction for 2018

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

Fund Name	Deficit Amount	Remarks
State Instructional Materials Fund	$3,791	Revenue will be recognized in 2018

C. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities 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 Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Cash Deposits:

At August 31, 2017:

a. the carrying amount of the District's governmental and fiduciary deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) were: $7,207,672

b. the bank balances were: $7,289,856

The District's cash deposits at August 31, 2017 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The District's investments at August 31, 2017 are shown below.

Governmental Investment or Investment Type	Maturity	Fair Value
None		$ -

Fiduciary Investment or Investment Type	Maturity	Fair Value
None		$ -

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk.

At August 31, 2017, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

Investments:	Credit Quality Ratings
None	N/A

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

c. Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment.

At year end, the District was not exposed to any of the investment risks described above.

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Fair Value Measurements

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

The District had no investments that were subject to fair value measurement.

D. Capital Assets

Capital asset activity for the year ended August 31, 2017, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 1,859,472	$ 63,300	$ 16,649	$ 1,906,123
Construction in progress	203	-	203	0
Total capital assets not being depreciated	1,859,675	63,300	16,852 #	1,906,123
Capital assets being depreciated:				
Buildings and Improvements	42,419,389	156,359	22,779	42,552,969
Furniture and Equipment	6,148,754	128,884	-	6,277,638
Capital lease assets	74,552	-	-	74,552
Total capital assets being depreciated	48,642,695	285,243	22,779	48,905,159
Less accumulated depreciation for:				
Buildings and Improvements	(10,131,160)	(909,491)	(22,779)	(11,017,872)
Furniture and Equipment	(4,457,308)	(459,672)	-	(4,916,980)
Capital lease assets	(2,663)	(10,650)	-	(13,313)
Total accumulated depreciation	(14,591,131)	(1,379,813)	(22,779)	(15,948,165)
Total capital assets being depreciated, net	34,051,564	(1,094,570)	-	32,956,994
Governmental activities capital assets, net	$ 35,911,239	$ (1,031,270)	$ 16,852	$ 34,863,117

Depreciation was charged to functions as follows:

Instruction	$ 849,549
Instructional Resources and Media Services	859
School Leadership	3,688
Student Transportation	98,128
Food Services	39,165
Extracurricular Activities	308,901
General Administration	22,124
Plant Maintenance and Operations	33,365
Security and Monitoring Services	22,410
Data Processing Services	1,624
	$ 1,379,813

E. Interfund Balances and Activities

1. Due To and From Other Funds
   Balances due to and due from other funds at August 31, 2017, consisted of the following:

Due to Fund	Due From Fund	Amount	Purpose
General Fund	Other Funds	$ 7,039	Short-term loans
		$ 7,039	

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds
Transfers to and from other funds at August 31, 2017, consisted of the following:

Transfers From	Transfers To	Amount	Reason
None			

F. Long-Term Obligations

General Obligation Bonds:	Payment Fund	Interest Rate Payable		Amounts Original Issue
General Obligation Bonds - 2008 Series	Debt Service	4.00% to 7.00%	$	9,500,000
General Obligation Bonds - 2009 Series	Debt Service	4.00% to 4.125%		700,000
General Obligation Bonds - 2012 Series	Debt Service	1.00% to 2.25%		9,210,000
General Obligation Bonds - 2014 Series	Debt Service	2.00% to 27.90%		8,229,998
General Obligation Bonds - 2016 Series	Debt Service	3.00% to 4.00%		7,970,000
Total			$	35,609,998
Notes				
Tax Maintenance Note - 2009	General Fund	3.75% - 9.00%	$	2,540,000

The Tax Maintenance Note interest rate resets every five years until maturity at prime rate less 150 basis points.

Leases
In June 2016, the District entered into a lease agreement for financing equipment. The capital lease is for five years, requires monthly payments of $1,373 and bears interest of 4.00%. Lease payments have been paid by the General Fund.

1. Long-Term Obligation Activity

Changes in long-term obligations for the year ended August 31, 2017, are as follows:

Governmental activities:		Beginning Balance		Increases *		Decreases		Ending Balance		Amounts Due Within One Year
General Obligation bonds	$	24,242,470	$	241,413	$	1,010,000	$	23,473,883	$	1,025,000
Notes		1,835,000		-		105,000		1,730,000		110,000
Capital Leases		72,299		-		13,836		58,463		14,399
Total governmental activities	$	26,149,769	$	241,413	$	1,128,836	$	25,262,346	$	1,149,399

* - Increase is for $241,413 of bond interest accretion.

