Rating: Moody's: "Aa3"
(See "RATING" herein)

OFFICIAL STATEMENT
Dated: October 16, 2018

NEW ISSUE: BOOK-ENTRY-ONLY

In the opinion of Bond Counsel (defined below), assuming continuing compliance by the District (defined below) after the date of initial delivery of the Obligations (defined below) with certain covenants contained in the Obligations (defined below) and subject to the matters set forth under "TAX MATTERS" herein, interest on the Obligations for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Obligations, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as described herein, corporations. See "TAX MATTERS" herein.

The District has designated the Obligations as "Qualified Tax-Exempt Obligations" for financial institutions.

TEXARKANA INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Bowie County, Texas)

$1,000,000 Maintenance Tax Notes, Series 2018A	$1,000,000 Maintenance Tax Time Warrants, Series 2018

Interest Accrual Date: Initial Delivery
Dated Date: October 1, 2018 **Due: June 15, as shown on the inside cover page**

The Texarkana Independent School District Maintenance Tax Notes, Series 2018A (the "Notes") and Maintenance Tax Time Warrants, Series 2018 (the "Time Warrants" and, together with the Notes, collectively, the "Obligations") are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Section 45.108 of the Texas Education Code, as amended, for the Notes and Section 45.103(a) and (d) of the Texas Education Code, as amended, for the Time Warrants. A note resolution (the "Resolution") authorizing the issuance of the Notes and a time warrant order (the "Order") authorizing the issuance of the Time Warrants adopted on October 16, 2018 by the Board of Trustees (the "Board") of the Texarkana Independent School District (the "District"). The Notes constitute direct obligations of the District, secured by and payable from a continuing, direct annual ad valorem tax levied for maintenance purposes by the District against all taxable property located within the District, within the limits prescribed by law, as provided in the Resolution. The Time Warrants constitute direct obligations of the District, secured by and payable from the District's unintended surplus maintenance and operations tax, from the first payment of any of the District's lawfully available funds, and from any delinquent maintenance and operations taxes of the District, within the limits prescribed by law, as provided in the Order. Upon the advice of Bond Counsel, the District has provided in the Order that the Time Warrants are payable in a manner consistent with the provisions of Attorney General Opinion H-339, which can be read to limit the District to pledge only surplus maintenance and operations taxes or any other lawfully available funds. (See "THE OBLIGATIONS – Security" and "TAX RATE LIMITATIONS").

Interest on the Obligations will accrue from the date of initial delivery to the Underwriter (defined below), anticipated to occur on or about November 8, 2018 (the "Initial Delivery") and will be payable on June 15 and December 15 of each year, commencing June 15, 2019, until stated maturity or prior redemption. The Obligations will be issued in fully registered form in principal denominations of $5,000 or any integral multiple thereof. Principal of the Obligations will be payable by the Paying Agent/Registrar, which initially is BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"), upon presentation and surrender of the Obligations for payment. Interest on the Obligations is payable by check dated as of the interest payment date and mailed by the Paying Agent/Registrar to the registered owners as shown on the records of the Paying Agent/Registrar on the close of business as of the last business day of the month next preceding each interest payment date.

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

Proceeds from the sale of the Notes will be used for the payment of maintenance expenses of the District, including without limitation maintenance and renovations to the District's aquatic center, various other capital items, and paying the costs of issuance of the Notes. Proceeds from the sale of the Time Warrants will be used for acquiring, improving, constructing, renovating, and repairing various school facilities, including the District's aquatic center and various other capital items, and paying the costs of issuance of the Time Warrants. (See "THE OBLIGATIONS - Authorization and Purpose").

The Notes maturing on or after June 15, 2029 are subject to redemption at the option of the District in whole or in part on June 15, 2028 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. The Time Warrants maturing on or after June 15, 2027 are subject to redemption at the option of the District in whole or in part on June 15, 2026 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. The Term Notes (hereinafter defined) and Term Time Warrants (hereinafter defined) are also subject to mandatory sinking fund redemption as described herein. (See "THE OBLIGATIONS - Optional Redemption" and "THE OBLIGATIONS – Mandatory Sinking Fund Redemption").

MATURITY SCHEDULE
(On Inside Cover)

The Obligations are offered for delivery when, as and if issued, and received by the initial purchaser named below (the "Underwriter") subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, McCall, Parkhurst & Horton L.L.P., Dallas, Texas. The Obligations are expected to be available for initial delivery through the services of DTC on or about November 8, 2018.

HilltopSecurities

$1,000,000
TEXARKANA INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Bowie County, Texas)
MAINTENANCE TAX NOTES, SERIES 2018A

MATURITY SCHEDULE
Base CUSIP No.: 881847 (1)

$400,000 Serial Notes

Maturity Date 6/15	Principal Amount	Interest Rate	Initial Yield	CUSIP No. Suffix(1)
2019	$15,000	2.00%	2.22%	TR8
2020	35,000	4.00	2.42	TS6
2021	40,000	4.00	2.53	TT4
2022	40,000	4.00	2.67	TU1
2023	40,000	4.00	2.76	TV9
2024	45,000	3.00	2.86	TW7
2025	45,000	3.00	3.00	TX5
2026	45,000	4.00	3.10	TY3
2027	45,000	4.00	3.20	TZ0
2028	50,000	4.00	3.28	UA3

(Interest to accrue from the Delivery Date)

$600,000 Term Notes

$155,000 4.00% Term Note due June 15, 2031 – Price 105.465 (yield 3.330%) CUSIP Suffix No. UB1(1)(2)
$170,000 4.50% Term Note due June 15, 2034 – Price 108.177 (yield 3.490%) CUSIP Suffix No. UC9(1)(2)
$275,000 4.00% Term Note due June 15, 2038 – Price 102.647 (yield 3.670%) CUSIP Suffix No. UD7(1)(2)

(Interest to accrue from the Delivery Date)

$1,000,000
TEXARKANA INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Bowie County, Texas)
MAINTENANCE TAX TIME WARRANTS, SERIES 2018

MATURITY SCHEDULE
Base CUSIP No.: 881847 (1)

$445,000 Serial Time Warrants

Maturity Date 6/15	Principal Amount	Interest Rate	Initial Yield	CUSIP No. Suffix(1)
2019	$25,000	2.50%	2.22%	UE5
2020	55,000	3.00	2.42	UF2
2021	55,000	3.00	2.53	UG0
2022	55,000	4.00	2.67	UH8
2023	65,000	4.00	2.76	UJ4
2024	60,000	5.00	2.86	UK1
2025	65,000	3.00	3.00	UL9
2026	65,000	4.00	3.10	UM7

(Interest to accrue from the Delivery Date)

$555,000 Term Time Warrants

$215,000 4.00% Term Time Warrant due June 15, 2029 – Price 105.358 (yield 3.200%) CUSIP Suffix No. UN5(1)(3)
$340,000 4.00% Term Time Warrant due June 15, 2033 – Price 103.783 (yield 3.430%) CUSIP Suffix No. UP0(1)(3)

(Interest to accrue from the Delivery Date)

(1) CUSIP numbers are included solely for the convenience of owners of the Obligations. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the District, the Financial Advisor, or the Underwriter are responsible for the selection or correctness of the CUSIP numbers set forth herein.

(2) Yield calculated based on the assumption that the Notes denoted and sold at a premium will be redeemed on June 15, 2028, the first optional call date for such Notes, at a redemption price of par, plus accrued interest to the redemption date.

(3) Yield calculated based on the assumption that the Time Warrants denoted and sold at a premium will be redeemed on June 15, 2026, the first optional call date for such Time Warrants, at a redemption price of par, plus accrued interest to the redemption date.