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2017, are as follows:

	Governmental Activities			
	Bonds		Notes	
Year Ending August 31,	Principal	Interest	Principal	Interest
2018	$ 1,025,000	$ 670,489	$ 110,000	$ 64,875
2019	1,045,000	658,789	115,000	60,750
2020	980,000	646,683	120,000	56,438
2021	1,020,000	616,082	125,000	51,938
2022	1,050,000	584,070	130,000	47,250
2023-2027	5,880,000	2,404,144	770,000	156,938
2028-2032	6,935,000	1,530,651	360,000	16,969
2033-2037	5,245,000	629,937	--	--
2038	565,000	16,950	--	--
Unamortized Discount on Capital Appreciation Bonds	(271,117)	--	--	--
Totals	$ 23,473,883	$ 7,757,795	$ 1,730,000	$ 455,158

Note: Exhibit A-1 Noncurrent liabilities "Due in More Than One Year" includes unamortized net bond premium and discount of $2,003,744.

3. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of August 31, 2017, as follows:

Year Ending August 31,	Total
2018	$ 16,476
2019	16,476
2020	16,476
2021	13,730
Total Minimum Rentals	63,158
Less:	
Amount representing interest	(4,695)
Present value of minimum lease payments	$ 58,463
Rental Expenditures in 2017	$ 13,836

The effective interest rate on capital lease is 4.0% and lease interest for the year totaled $2,640.

4. Advance Refunding of Debt

In February 2016, the District issued $7.970 million in general obligation bonds with an average interest rate of 2.65 percent which was used to advance refund $7.970 million of outstanding 2008 Series bonds with an average interest rate of 4.13 percent. The bond issue yielded proceeds of $8.715 million. Those proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the $7.970 million refunded bonds of the 2008 Series bonds. As a result, the 2008 Series bonds are considered to be defeased and the liability for those bonds has been removed from the Government-Wide Statement of Net Assets.

In June 2014, the District issued $8.230 million in general obligation bonds with an average interest rate of 2.99 percent which was used to advance refund $8.230 million of outstanding 2007 Series bonds with an average interest rate of 4.381 percent. The bond issue yielded proceeds of $9.217 million. Those proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the $8.230 million refunded bonds of the 2007 Series bonds. As a result, the 2007 Series bonds are considered to be defeased and the liability for those bonds has been removed from the Government-Wide Statement of Net Assets.

G. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District joined together with other school districts in the State to form the Texas Educational Insurance Association (TEIA), a public entity risk pool operating as a common risk management and insurance program for member school districts. The District pays a premium to TEIA for its workers' compensation insurance coverage. The Plan for Worker's Compensation Self Insurance Joint Fund of the TEIA requires a maximum self-insurance of $115,947 by the District and will insure through commercial companies for claims in excess of $1 million for each insured event.

The District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

A summary of worker's compensation insurance for the past two fiscal years follows:

	Beginning Year Liability	Current Estimate Changes	Claim Payments	Balance at Fiscal Year End
2016	$ 92,931	$ 31,182	$ 31,182	$ 92,931
2017	92,931	143,409	65,308	171,032

H. Defined Benefit Pension Plan

Plan Description

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

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

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued 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.gov/TRS%20Documents/cafr_2016.pdf; 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 credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% 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 thru 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.

Contribution Rates

	2016	2017
Member	7.2%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Bowie ISD 2017 Employer Contributions		$ 269,397
Bowie ISD 2017 Member Contributions		763,190
Bowie ISD 2016 NECE On-Behalf Contributions		665,717

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 for public education, 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 source or a privately sponsored source

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 the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

Actuarial Assumptions

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

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	2.5%
Salary Increases Including Inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

The actuarial methods and assumptions are primarily based 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 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. The long-term rate of return on pension plan investments is 8%. 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 Expectations			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.*

Discount Rate Sensitivity Analysis

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 in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
Bowie ISD’s proportionate share of the net pension liability:	$ 4,957,923	$ 3,203,490	$ 1,715,376

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

At August 31, 2017, the District reported a liability of $3,203,490 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate share of the collective net pension liability	$3,203,490
State's proportionate share that is associated with the District	6,414,932
Total	$9,618,422

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 employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015 thru August 31, 2016.