TEXARKANA INDEPENDENT SCHOOL DISTRICT

BOARD OF TRUSTEES

Name	Date Initially Elected	Current Term Expires	Occupation
Fred Norton, Jr., President	2013	2020	Attorney
Gerald Brooks, Vice President	2013	2020	Retired Teacher / School Administrator
Amy Bowers, Secretary	2014	2020	Vice President of Credit Union
Wanda Boyette, Member	1995	2019	Self Employed
Bryan DePriest, Member	2007	2019	Business Loan Officer
Bill Kimbro, Member	2009	2021	Retired Teacher / School Administrator
Paul Miller, Member	2010	2021	Attorney

APPOINTED OFFICIALS

Name	Position	Length of Education Service	Length of Service with District
Paul Norton	Superintendent	18 Years	13 Years
Anita Clay	Executive Director of Business Operations	15 Years	1 Year

CONSULTANTS AND ADVISORS

Norton Rose Fulbright US LLP, San Antonio, Texas	Bond Counsel
SAMCO Capital Markets, Inc., Plano, Texas	Financial Advisor
Thomas & Thomas LLP, Texarkana, Texas	Certified Public Accountants

For additional information, contact:

Paul Norton
Superintendent
Texarkana ISD
4241 Summerhill Road
Texarkana, Texas 75503
(903) 794-3651

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

USE OF INFORMATION IN OFFICIAL STATEMENT

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

The information set forth herein has been obtained from the District and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the District, the Financial Advisor or the Underwriter. 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 undertaking of the District to provide certain information on a continuing basis.

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

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

NONE OF THE DISTRICT, ITS FINANCIAL ADVISOR, OR THE UNDERWRITER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY, NEW YORK, NEW YORK ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION WAS PROVIDED BY DTC.

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

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

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SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The District	The Texarkana Independent School District (the "District") is a political subdivision of the State of Texas located in Bowie County, Texas. The District is governed by a seven-member Board of Trustees (the "Board"). Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the chief administrative officer of the District. Support services are supplied by consultants and advisors.
The Notes	The Notes are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Section 45.108 of the Texas Education Code, as amended, and a note resolution (the "Resolution") authorizing the issuance of the Notes adopted on October 16, 2018 by the Board. The Notes constitute direct obligations of the District, secured by and payable from a continuing, direct annual ad valorem tax levied for maintenance purposes by the District against all taxable property located within the District, within the limits prescribed by law, as provided in the Resolution. (See "THE OBLIGATIONS– Security" and "TAX RATE LIMITATIONS").
The Time Warrants	The Time Warrants are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Section 45.103(a) and (d) of the Texas Education Code, as amended, and a time warrant order (the "Order") authorizing the issuance of the Time Warrants adopted on October 16, 2018 by the Board. The Time Warrants constitute direct obligations of the District, secured by and payable from the District's unintended surplus maintenance and operations tax, from the first payment of any of the District's lawfully available funds, and from any delinquent maintenance and operations taxes of the District, within the limits prescribed by law, as provided in the Order. Upon the advice of Bond Counsel, the District has provided in the Order that the Time Warrants are payable in a manner consistent with the provisions of Attorney General Opinion H-339, which can be read to limit the District to pledge only surplus maintenance and operations taxes or any other lawfully available funds. (See "THE OBLIGATIONS - Security" and "TAX RATE LIMITATIONS").
Paying Agent/Registrar	The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. The District intends to use the Book-Entry-Only System of The Depository Trust Company. (See "BOOK-ENTRY-ONLY SYSTEM" herein).
Security	The 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, against all taxable property located within the District, within the limits prescribed by law as provided in the Resolution. The Time Warrants are direct obligations of the District payable as to principal and interest from and secured by the District's unintended surplus maintenance and operations tax, from the first payment of any of the District's lawfully available funds, and from any delinquent maintenance and operations taxes of the District, within the limits prescribed by law, as provided in the Order. (See "THE OBLIGATIONS – Security" herein.) See "TAX RATE LIMITATIONS" herein for a discussion of applicable tax limitations pertaining to the District's limited maintenance tax.
Redemption	The Notes maturing on or after June 15, 2029 are subject to redemption at the option of the District in whole or in part on June 15, 2028 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. The Time Warrants maturing on or after June 15, 2027 are subject to redemption at the option of the District in whole or in part on June 15, 2026 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. The Term Notes (hereinafter defined) and Term Time Warrants (hereinafter defined) are also subject to mandatory sinking fund redemption as described herein. (See "THE OBLIGATIONS - Optional Redemption" and "THE OBLIGATIONS – Mandatory Sinking Fund Redemption").
Rating	The District's current unenhanced, underlying rating, including the Obligations, is "Aa3" by Moody's (hereinafter defined).
Tax Matters	In the opinion of Bond Counsel for the District, interest on the Obligations is excludable from gross income for federal income tax purposes described under statutes, regulations, published rulings and court decisions on the date hereof, subject to the matters described under "TAX MATTERS" herein. (See "TAX MATTERS" and "Appendix C - Forms of Legal Opinions of Bond Counsel.")
Payment Record	The District has never defaulted on the payment of its bonded indebtedness.
Qualified Tax-Exempt Obligations	The District has designated the Obligations as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS – Qualified Tax-Exempt Obligations").
Legal Opinion	Delivery of the Obligations is subject to the approval by the Attorney General of the State of Texas and the rendering of opinions as to legality by Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel.
Delivery	When issued, anticipated to be on or about November 8, 2018.

INTRODUCTORY STATEMENT

This Official Statement (the "Official Statement"), which includes the cover page and Appendices attached hereto, has been prepared by the Texarkana Independent School District (the "District"), a political subdivision of the State of Texas (the "State") located in Bowie County, Texas, in connection with the offering by the District of its Maintenance Tax Notes, Series 2018A and its Maintenance Tax Time Warrants, Series 2018 (the "Obligations") identified on page ii hereof.

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

There follows in this Official Statement descriptions of the Notes and the Resolution (defined below) and the Time Warrants and the Order (defined below) adopted by the Board of Trustees of the District (the "Board") on October 16, 2018 authorizing the issuance of the Obligations and certain other information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained upon request by writing the Texarkana Independent School District, 4241 Summerhill Road, Texarkana, Texas 75503 and, during the offering period, from the Financial Advisor, SAMCO Capital Markets, Inc., 5800 Granite Parkway, Suite 210, Plano, Texas 75024 by electronic mail or upon payment of reasonable copying, mailing, and handling charges.

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

THE OBLIGATIONS

Authorization and Purpose

The Notes are being issued in the principal amount of $1,000,000 and the Time Warrants are being issued in the principal amount of $1,000,000 pursuant to the Constitution and general laws of the State of Texas, particularly Section 45.108 of the Texas Education Code, as amended, for the Notes and Section 45.103(a) and (d) of the Texas Education Code, as amended, for the Time Warrants. A resolution (the "Resolution") authorizing the issuance of the Notes and an order (the "Order") authorizing the issuance of the Time Warrants were adopted on October 16, 2018 by the Board.

General Description

The Obligations are dated October 1, 2018 (the "Dated Date") but interest will accrue from the Initial Delivery. The Obligations will mature on the dates and in the principal amounts set forth on page ii of this Official Statement. Interest on the Obligations will be computed on the basis of a 360-day year of twelve 30-day months, and is payable on June 15, 2019 and on each December 15 and June 15 thereafter until stated maturity or prior redemption.

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

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

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

Optional Redemption

The Notes maturing on or after June 15, 2029, are subject to redemption, at the option of the District, in whole or in part, on June 15, 2028, or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. The Time Warrants maturing on or after June 15, 2027 are subject to redemption at the option of the District in whole or in part on June 15, 2026 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. If less than all of the Obligations are to be redeemed, the District shall determine the amounts and maturities thereof to be redeemed and shall direct the Paying Agent/Registrar to select by lot the Obligations, or portions thereof, to be redeemed. Not less than 30 days prior to a redemption date for the Obligations, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of a Note to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice.