At August 31, 2016 the employer's proportion of the collective net pension liability was .00847742% which was a decrease of .0002749% from its proportion measured as of August 31, 2015.

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

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

For the ended August 31, 2017, the District recognized pension expense of $665,717 and revenue of $665,717 for support provided by the State in the Government Wide Statement of Activities.

At August 31, 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 economic experience	$ 50,230	$ 95,654
Changes in actuarial assumptions	97,637	88,796
Difference between projected and actual investment earnings	271,265	
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	756,877	235
Total as of August 31, 2016 measurement date	$ 1,176,009	$ 184,685
Contributions paid to TRS subsequent to the measurement date	269,396	
Total as of fiscal year-end	$ 1,445,405	$ 184,685

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

Year ended August 31:	Pension Expense Amount
2018	$ 177,659
2019	177,659
2020	350,685
2021	164,365
2022	109,446
Thereafter	11,510

I. <u>Health Care Coverage</u>

During the year ended August 31, 2017, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of $250 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to TRS Active Care as required by Section 22.004, Texas Education Code.

The terms of coverage and premium costs are as provided by statute.

Latest financial statements for the TRS Active Care - Aetna are available for the year ended December 31, 2016, have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

J. Retiree Health Care Plan

1. TRS-Care
   a. 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). TRS-Care Retired Plan 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. The 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 the TRS Communications Department at 1-800-223-8778.

   b. 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. The contribution rate for the State was 1.00% for 2015, 2016 and 2017. The contribution rate for the District was 0.55% for each of these three years. The contribution rate for active employees was 0.65% of the District payroll for each of the three years. 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. For staff members funded by federal programs, the federal programs are required to contribute 1.0%.

Contributions made by the State on behalf of the District are recorded in the governmental funds financial statements as both revenue and expenditures. State contributions to TRS made on behalf of the District's employees as well as the District's required contributions and federal grant program contributions for the years ended August 31, 2017, 2016 and 2015 are as follows:

	2017	2016	2015
Required District Contributions	$ 60,472	$ 59,416	$ 57,220
Actual District Contributions	54,514	53,545	52,182
Federal Contributions	5,958	5,870	5,038
State Contributions	98,015	95,954	93,648
Employee Contributions	64,423	63,280	61,669

These amounts equaled the required contributions each year.

2. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible

TRS-Care participants. Subsidy payments received by TRS-Care on behalf of the District were:

Year	Amount
2017	$ 45,709
2016	$ 37,499
2015	$ 38,618

K. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the District at August 31, 2017.

L. Shared Services Arrangements

Shared Services Arrangement -Fiscal Agent
The District is the fiscal agent for a Shared Services Arrangement ("SSA") for vocational education services to the member districts listed below. All revenues are received by the fiscal agent. The fiscal agent passes the member funds to the member district. According to guidance provided in TEA's Resource Guide, the District has accounted for fiscal agent's activities of the SSA in Special Revenue Fund No. 331, SSA - Vocational Education (Basic Grant) and will be accounted for using Model 1 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

Member Districts		Expenditures
Bowie ISD	$	19,399
Nocona ISD		9,842
Total	$	29,241

Shared Services Arrangement -Membership
The District participates in a shared services arrangement ("SSA") for special education instruction with the following school districts:

Member Districts
Forestburg ISD
Gold-Burg ISD
Montague ISD
Nocona ISD
Prairie Valley ISD
Saint Jo ISD

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Nocona ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

The District's Special Education SSA expenditures accounted for in the General Fund in function 93: $212,131

Shared Services Arrangement –Membership
The District participates in a shared services arrangement ("SSA") Head Start with several school districts. Coop member information is available at Region IX ESC at 940-322-6928.

The District accounts only for its own revenues and expenditures in this program in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Region IX ESC, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

The District's Head Start SSA expenditures accounted for in Fund No. 205: $179,605

Shared Services Arrangement -Membership
The District participates in a shared services arrangement ("SSA") for IDEA-B Preschool with the following school districts:

Member Districts
Forestburg ISD
Gold-Burg ISD
Montague ISD
Nocona ISD
Prairie Valley ISD
Saint Jo ISD

The District accounts only for its own revenues and expenditures in this program in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Nocona ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

The District's IDEA-B Preschool SSA expenditures accounted for in Fund No. 225: $4,350

L. Special Items

The special item amount of $16,649 shown on Exhibit B-1 is the loss on disposal of a capital asset.