Mandatory Sinking Fund Redemption

The Notes maturing on June 15, 2031, June 15, 2034 and June 15, 2038 (the "Term Notes") are also subject to mandatory sinking fund redemption prior to their stated maturity, and will be redeemed by the District, at a redemption price equal to the principal amount thereof plus interest accrued thereon to the redemption date, on the dates and in the principal amounts shown in the following schedule:

Term Notes June 15, 2031		Term Notes June 15, 2034		Term Notes June 15, 2038	
Date (6/15)	Amount	Date (6/15)	Amount	Date (6/15)	Amount
2029	$55,000	2032	$55,000	2035	$65,000
2030	50,000	2033	55,000	2036	65,000
2031*	50,000	2034*	60,000	2037	70,000
				2038*	75,000

**Stated Maturity*

Approximately forty-five (45) days prior to each mandatory redemption date for any Term Note, the Paying Agent/Registrar shall randomly select by lot or other customary method the numbers of the Term Notes within the applicable Stated Maturity to be redeemed on the next following June 15 from money set aside for that purpose in the Interest and Sinking Fund (as defined in the Resolution). Any Term Notes not selected for prior redemption shall be paid on the date of their Stated Maturity.

The principal amount of a Term Note required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the District, by the principal amount of any Term Notes of such Stated Maturity which, at least fifty (50) days prior to the mandatory redemption date (i) shall have been defeased or acquired by the District and delivered to the Paying Agent/Registrar for cancellation, (ii) shall have been purchased and cancelled by the Paying Agent/Registrar at the request of the District with money in the Interest and Sinking Fund, or (iii) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory redemption requirement.

The Time Warrants maturing on June 15, 2029 and June 15, 2033 (the "Term Time Warrants") are also subject to mandatory sinking fund redemption prior to their stated maturity, and will be redeemed by the District, at a redemption price equal to the principal amount thereof plus interest accrued thereon to the redemption date, on the dates and in the principal amounts shown in the following schedule:

Term Time Warrants June 15, 2029		Term Time Warrants June 15, 2033	
Date (6/15)	Amount	Date (6/15)	Amount
2027	$70,000	2030	$80,000
2028	70,000	2031	85,000
2029*	75,000	2032	85,000
		2033*	90,000

**Stated Maturity*

Approximately forty-five (45) days prior to each mandatory redemption date for any Term Time Warrant, the Paying Agent/Registrar shall randomly select by lot or other customary method the numbers of the Term Time Warrants within the applicable Stated Maturity to be redeemed on the next following June 15 from money set aside for that purpose in the Interest and Sinking Fund (as defined in the Order). Any Term Time Warrants not selected for prior redemption shall be paid on the date of their Stated Maturity.

The principal amount of a Term Time Warrant required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the District, by the principal amount of any Term Time Warrants of such Stated Maturity which, at least fifty (50) days prior to the mandatory redemption date (i) shall have been defeased or acquired by the District and delivered to the Paying Agent/Registrar for cancellation, (ii) shall have been purchased and cancelled by the Paying Agent/Registrar at the request of the District with money in the Obligation Fund (as defined in the Warrant Order), or (iii) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory redemption requirement.

Notice of Redemption and DTC Notices

With respect to any optional redemption of the Obligations, unless certain prerequisites to such redemption required by the Resolution for the Notes or the Order for the Time Warrants have been met and money sufficient to pay the principal of and premium, if any, and interest on the Obligations to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption may, at the option of the District, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a 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 Obligations, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that such Obligations have not been redeemed. ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER RECEIVED BY THE OBLIGATIONHOLDER, AND, SUBJECT TO PROVISION FOR PAYMENT OF THE REDEMPTION PRICE HAVING BEEN MADE, AND ANY PRECONDITIONS STATED IN THE NOTICE OF REDEMPTION HAVING BEEN SATISFIED INTEREST ON THE REDEEMED OBLIGATIONS SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT AN OBLIGATION HAS NOT BEEN PRESENTED FOR PAYMENT.

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

Security

The Notes are direct obligations of the District and are payable as to both principal and interest from and secured by the proceeds of a continuing, direct annual ad valorem tax levied for maintenance purposes by the District against all taxable property located within the District, within the limits prescribed by law, as provided in the Resolution. The Time Warrants constitute direct obligations of the District payable as to principal and interest from and secured by the District's unintended surplus maintenance and operations tax, from the first payment of any of the District's lawfully available funds, and from any delinquent maintenance and operations taxes of the District, within the limits prescribed by law, as provided in the Order. Upon the advice of Bond Counsel, the District has provided in the Order that the Time Warrants are payable in a manner consistent with the provisions of Attorney General Opinion H-339, which can be read to limit the District to pledge only surplus maintenance and operations taxes or any other lawfully available funds. (See "TAX RATE LIMITATIONS" herein for a discussion of applicable tax limitations pertaining to the maintenance tax. See also "AD VALOREM TAX PROCEDURES" and "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" herein).

Legality

The Obligations are offered when, as and if issued, subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel. (See "LEGAL MATTERS" and "Appendix C - Forms of Legal Opinions of Bond Counsel").

Payment Record

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

Amendments

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

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

Defeasance

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

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

Sources and Uses of Funds

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

Sources		
Par Amount of Notes	$	1,000,000.00
Net Reoffering Premium		44,586.70
Total Sources of Funds	$	1,044,586.70
Uses		
Deposit to Project Fund	$	1,000,000.00
Costs of Issuance		30,000.00
Underwriter’s Discount		12,240.55
Deposit to Interest and Sinking Fund		2,346.15
Total Uses of Funds	$	1,044,586.70

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

Sources		
Par Amount of Time Warrants	$	1,000,000.00
Original Issue Reoffering Premium		42,056.85
Total Sources of Funds	$	1,042,056.85
Uses		
Deposit to Project Fund	$	1,000,000.00
Costs of Issuance		30,000.00
Underwriter’s Discount		11,949.30
Deposit to Obligation Fund		107.55
Total Uses of Funds	$	1,042,056.85

REGISTERED OWNERS' REMEDIES

The Resolution and the Order do not specify specific events of default with respect to the Obligations. If the District defaults in the payment of principal or interest on the Obligations when due, or if it fails to make payments into any fund or funds created in the Resolution or the Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Resolution or the Order, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Obligations, if there is no other available remedy at law to compel performance of the Obligations or the Resolution and Order covenants and the District’s obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Obligations in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Resolution and the Order do not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the District to perform in accordance with the terms of the Resolution or the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court has ruled in Tooke v. City of Mexia, 197 S.W.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 Obligations or Resolution for the Notes or the Order for the Time Warrants 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 Obligations. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code (“Chapter 9”). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Resolution, the Order, and the Obligations are qualified with respect to the customary rights of debtors relative to their creditors by general principles of equity which permit the exercise of judicial discretion and by governmental immunity.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Obligations is to be transferred and how the principal of, premium, if any, and interest on the Obligations are to be paid to and credited by DTC while the Obligations 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 Underwriter believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The District and the Underwriter cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Obligations, or redemption or any other notices, to Direct Participants, (2) Direct Participants or others will distribute debt *service payments paid to DTC or its nominee (as the registered owner of the Obligations) 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 Direct Participants are on file with DTC.*

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

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

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

To facilitate subsequent transfers, all Obligations 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 Obligations 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 Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations 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 Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as, redemption, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

The information in this section concerning DTC and DTC's Book-Entry-Only System has been obtained from sources that the District believes to be reliable, but none of the District, the Financial Advisor, or the Underwriter take any responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Obligations are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Direct or Indirect Participant acquires an interest in the Obligations, 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 for the Notes or the Order for the Time Warrants will be given only to DTC.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

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

Successor Paying Agent/Registrar

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

Initial Registration

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

Future Registration

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

Record Date For Interest Payment

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

Limitation on Transfer of Obligations

The Paying Agent/Registrar shall not be required to make any such transfer, conversion or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Obligation or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

Replacement Obligations

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

AD VALOREM TAX PROCEDURES

Property Tax Code and County Wide Appraisal District

The Texas Property Tax Code (the "Tax Code") provides for county-wide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board responsible for appraising property for all taxable units within the county. The Bowie Central Appraisal District (the "Appraisal District") is responsible for appraising property within the District as of January 1 of each year. The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board of the Appraisal District (the "Appraisal Review Board") which consists of members who are appointed by the Appraisal District's Boards of Directors. Such appraisal rolls, as approved by the Appraisal Review Board, are used by the District in establishing its tax roll and tax rate.