M. Subsequent Events

In November 2017, the District approved the purchase of a vehicle with a cost of $41,606 and entered into an engineering agreement with a cost of $46,287.

BOWIE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 9,581,209	$ 9,800,332	$ 9,722,871	$ (77,461)
5800	State Program Revenues	3,197,766	3,197,766	3,555,997	358,231
5900	Federal Program Revenues	315,000	315,000	470,461	155,461
5020	Total Revenues	13,093,975	13,313,098	13,749,329	436,231
	EXPENDITURES:				
	Current:				
0011	Instruction	8,223,497	8,233,266	8,152,340	80,926
0012	Instructional Resources and Media Services	150,648	155,048	150,867	4,181
0013	Curriculum and Instructional Staff Development	41,691	47,991	41,815	6,176
0021	Instructional Leadership	96,266	101,166	95,977	5,189
0023	School Leadership	865,784	905,784	901,979	3,805
0031	Guidance, Counseling and Evaluation Services	433,748	435,848	432,292	3,556
0033	Health Services	118,915	127,015	122,689	4,326
0034	Student (Pupil) Transportation	418,786	403,760	382,492	21,268
0035	Food Services	18,700	30,133	28,626	1,507
0036	Extracurricular Activities	739,801	809,358	806,312	3,046
0041	General Administration	693,599	673,599	656,779	16,820
0051	Facilities Maintenance and Operations	1,861,375	2,183,367	2,176,952	6,415
0052	Security and Monitoring Services	76,365	71,365	64,853	6,512
0053	Data Processing Services	149,662	152,662	148,582	4,080
	Debt Service:				
0071	Principal on Long Term Debt	105,000	130,000	118,836	11,164
0072	Interest on Long Term Debt	68,813	68,813	71,453	(2,640)
0073	Bond Issuance Cost and Fees	1,250	1,250	-	1,250
	Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	269,000	228,000	212,131	15,869
0099	Other Intergovernmental Charges	197,800	189,800	179,298	10,502
6030	Total Expenditures	14,530,700	14,948,225	14,744,273	203,952
1200	Net Change in Fund Balances	(1,436,725)	(1,635,127)	(994,944)	640,183
0100	Fund Balance - September 1 (Beginning)	7,666,364	7,666,364	7,666,364	-
3000	Fund Balance - August 31 (Ending)	$ 6,229,639	$ 6,031,237	$ 6,671,420	$ 640,183

EXHIBIT G-2

BOWIE INDEPENDENT SCHOOL DISTRICT

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

TEACHER RETIREMENT SYSTEM OF TEXAS

FOR THE YEAR ENDED AUGUST 31, 2017

	2017	2016	2015
District's Proportion of the Net Pension Liability (Asset)	0.008477417%	0.0087523%	0.005703%
District's Proportionate Share of Net Pension Liability (Asset)	$ 3,203,490	$ 3,093,822	$ 1,355,068
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	6,414,932	6,261,462	5,252,847
Total	$ 9,618,422	$ 9,355,284	$ 6,607,915
District's Covered-Employee Payroll	$ 9,735,257	$ 9,487,534	$ 8,950,926
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	32.91%	32.61%	15.14%
Plan Fiduciary Net Position 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 for Year 2017, August 31, 2015 for Year 2016 and August 31, 2014 for 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

BOWIE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2017

	2017	2016	2015
Contractually Required Contribution	$ 269,397	$ 269,349	$ 241,090
Contribution in Relation to the Contractually Required Contribution	(269,397)	(269,349)	(241,090)
Contribution Deficiency (Excess)	$ -0-	$ -0-	$ -0-
District's Covered-Employee Payroll	$ 9,912,276	$ 9,735,257	$ 9,487,534
Contributions as a Percentage of Covered-Employee Payroll	2.72%	2.77%	2.54%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 for the respective fiscal years.

Note: In accordance with GASB 68, Paragraph 138, the years of data presented this reporting period are those for which data is available. "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."

Changes of benefit terms.

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

Changes of assumptions.