Property Subject to Taxation by the District

Except for certain exemptions provided by State law, all real and certain tangible personal property with a tax situs in the District is subject to taxation by the District. Principal categories of exempt property (including certain exemptions which are subject to local option by the District) include property owned by the State or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain improvements to real property and certain tangible personal property located in designated reinvestment zones on which the District has agreed to abate ad valorem taxes, certain household goods, family supplies and personal effects; farm products owned by the producers; certain property of a nonprofit corporation used in scientific research and educational activities benefiting a college or university; and designated historic sites. Other principal categories of exempt property include tangible personal property not held or used for production of income; solar and windpowered energy devices; most individually owned automobiles; $10,000 State mandated exemption to residential homesteads of persons ages 65 or over or disabled; a State mandated exemption up to a maximum of $12,000 for real or personal property of disabled veterans or the surviving spouse or children of an individual who died while on active duty in the armed forces; a State mandated $25,000 in market value exemption for all residential homesteads (see "Residential Homestead Exemptions" below); and certain classes of intangible property. The Tax Code provides that a disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100% disability compensation due to a service-connected disability and a rating of 100% disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. Furthermore, following the approval by the voters at a November 8, 2011 statewide election, effective January 1, 2012, the surviving spouse of a deceased veteran who had received a disability rating of 100% is entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries. In addition, except for increases attributable to certain improvements, the District is prohibited by State law from increasing the total ad valorem tax on the residence homestead of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for an exemption based on the age or disability of the owner. The freeze on ad valorem taxes on the homesteads of persons 65 years of age or older and the disabled is also transferable to a different residence homestead. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was 55 or older when the deceased spouse died and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse. Pursuant to a constitutional amendment approved by the voters on May 12, 2007, legislation was enacted to reduce the school property tax limitation imposed by the freeze on taxes paid on residence homesteads of persons 65 years of age or over or of disabled persons to correspond to reductions in local school district tax rates from the 2005 tax year to the 2006 tax year and from the 2006 tax year to the 2007 tax year (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Funding for School Districts" herein). The school property tax limitation provided by the constitutional amendment and enabling legislation apply to the 2007 and subsequent tax years. Owners of agricultural and open space land, under certain circumstances, may request valuation of such land on the basis of productive capacity rather than market value. Article VIII, Section 1-j of the Texas Constitution provides for an exemption from ad valorem taxation for "freeport property," which is defined as goods detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Taxing units that took action prior to April 1, 1990 may continue to tax freeport property and decisions to continue to tax freeport property may be reversed in the future. However, decisions to exempt freeport property are not subject to reversal. Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." "Goods-in-transit", defined by the Tax Code as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. The Tax Code provision permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. A taxpayer may receive only one of the freeport or goods-in-transit exemptions for tangible personal property. Senate Bill 1, passed by the 82nd Texas Legislature, 1st Called Session, requires again that the governmental entities take affirmative action prior to January 1 of the first tax years in which the governing body proposes to tax good-in-transit to continue its taxation of good-in-transit in the 2012 tax year and beyond. See "THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT" and "APPENDIX A – FINANCIAL INFORMATION OF THE DISTRICT - ASSESSED VALUATION" for a schedule of the amount of exemptions granted by the District.

A city or county may create a tax increment financing zone ("TIF") within the city or county with defined boundaries and establish a base value of taxable property in the TIF at the time of its creation. Overlapping taxing units, including school districts, may agree with the city or county to contribute all or part of future ad valorem taxes levied and collected against the "incremental value" (taxable value in excess of the base value) of taxable real property in the TIF to pay or finance the costs of certain public improvements in the TIF, and such taxes levied and collected for and on behalf of the TIF are not available for general use by such contributing taxing units. Prior to September 1, 2001, school districts were allowed to enter into tax abatement agreements to encourage economic development. Under such agreements, a property owner agrees to construct certain improvements on its property. The school district in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. Effective September 1, 2001, school districts may not enter into tax abatement agreements under the general statute that permits cities and counties to initiate tax abatement agreements. In addition, credit will not be given by the Commissioner of Education in determining a district's property value wealth per student for (1) the appraisal value, in excess of the "frozen" value, of property that is located in a TIF created after May 31, 1999 (except in certain limited circumstances where the city creating the TIF gave notice prior to May 31, 1999 to all other taxing units that levy ad valorem taxes in the TIF of its intention to create the TIF and the TIF was created and had its final project and financing plan approved by the municipality prior to August 31, 1999) or (2) for the loss of value of abated property under any abatement agreement entered into after May 31, 1993.

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

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. In determining the market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Tax Code are based on one hundred percent (100%) of market value, except as described below, and no assessment ratio can be applied.

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

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

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

Residential Homestead Exemptions

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

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

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

Section 11.131 of the Texas Tax Code states that a disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100% disability compensation due to a service-connected disability and a rating of 100% disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. Furthermore, 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.

A partially disabled veteran or the surviving spouse of a partially disabled veteran, if such spouse has not remarried since the death of the disabled veteran and the property was the residence homestead of the surviving spouse when the disabled veteran died and remains the residence homestead of the surviving spouse, is entitled to an exemption equal to the percentage of the veteran's disability, if the residence was donated to the disabled veteran by a charitable organization at no cost to the disabled veteran, or at some cost to the disabled veteran in the form of a cash payment, a mortgage, or both in an aggregate amount that is not more than 50% of the good faith estimate of the market value of the residence homestead made by the charitable organization as of the date the donation is made. Such exemption is transferable to a different property 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.

Also, the surviving spouse of a member of the armed forces who is killed in action is entitled to a property tax exemption for all or part of the market value of such surviving spouse's residences homestead, if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption is transferable to a different property 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.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption from taxation of the total appraised value of such surviving spouse's residence homestead, if the surviving spouse has not remarried since the first responder's death. Such exemption is transferable to a different property 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.