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

BOWIE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2017

		(1)	(2)	(3)
Last 10 Years Ended		Tax Rates		Assessed/Appraised Value for School
August 31		Maintenance	Debt Service	Tax Purposes
2008	and prior years	Various	Various	$ Various
2009		1.040000	0.240000	546,214,947
2010		1.040000	0.247700	603,445,487
2011		1.040000	0.247700	639,693,669
2012		1.040000	0.186800	695,733,135
2013		1.040000	0.267100	924,268,828
2014		1.040000	0.190700	895,548,209
2015		1.040000	0.143000	1,133,813,594
2016		1.040000	0.143200	1,066,764,890
2017	(School year under audit)	1.040000	0.180000	927,823,510
1000	TOTALS			

(10) Beginning Balance 9/1/2016	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2017
$ 58,368	$ -	$ 841	$ 14	$ (5,584)	$ 51,929
20,496	-	293	68	(33)	20,102
12,248	-	376	89	(33)	11,750
8,549	-	746	178	(33)	7,592
12,794	-	1,722	309	(267)	10,496
28,929	-	3,894	1,000	(614)	23,421
56,673	-	7,293	1,337	(453)	47,590
81,838	-	19,882	2,734	9,366	68,588
184,806	-	86,729	11,942	(2,279)	83,856
-	10,996,786	9,132,762	1,580,670	(26,758)	256,596
$ 464,701	$ 10,996,786	$ 9,254,538	$ 1,598,341	$ (26,688)	$ 581,920

BOWIE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 147,500	$ 147,500	$ 139,710	$ (7,790)
5800	State Program Revenues	2,900	2,900	2,784	(116)
5900	Federal Program Revenues	460,076	460,076	537,663	77,587
5020	Total Revenues	610,476	610,476	680,157	69,681
	EXPENDITURES:				
0035	Food Services	581,076	594,576	637,674	(43,098)
0051	Facilities Maintenance and Operations	29,400	35,900	32,656	3,244
6030	Total Expenditures	610,476	630,476	670,330	(39,854)
1200	Net Change in Fund Balances	-	(20,000)	9,827	29,827
0100	Fund Balance - September 1 (Beginning)	63,999	63,999	63,999	-
3000	Fund Balance - August 31 (Ending)	$ 63,999	$ 43,999	$ 73,826	$ 29,827

EXHIBIT J-3

BOWIE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 1,602,267	$ 1,602,267	$ 1,622,570	$ 20,303
5800	State Program Revenues	-	-	32,041	32,041
5020	Total Revenues	1,602,267	1,602,267	1,654,611	52,344
	EXPENDITURES:				
	Debt Service:				
0071	Principal on Long Term Debt	853,430	853,430	1,010,000	(156,570)
0072	Interest on Long Term Debt	854,353	854,353	697,779	156,574
0073	Bond Issuance Cost and Fees	5,000	5,000	4,249	751
6030	Total Expenditures	1,712,783	1,712,783	1,712,028	755
1200	Net Change in Fund Balances	(110,516)	(110,516)	(57,417)	53,099
0100	Fund Balance - September 1 (Beginning)	1,033,481	1,033,481	1,033,481	-
3000	Fund Balance - August 31 (Ending)	$ 922,965	$ 922,965	$ 976,064	$ 53,099

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January 18, 2018

Independent Auditor's Report

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*

Board of Trustees
Bowie Independent School District
PO Box 1168
Bowie, Texas 76230

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, each major fund, and the aggregate remaining fund information of Bowie Independent School District, as of and for the year ended August 31, 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 January 18, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bowie Independent School 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 Bowie Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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, as discussed below we identified certain deficiencies in internal control over compliance that we consider to a significant deficiency.

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

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2017-1 to be a significant deficiency. Other significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bowie Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.*

Bowie Independent School District's Response to Finding

Bowie Independent School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned cost. Bowie Independent School District's response was not subjected to the auditing procedures applied the audit of the financial statements and, accordingly, we express no opinion it.

Purpose of this Report

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

Respectfully submitted,

Stephen G. Gilland, P.C.

Stephen G. Gilland, P.C.
Bowie, Texas

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January 18, 2018

Independent Auditor's Report

Report on Compliance for each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Board of Trustees
Bowie Independent School District
P.O. Box 1168
Bowie, Texas 76230

Report on Compliance for Each Major Federal Program

We have audited Bowie Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Bowie Independent School District's major federal programs for the year ended August 31, 2017. Bowie Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 Bowie Independent School 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 Bowie Independent School 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 Bowie Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Bowie Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2017.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with the Uniform Guidance.

Report on Internal Control Over Compliance

Management of Bowie Independent School 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 Bowie Independent School 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 Bowie Independent School District's internal control over compliance.

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 weaknesses or significant deficiencies may exist that were not identified. However, as discussed below we identified certain deficiencies in internal control over compliance that we consider to a significant deficiency.

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

A significant deficiency in internal control over compliance is a deficiency, or 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2017-1 to be a significant deficiency.

Bowie Independent School District's response to the internal control over the compliance finding identified in our audit is described in the accompanying schedule of findings and questioned cost. Bowie Independent School District's response was not subjected to the auditing procedures applied 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.

Respectfully submitted,

Stephen G. Gilland, P.C.

Stephen G. Gilland, P.C
Bowie, Texas

BOWIE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2017

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? ____ Yes __X__ No

One or more significant deficiencies identified that are not considered to be material weaknesses? __X__ Yes ____ None Reported

Noncompliance material to financial statements noted? ____ Yes __X__ No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? ____ Yes __X__ No

One or more significant deficiencies identified that are not considered to be material weaknesses? __X__ Yes ____ None Reported

Noncompliance material to financial statements noted? ____ Yes __X__ No

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 the Uniform Guidance? ____ Yes __X__ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553	School Breakfast Program
10.555	National School Lunch Program

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

Auditee qualified as low-risk auditee: __X__ Yes ____ No

BOWIE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2017

B. Financial Statements Findings

Finding 2017-1 - Significant deficiency in Internal Control over Financial Reporting

Criteria or Specified Requirement
The District should maintain adequate control over financial reporting to ensure accurate reporting in the District's financial statements.

Condition Found
During the audit, misstatements in the District's accounting records were significant but not material to the District's financial statements. The misstatements were not identified prior to the audit by the District.

Cause
The District did not record certain journal entries related to supplemental food commodities.

Effect
The misstatement was noted in the audit of the District's financial statements and was required to be corrected.

Recommendation
We recommend the District schedule the recording of supplemental food commodities in August of each year.

District Response and Planned Corrective Action
Please refer to the Corrective Action Plan of the District.

C. Federal Award Findings and Questioned Costs

See Finding 2017-1 - No questioned costs are associated with the finding.

District Contact: Jonathan Pastusek, Chief Financial Officer

BOWIE INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2017

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
NONE		

BOWIE INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2017

Finding 2017-1 - Significant Deficiency in Internal Control over Financial Reporting

The District will schedule the recording of supplemental food commodities in August of each year.

BOWIE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2017

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	17610101169901	$ 278,557
ESEA, Title I, Part A - Improving Basic Programs	84.010A	18610101169901	24,193
Total CFDA Number 84.010A			302,750
IDEA - Part B, Preschool	84.173	176610011699026610	4,350
SSA - Career and Technical - Basic Grant	84.048	17420006169901	29,241
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	17694501169901	60,832
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	18694501169901	6,168
Total CFDA Number 84.367A			67,000
Total Passed Through State Department of Education			403,341
TOTAL U.S. DEPARTMENT OF EDUCATION			403,341
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through State Department of Education			
Head Start	93.600	06CH7096-03	52,637
Head Start	93.600	06CH7096-04	126,967
Total CFDA Number 93.600			179,604
Total Passed Through State Department of Education			179,604
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			179,604
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through the State Department of Agriculture			
*School Breakfast Program	10.553	169901	180,489
*National School Lunch Program	10.555	169901	311,360
Total Child Nutrition Cluster			491,849
Commodity Supplemental Food Program	10.565	169901	45,814
Total Passed Through the State Department of Agriculture			537,663
TOTAL U.S. DEPARTMENT OF AGRICULTURE			537,663
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 1,120,608

*Clustered Programs

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

BOWIE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2017

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Bowie Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Subrecipients

Of the federal expenditures presented in the schedule, Bowie Independent School District provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
SSA Career and Technical – Basic Grant (Fund 331)	84.048A	$9,842

SCHOOLS FIRST QUESTIONNAIRE

Bowie Independent School District — Fiscal Year 2017

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	$ 598,884
SF11	Net Pension Assets (1920) at fiscal year-end.	$ -0-
SF12	Net Pension Liabilities (2540) at fiscal year-end.	$ 3,203,490
SF13	Pension Expense (6147) at fiscal year-end.	