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

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

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

District and Taxpayer Remedies

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

Levy and Collection of Taxes

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

Public Hearing and Rollback Tax Rate

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

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

Section 26.05 of the Tax Code provides that the governing body of a taxing unit is required to adopt the annual tax rate for the unit before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the taxing unit, and a failure to adopt a tax rate by such required date will result in the tax rate for the taxing unit for the tax year to be the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the taxing unit for the preceding tax year. Before adopting its annual tax rate, a public meeting must be held for the purpose of adopting a budget for the succeeding year. A notice of public meeting to discuss budget and proposed tax rate must be published in the time, format and manner prescribed in Section 44.004 of the Texas Education Code. Section 44.004(e) of the Texas Education Code provides that a person who owns taxable property in a school district is entitled to an injunction restraining the collection of taxes by the district if the district has not complied with such notice requirements or the language and format requirements of such notice as set forth in Section 44.004(b), (c) and (d), and, if applicable, Subsection (i), and if such failure to comply was not in good faith. Section 44.004(e) further provides the action to enjoin the collection of taxes must be filed before the date the district delivers substantially all of its tax bills. A district may adopt its budget after adopting a tax rate for the tax year in which the fiscal year covered by the budget begins if the district elects to adopt its tax rate before receiving the certified appraisal roll. A district that adopts a tax rate before adopting its budget must hold a public hearing on the proposed tax rate followed by another public hearing on the proposed budget rather than holding a single hearing on the two items.

District’s Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property. The District has no lien for unpaid taxes on personal property but does have a lien for unpaid taxes upon real property, which lien is discharged upon payment. On January 1 of each year, such tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The District's tax lien is on a parity with the tax liens of other such taxing units. A tax lien on real property taxes takes priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. The automatic stay in bankruptcy will prevent the automatic attachment of tax liens with respect to post-petition tax years unless relief is sought and granted by the bankruptcy judge. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

Except with respect to taxpayers who are 65 years of age or older, at any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights, or by bankruptcy proceedings which restrict the collection of taxpayer debts.

THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT

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

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

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

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

The District's taxes are collected by the Bowie Central Appraisal District.

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

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

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

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

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

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

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

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Litigation Relating to the Texas Public School Finance System

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

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

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

Possible Effects of Changes in Law on District Obligations

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 Obligations, 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 Obligations, specifically, the District's obligation to levy debt service tax within the limits prescribed by law would be adversely affected by any such legislation. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM".

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

Overview

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

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

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

Local Funding for School Districts

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

State Funding for School Districts

State funding for school districts is provided through the Foundation School Program, which provides each school district with a minimum level of funding (a "Basic Allotment") for each student in average daily attendance ("ADA"). The Basic Allotment is calculated for each school district using various weights and adjustments based on the number of students in average daily attendance and also varies depending on each district's compressed tax rate. This Basic Allotment formula determines most of the allotments making up a district's basic level of funding, referred to as "Tier One" of the Foundation School Program. The basic level of funding is then "enriched" with additional funds known as "Tier Two" of the Foundation School Program. Tier Two provides a guaranteed level of funding for each cent of local tax effort that exceeds the compressed tax rate (for most districts, M&O tax rates above $1.00 per $100 of taxable value). The Finance System also provides an Existing Debt Allotment ("EDA") to subsidize debt service on eligible outstanding school district bonds, an Instructional Facilities Allotment ("IFA") to subsidize debt service on newly issued bonds, and a New Instructional Facilities Allotment ("NIFA") to subsidize operational expenses associated with the opening of a new instructional facility. IFA primarily addresses the debt service needs of property-poor school districts. In 2017, the 85th Texas Legislature appropriated funds in the amount of $1,378,500,000 for the 2018-19 State fiscal biennium for the EDA, IFA, and NIFA.

Tier One and Tier Two allotments represent the State's share of the cost of M&O expenses of school districts, with local M&O taxes representing the district's local share. EDA and IFA allotments supplement a school district's local I&S taxes levied for debt service on eligible bonds issued to construct, acquire and improve facilities. Tier One and Tier Two allotments and existing EDA and IFA allotments are generally required to be funded each year by the Texas Legislature. Since future-year IFA awards were not funded by the Texas Legislature for the 2018-19 State fiscal biennium and debt service assistance on school district bonds that are not yet eligible for EDA is not available, debt service on new bonds issued by districts to construct, acquire and improve facilities must be funded solely from local I&S taxes.

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

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

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

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

In addition to the operations funding components of the Foundation School Program discussed above, the Foundation School Program provides a facilities funding component consisting of the Instructional Facilities Allotment (IFA) program and the Existing Debt Allotment (EDA) program. These programs assist school districts in funding facilities by, generally, equalizing a district's I&S tax effort. The IFA guarantees each awarded school district a specified amount per student (the "IFA Guaranteed Yield") in State and local funds for each cent of tax effort to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate or improve instructional facilities. The guaranteed yield per cent of local tax effort per student in ADA has been $35 since this program first began in 1997. New awards of IFA are only available if appropriated funds are allocated for such purpose by the State Legislature. To receive an IFA award, in years where the State Legislature allocates appropriated funds for new IFA awards, a school district must apply to the Commissioner in accordance with rules adopted by the Commissioner before issuing the bonds to be paid with IFA state assistance. The total amount of debt service assistance over a biennium for which a district may be awarded is limited to the lesser of (1) the actual debt service payments made by the district in the biennium in which the bonds are issued; or (2) the greater of (a) $100,000 or (b) $250 multiplied by the number of students in ADA. The IFA is also available for lease-purchase agreements and refunding bonds meeting certain prescribed conditions. Once a district receives an IFA award for bonds, it is entitled to continue receiving State assistance for such bonds without reapplying to the Commissioner. The guaranteed level of State and local funds per student per cent of local tax effort applicable to the bonds may not be reduced below the level provided for the year in which the bonds were issued. The 85th State Legislature did not appropriate any funds for new IFA awards for the 2018-2019 State fiscal biennium; however, awards previously granted in years the State Legislature did appropriate funds for new IFA awards will continue to be funded. State financial assistance is provided for certain existing eligible debt issued by school districts through the EDA program. The EDA guaranteed yield (the "EDA Yield") was the same as the IFA Guaranteed Yield ($35 per cent of local tax effort per student in ADA). The 85th Texas Legislature changed the EDA Yield to the lesser of (i) $40 or a greater amount for any year provided by appropriation; or (ii) the amount that would result in a total additional EDA of $60 million more than the EDA to which districts would have been entitled to if the EDA Yield were $35. The yield for the 2017-2018 fiscal year is approximately $37. The portion of a district's local debt service rate that qualifies for EDA assistance is limited to the first 29 cents of debt service tax (or a greater amount for any year provided by appropriation by the Texas Legislature). In general, a district's bonds are eligible for EDA assistance if (i) the district made payments on the bonds during the final fiscal year of the preceding State fiscal biennium, or (ii) the district levied taxes to pay the principal of and interest on the bonds for that fiscal year. Each biennium, access to EDA funding is determined by the debt service taxes collected in the final year of the preceding biennium. A district may not receive EDA funding for the principal and interest on a series of otherwise eligible bonds for which the district receives IFA funding.

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

2006 Legislation

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

2017 Legislation

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

Decline Adjustment, but cannot receive both. In a case where a district would have been eligible to receive funding under both programs, the district will receive the greater of the two amounts.

Wealth Transfer Provisions

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

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

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

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

The District's wealth per student for the 2018-19 school year is less than the equalized wealth value. Accordingly, the District has not been required to exercise one of the permitted wealth equalization options. As a district with wealth per student less than the equalized wealth value, the District may benefit in the future by agreeing to accept taxable property or funding assistance from or agreeing to consolidate with a property-rich district to enable such district to reduce its wealth per student to the permitted level.

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

TAX RATE LIMITATIONS

Maintenance Tax

A school district is authorized to levy maintenance and operation ("M&O") taxes subject to approval of a proposition submitted to district voters. The maximum M&O tax rate that may be levied by a district cannot exceed the voted maximum rate or the maximum rate described in the succeeding paragraphs. The maximum voted M&O tax rate for the District is $1.50 per $100 of assessed valuation as approved by the voters at an election held on October 20, 1959 pursuant to Article 2784e-1, Texas Revised Civil Statutes Annotated, as amended ("Article 2784e-1").

Article 2784e-1 limits the District's annual M&O tax rate based upon a comparison between the District's outstanding bonded indebtedness and the District's taxable assessed value per $100 of assessed valuation. Article 2784e-1 provides for a reduction of $0.10 for each one percent (1%) or major fraction thereof increase in bonded indebtedness beyond seven percent (7%) of assessed valuation of property in the District. This limitation is capped when the District's bonded indebtedness is ten percent (10%) (or greater) of the District's assessed valuation which would result in an annual M&O tax rate not to exceed $1.20. Lastly, the Texas Attorney General in reviewing the District's transcript of proceedings will allow the District to reduce the amount of its outstanding bonded indebtedness by the amount of funds (on a percentage basis) that the District receives in State assistance for the repayment of this bonded indebtedness (for example, if the District anticipates that it will pay 75% of its bonded indebtedness from State assistance, for the purposes of Article 2784e-1, the Texas Attorney General will assume that only 25% of the District's bonded indebtedness is outstanding and payable from local ad valorem taxes). The bonded indebtedness of the District after the issuance of the Obligations will be approximately 2.94% of the District's current taxable assessed valuation of property. See "APPENDIX A – Voted General Obligation Debt" herein.

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

Pursuant to a tax rate referendum election held by the District on September 27, 2008 and passed by a majority of the participating voters, the District increased its maintenance tax rate to $1.17 per $100 in assessed valuation.

The Obligations are payable from the District's M&O Tax, levied and collected within the limits prohibited by law, and are not secured by an unlimited ad valorem tax. Therefore, issuance of the Obligations is not subject to evidence of compliance with the limitations described below that pertain to unlimited tax bonds. Chapter 45.108, as amended, Texas Education Code, with respect to the Notes, 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).

Chapter 45.103, as emended, Texas Education Code, with respect to the Time Warrants, requires that a district incurring indebtedness pursuant to the authority granted thereunder limit such indebtedness to not more than 5% of such district's taxable assessed valuation for the year in which the indebtedness was incurred, nor may a district have such debt outstanding in an amount more than $1 million at any one time. In addition, prior to the issuance of indebtedness, such as the Obligations, 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 issue of new indebtedness, from its M&O Tax collections prior to the Attorney General's approval of the proposed indebtedness. In demonstrating this ability, the Attorney General permits the use of the Tier One basic allotment. The District will evidence compliance with these requirements in connection with its issuance of the Obligations.

Unlimited Tax Bonds

A school district is also authorized to issue bonds and levy taxes for payment of bonds subject to voter approval of one or more propositions submitted to the voters under Section 45.003(b)(1), Texas Education Code, as amended, which provides a tax unlimited as to rate or amount for the support of school district bonded indebtedness (see " STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS").

Section 45.0031, Texas Education Code, as amended ("Section 45.0031"), requires a district to demonstrate to the Texas Attorney General that it has the prospective ability to pay its maximum annual debt service on a proposed issue of bonds and all previously issued bonds, other than bonds approved by district voters at an election held on or before April 1, 1991 and issued before September 1, 1992 (or debt issued to refund such bonds, collectively, "exempt bonds"), from a tax levied at a rate of $0.50 per $100 of assessed valuation before bonds may be issued. In demonstrating the ability to pay debt service at a rate of $0.50, a district may take into account EDA and IFA allotments to the district, which effectively reduce the district's local share of debt service, and may also take into account Tier One funds allotted to the district. The District is required to deposit any State allotments provided solely for payment of debt service into the District's interest and sinking fund upon receipt of such amounts. In addition, the District must, prior to levying an interest and sinking fund tax rate that exceeds $0.50 per $100 of assessed valuation, credit to the interest and sinking fund other State assistance, including Tier One funds that may be used for either operating purposes or for payment of debt service, in an amount equal to the amount needed to demonstrate compliance with the threshold tax rate test and which is received or to be received in that year. **The issuance of the Time Warrants is not subject to meeting this requirement.** Once the prospective ability to pay such tax has been shown and the bonds are issued, a district may levy an unlimited tax to pay debt service. Taxes levied to pay refunding bonds issued pursuant to Chapter 1207, Texas Government Code, are not subject to the $0.50 tax rate test; however, taxes levied to pay debt service on such bonds (other than bonds issued to refund exempt bonds) are included in maximum annual debt service for calculation of the $0.50 threshold tax rate test when applied to subsequent bond issues. **As stated above, the Notes are payable from the District's M&O Tax, and, therefore, are not subject to the $0.50 threshold tax rate test.** Under current law, a district may demonstrate its ability to comply with the $0.50 threshold tax rate test by applying the $0.50 tax rate to an amount equal to 90% of projected future taxable value of property in the district, as certified by a registered professional appraiser, anticipated for the earlier of the tax year five years after the current tax year or the tax year in which the final payment for the bonds is due. However, if a district uses projected future taxable values to meet the $0.50 threshold tax rate test and subsequently imposes a tax at a rate greater than $0.50 per $100 of valuation to pay for bonds subject to the test, then for subsequent bond issues, the Texas Attorney General must find that the district has the projected ability to pay principal and interest on the proposed bonds and all previously issued bonds subject to the $0.50 threshold tax rate test from a tax rate of $0.45 per $100 of valuation. The District has not utilized projected property values to satisfy this threshold test.

DEBT LIMITATIONS

Under State law, there is no explicit bonded indebtedness limitation, although the tax rate limits described above under "TAX RATE LIMITATIONS – Unlimited Tax Bonds" effectively impose a limit on the incurrence of debt. Such tax rate limits require school districts to demonstrate the ability to pay new debt secured by the district's debt service tax from a tax rate of $0.50, and to pay all debt and operating expenses which must be paid from receipts of the district's maintenance tax (such as the Obligations) from a tax not to exceed the maintenance tax limit described under the caption "TAX RATE LIMITATIONS – Maintenance Tax". The Obligations are payable from the District's limited maintenance tax, and therefore are not subject to the $0.50 threshold tax rate test. See also "TAX RATE LIMITATIONS – Unlimited Tax Bonds".

EMPLOYEE BENEFIT PLANS AND OTHER POST-EMPLOYMENT BENEFITS

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

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

During the year ended June 30, 2017, employees of the District were covered by a fully-insured health insurance plan (the "Health Care Plan"). The District contributed $242 per month per employee to the Health Care Plan. Employees, at their option, authorize payroll withholdings to pay premiums for dependents. See "Note P. Health Care Coverage" of the Financial Statements.

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

RATING

The District's current unenhanced, underlying rating, including the Obligations, is "Aa3" by Moody's.

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

The above rating is not a recommendation to buy, sell or hold the Obligations, and such rating may be subject to revision or withdrawal at any time by Moody's. Any downward revision or withdrawal of the rating may have an adverse effect on the market price of the Obligations.

LEGAL MATTERS

The delivery of the Obligations is subject to the approval of the Attorney General of Texas to the effect that the Obligations are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax levied by the M&O Tax and within the limits prescribed by law, upon all taxable property in the District, and the approving legal opinions of Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel to the District ("Bond Counsel"), to like effect and to the effect that the interest on the Obligations will be excludable from gross income for federal income tax purposes under section 103(a) of the Internal Revenue Code, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations. The forms of Bond Counsel's opinions are attached hereto as Appendix C. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Obligations is contingent upon the sale and delivery of the Obligations. Certain legal matters will be passed upon by the Underwriter by its counsel, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, whose compensation is contingent upon the sale and delivery of the Obligations. The legal fee to be paid to counsel to the Underwriter for services rendered in connection with the issuance of the Obligations is contingent upon the sale of the delivery of the Obligations.