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APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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HUNTON
ANDREWS KURTH

Hunton Andrews Kurth LLP
600 Travis, Suite 4200
Houston, Texas 77002
+1.713.220.4200 Phone
+1.713.220.4285 Fax
HuntonAK.com

June 19, 2018

WE HAVE ACTED as Bond Counsel for the Bowie Independent School District (the "District") in connection with an issue of notes (the "Notes") described as follows:

> BOWIE INDEPENDENT SCHOOL DISTRICT MAINTENANCE TAX NOTES, SERIES 2018, dated June 1, 2018, in the aggregate principal amount of $2,850,000.
>
> The Notes mature, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Notes and in the resolution (the "Resolution") adopted by the Board of Trustees of the District authorizing their issuance.

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

WE HAVE NOT BEEN REQUESTED to examine, and have not investigated or verified, any original proceedings, records, data or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the District or the disclosure thereof in connection with the sale of the Notes.

BASED ON SUCH EXAMINATION, it is our opinion as follows:

(1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Notes in full compliance with the Constitution and laws of the State of Texas presently in effect; the Notes constitute valid and legally binding obligations of the District enforceable in accordance with the terms and conditions thereof, except to the extent that the rights and remedies of the owners of the Notes may be limited by laws heretofore or hereafter enacted relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors of political subdivisions and the exercise of

ATLANTA AUSTIN BANGKOK BEIJING BOSTON BRUSSELS CHARLOTTE DALLAS DUBAI HOUSTON LONDON LOS ANGELES MIAMI NEW YORK NORFOLK RALEIGH/DURHAM RICHMOND SAN FRANCISCO THE WOODLANDS TYSONS WASHINGTON, DC

judicial discretion in appropriate cases; and the Notes have been authorized and delivered in accordance with law; and

(2) The Notes are payable, both as to principal and interest, from the receipts of an annual ad valorem tax levied, within the limits prescribed by law, upon all taxable property located within the District, which taxes have been pledged irrevocably to pay the principal of and interest on the Notes.

BASED ON OUR EXAMINATION AS DESCRIBED ABOVE, it is further our opinion that, subject to the restrictions hereinafter described, interest on the Notes is excludable from gross income of the owners thereof for federal income tax purposes under existing law and is not subject to the alternative minimum tax on individuals or, except as hereinafter described, corporations. The opinion set forth in the first sentence of this paragraph is subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Notes in Resolution that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted in the Resolution to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Notes in gross income for federal income tax purposes to be retroactive to the date of issuance of the Notes. The Code and the existing regulations, rulings and court decisions thereunder, upon which the foregoing opinions of Bond Counsel are based, are subject to change, which could prospectively or retroactively result in the inclusion of the interest on the Notes in gross income of the owners thereof for federal income tax purposes.

INTEREST ON the Notes owned by a corporation (other than an S corporation, a regulated investment company, a real estate investment trust (REIT), a real estate mortgage investment conduit (REMIC) or a financial asset securitization investment trust (FASIT)) will be included in such corporation's adjusted current earnings for purposes of calculating such corporation's alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by the Code is computed. The Tax Cuts and Jobs Act, signed into law on December 22, 2017, repeals the alternative minimum tax on corporations for taxable years beginning after December 31, 2017.

IN PROVIDING THE FOREGOING OPINIONS, we have relied upon representations of the District with respect to matters solely within the knowledge of the District, which we have not independently verified, and have assumed the accuracy and completeness thereof.

EXCEPT AS DESCRIBED ABOVE, we express no opinion as to any federal, state or local tax consequences under present law, or future legislation, resulting from the ownership of, receipt or accrual of interest on, or the acquisition or disposition of, the Notes. Prospective purchasers of the Notes should be aware that the ownership of tax-exempt obligations, such as the Notes, may result in collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who are deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations and individuals otherwise qualified for the earned income credit. For the foregoing reasons, prospective purchasers should consult their tax advisors as to the consequences of investing in the Notes.

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; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

APPENDIX D

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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BAM

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: $__________ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]

Effective Date: _________

Risk Premium: $__________
Member Surplus Contribution: $ _________
Total Insurance Payment: $_________

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ______________________________
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
200 Liberty Street, 27th floor
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)

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BOWIE INDEPENDENT SCHOOL DISTRICT (MONTAGUE, CLAY AND JACK COUNTIES, TEXAS) • MAINTENANCE TAX NOTES, SERIES 2018

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Financial Advisor to the District

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