Though it represents the Financial Advisor and the Underwriter from time to time in matters unrelated to the issuance of the Obligations, Bond Counsel has been engaged by and only represents the District in connection with the issuance of the Obligations. Except as noted below, Bond Counsel was not requested to participate, and did not take part in the preparation of this 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 appearing under the captions or subcaptions "THE OBLIGATIONS" (except for the information included in the second paragraph under the subcaption "Notice of Redemption and DTC Notices" and under the subcaption "Payment Record," as to which no opinion is expressed), and "CONTINUING DISCLOSURE OF INFORMATION" (except for the information under the sub-caption "Compliance With Prior Undertakings," as to which no opinion is expressed), and Bond Counsel is of the opinion that the statements and information contained therein fairly and accurately reflect the provisions of the Resolution and the Order; further, Bond Counsel has reviewed the statements and information contained in this Official Statement under the captions and sub-captions "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS," "CURRENT PUBLIC SCHOOL FINANCE SYSTEM", "TAX RATE LIMITATIONS – Maintenance Tax" (first paragraph only), "LEGAL MATTERS", "TAX MATTERS," "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," and "REGISTRATION AND QUALIFICATION OF OBLIGATIONS FOR SALE," and Bond Counsel is of the opinion that the statements and information contained therein are correct as to matters of law.

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

TAX MATTERS

Tax Exemption

The delivery of the Obligations is subject to the opinion of Bond Counsel to the effect that interest on the Obligations for federal income tax purposes (1) is excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), of the owners thereof pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as hereafter described, corporations. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change. A form of Bond Counsel's legal opinion appears in Appendix C hereto.

For taxable years that began before January 1, 2018, interest on the Obligations owned by a corporation will be included in such corporation's adjusted current earnings for purposes of computing the alternative minimum tax on such corporation, other than an S corporation, a qualified mutual fund, a real estate investment trust, a real estate mortgage investment conduit, or a financial asset securitization investment trust. The alternative minimum tax on corporations has been repealed for taxable years beginning on or after January 1, 2018.

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the District made in certificates pertaining to the use, expenditure, and investment of the proceeds of the Obligations and will assume continuing compliance by the District with the provisions of the Resolution and the Order subsequent to the issuance of the Obligations. The Resolution and the Order each contain covenants by the District with respect to, among other matters, the use of the proceeds of the Obligations and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Obligations are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of the proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Obligations to be includable in the gross income of the owners thereof from the date of the issuance of the Obligations.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Obligations. 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 "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Obligations is commenced, under current procedures the IRS is likely to treat the District as the "taxpayer," and the owners of the Obligations would 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 Obligations, the District may have different or conflicting interests from the owners of the Obligations. Public awareness of any audit of the Obligations could adversely affect the value and liquidity of the Obligations during the pendency of the audit, regardless of its ultimate outcome.

Tax Changes

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Obligations from gross income for federal income tax purposes. It is uncertain whether this legislation will be enacted and, if so, whether it will be enacted in its current form. Prospective purchasers of the Obligations should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Ancillary Tax Consequences

Prospective purchasers of the Obligations should be aware that the ownership of tax-exempt obligations such as the Obligations may result in collateral federal tax consequences to, among others, financial institutions (See "Qualified Tax-Exempt Obligations" below), property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust (FASIT), individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Tax Accounting Treatment of Discount Obligations

The initial public offering price to be paid for certain Obligations may be less than the amount payable on such Obligations at maturity (the "Discount Obligations"). An amount equal to the difference between the initial public offering price of a Discount Obligation (assuming that a substantial amount of the Discount Obligations of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Obligations. A portion of such original issue discount, allocable to the holding period of a Discount Obligation by the initial purchaser, will be treated as interest for federal income tax purposes, excludable from gross income on the same terms and conditions as those for other interest on the Obligations. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Obligation, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Obligation and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during his taxable year.

However, such accrued interest may be required to be taken into account in determining the alternative minimum tax on corporations for taxable years that began before January 1, 2018, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions (See "Qualified Tax-Exempt Obligations" below), property and casualty insurance companies, life insurance companies, S corporations with subchapter C earnings and profits, owners of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

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

Owners of Discount Obligations should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Obligations and with respect to the state and local tax consequences of owning and disposing of Discount Obligations. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on the Discount Obligations may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

Tax Accounting Treatment of Premium Obligations

The initial public offering price to be paid for certain Obligations may be greater than the stated redemption price amount payable on such Obligations at maturity (the "Premium Obligations"). An amount equal to the difference between the initial public offering price of a Premium Obligation (assuming that a substantial amount of the Premium Obligations of that maturity are sold to the public at such price) and its stated redemption price at maturity constitutes premium to the initial purchaser of such Premium Obligations. The basis for federal income tax purposes of a Premium Obligation in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium with respect to the Premium Obligations. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Obligation. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium Obligations should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Obligations for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Obligations.

Qualified Tax-Exempt Obligations

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer<s taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than $10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by section 265(b) of the Code, section 291 of the Code provides that the allowable deduction to a "bank," as defined in section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The District has designated the Obligations as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the District has covenanted to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Obligations as "qualified tax-exempt obligations."

INVESTMENT POLICIES

Investments

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

Legal Investments

Under State law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (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 or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors, or otherwise meeting the requirements of the Texas Public Funds Investment Act; (8) certificates of deposit and share certificates that (i) are issued by or through an institution that has its main office or a branch in Texas and (a) are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors, (b) are secured as to principal by obligations described in clauses (1) through (7) above, or (c) secured in any other manner and amount provided by law for District deposits, or (ii) certificates of deposit where (a) the funds are invested by the District through a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the District as required by law, or 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, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the United States Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 as custodian for the District with respect to the certificates of deposit issued for the account of the District; (9) fully collateralized repurchase agreements that (i) have a defined termination date, (ii) are fully secured by a combination of cash and obligations described in clause (1), (iii) require the securities being purchased by the District or cash held by the District to be pledged to the District, held in the District's name and deposited at the time the investment is made with the District or with a third party selected and approved by the District, and (iv) are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (10) 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 (7) 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 (7) above and clauses (12) through (15) below, (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District, (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas, and (iv) the agreement to lend securities has a term of one year or less; (11) certain bankers' acceptances if the bankers' acceptance (i) has a stated maturity of 270 days or fewer from the date of issuance, (ii) will be, in accordance with its terms, liquidated in full at maturity, (iii) is eligible for collateral for borrowing from a Federal Reserve Bank, and (iv) is accepted by a State or Federal bank, if the short-term obligations of the accepting bank or its holding company (if the accepting bank is the largest subsidiary) are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with (i) a stated maturity of 270 days or less from the date of issuance, and (ii) a rating of at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (13) no-load money market mutual funds that are (i) registered with and regulated by the United States Securities and Exchange Commission, (ii) provide the District with a prospectus and other information required by the Securities and Exchange Act of 1934; and (iii) comply with Federal Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are (i) registered with the United States Securities and Exchange Commission, (ii) have an average weighted maturity of less than two years, and (iii) either (a) have a duration of one year or more and are invested exclusively in obligations described in this paragraph, or (b) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset- backed securities; (15) investment pools if the District has authorized investment in the particular pool and the pool invests solely in investments permitted by the Texas Public Funds Investment Act, and is continuously rated no lower than "AAA" or "AAA-m" or at an equivalent rating by at least one nationally recognized rating service; and (16) guaranteed investment contracts that (i) have a defined termination date, (ii) are secured by obligations which meet the requirements of the Texas Public Funds Investment Act in an amount at least equal to the amount of bond proceeds invested under such contract, and (iii) are pledged to the District and deposited with the District or with a third party selected and approved by the District.

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

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

Additional Provisions

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

Current Investments

As of August 31, 2018, the District had approximately $7,401,900 (unaudited) invested in First Public (which is a government investment pool that generally has the characteristics of a money-market mutual fund) and $11,091,967 invested at a local bank. The market value of such investments (as determined by the District by reference to published quotations, dealer bids, and comparable information) is approximately 100% of the book value. No funds of the District are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

REGISTRATION AND QUALIFICATION OF OBLIGATIONS FOR SALE

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

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

FINANCIAL ADVISOR

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

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

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

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

The District's current fiscal year end is June 30. Accordingly, the Annual Operating Report and the Financial Statements must be provided by the last day of December 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.

Notice of Certain Events

The District will also provide timely notices of certain events to the MSRB. The District will provide notice of any of the following events with respect to the Obligations to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Obligations, or other material events affecting the tax status of the Obligations; (7) modifications to rights of holders of the Obligations, if material; (8) Obligation calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Obligations, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. In addition, the District will provide timely notice of any failure by the District to provide annual financial information in accordance with their agreement described above under "Annual Reports". None of the Obligations, the Resolution for the Notes, or the Order for the Time Warrants make any provision for debt service reserves, credit enhancement, or liquidity enhancement. The District will provide each notice, described in this paragraph, to the MSRB.

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

Limitations and Amendments

The District has agreed to update information and to provide notices of certain 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 Obligations 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 Obligations may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if, but only if, (1) the agreement, as so amended, would have permitted underwriters to purchase or sell Obligations 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 Obligations 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 Obligations. If the District amends its agreement, it has agreed to include with the financial information and operating data next provided, in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and operating data so provided.

Compliance with Prior Undertakings

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

LITIGATION

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

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

FORWARD-LOOKING STATEMENTS

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

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

UNDERWRITING

The Underwriter has agreed, subject to certain customary conditions, to purchase the Notes at a price equal to the initial offering prices to the public, as shown on the inside cover page hereof, less an Underwriter's discount of $12,240.55, and no accrued interest. The Underwriter's obligations are subject to certain conditions precedent, and the Underwriter will be obligated to purchase all of the Notes, if any Notes are purchased. The Notes may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriter.

The Underwriter has agreed, subject to certain customary conditions, to purchase the Time Warrants at a price equal to the initial offering prices to the public, as shown on the inside cover page hereof, less an Underwriter's discount of $11,949.30, and no accrued interest. The Underwriter's obligations are subject to certain conditions precedent, and the Underwriter will be obligated to purchase all of the Time Warrants, if any Time Warrants are purchased. The Time Warrants may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriter.

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

CONCLUDING STATEMENT

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

The information set forth herein has been obtained from the District's records, audited financial statements and other sources which the District considers to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents, the Resolution, and the Order contained in this Official Statement are made subject to all of the provisions of such statutes, documents, the Resolution, and the Order. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects. All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumption, whether or not expressly identified as such, should not be considered statements of fact.

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

Each of the Resolution and the Order approved the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorized its further use in the re-offering of the respective Obligations by the Underwriter.

/s/ Fred Norton, Jr.

President, Board of Trustees

ATTEST:

/s/ Amy Bowers

Secretary, Board of Trustees

APPENDIX A

FINANCIAL INFORMATION OF THE DISTRICT

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TEXARKANA INDEPENDENT SCHOOL DISTRICT

Financial Information

ASSESSED VALUATION [1]

2018/19 Total Valuation……		$ 2,254,033,823
Less Exemptions & Deductions [2][3]:		
State Homestead Exemption	$ 119,940,924	
State Over-65 Exemption	20,726,845	
Disabled Exemption	14,052,971	
Pollution Control Exemption	1,829,238	
Prorations & Other Partial Exemptions	686,239	
Productivity Loss	42,103,828	
Homestead Cap Loss	2,983,969	
	$ 202,324,014	
2018/19 Net Taxable Valuation ……		$ 2,051,709,809

(1) Certified Value from the Bowie Central Appraisal District as of July 2018.
(2) The passage of a Texas Constitutional Amendment on November 3, 2015 increased the homestead exemption from $15,000 to $25,000.
(3) Excludes the values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers.

OUTSTANDING OBLIGATIONS

Voted Unlimited Tax Bonds Outstanding [1]		$ 46,917,461
Non-Voted Outstanding Limited Maintenance Tax Notes		13,802,733
Plus: The Notes		1,000,000
Plus: The Time Warrants		1,000,000
Total Debt Obligations [1]		$ 62,720,194
Less: Interest & Sinking Fund Balance (As of June 30, 2018) [2]		(2,385,000)
Net Debt Obligations		$ 60,335,194
Ratio of Net G.O. Debt to Net Taxable Valuation [3]	2.94%	
2018 Population Estimate	36,501	
Per Capita Net Taxable Valuation	$56,210	
Per Capita Net G.O. Debt	$1,653	

(1) Excludes interest accreted on outstanding capital appreciation bonds.
(2) Source: Texarkana ISD.
(3) The ratio of Net G.O. Debt to Net Taxable Valuation above does include the District's outstanding maintenance tax notes and the Notes and Warrants which are payable solely from the limited maintenance and operations tax and does not include the portion of the District's outstanding debt service that is payable from any debt subsidies that may be provided by the State of Texas. The District expects to receive state funding assistance for voted bond debt service equal to approximately 15% of its debt service requirements for its unlimited tax debt service for the 2018/19 fiscal year. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement and "DEBT SERVICE REQUIREMENTS" in this appendix and see the "Audited Financial Report Fiscal Year Ended June 30, 2017" in Appendix D for more information relative to the District's outstanding obligations.

PROPERTY TAX RATES AND COLLECTIONS

Fiscal Year	Net Taxable Valuation [1][2]	Tax Rate	% Collections [4] Current [5]	Total [5]
2006/07	$ 1,639,586,040	$ 1.5716 [6]	95.07%	99.41%
2007/08	1,799,974,040	1.2990 [6]	93.50%	98.24%
2008/09	1,893,135,937	1.3390	94.14%	100.42%
2009/10	1,920,748,650	1.3390	95.21%	100.43%
2010/11	1,871,496,945	1.3390	95.36%	100.55%
2011/12	1,884,356,982	1.3390	96.26%	100.93%
2012/13	1,896,041,854	1.3390	96.31%	99.99%
2013/14	1,929,217,013	1.3390	95.57%	99.93%
2014/15	1,935,889,272	1.3390	95.96%	100.61%
2015/16	1,904,777,367	1.4250	96.00%	99.88%
2016/17	1,985,932,504	1.4250	95.49%	99.41%
2017/18	2,007,028,831	1.4250	96.00% [7]	100.00% [7]
2018/19	2,051,709,809 [3]	1.4250	(In Process of Collection)	

(1) Source: Comptroller of Public Accounts - Property Tax Division.
(2) The passage of a Texas Constitutional Amendment on November 3, 2015 increased the homestead exemption from $15,000 to $25,000.
(3) Certified Values from the Bowie Central Appraisal District as of July 2018.
(4) Source: Texarkana ISD Audited Financial Statements.
(5) Excludes penalties and interest.
(6) The declines in the District's Maintenance & Operation Tax for the 2006/07 and 2007/08 fiscal years are a function of House Bill 1 adopted by the Texas Legislature in May 2006. See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement.
(7) Estimates as of September 2018.

TAX RATE DISTRIBUTION [(1)]

	2014/15	2015/16	2016/17	2017/18	2018/19
Maintenance & Operations	$1.1700	$1.1700	$1.1700	$1.1700	$1.1700
Debt Service	$0.1690	$0.2550	$0.2550	$0.2550	$0.2550
Total Tax Rate	$1.3390	$1.4250	$1.4250	$1.4250	$1.4250

(1) The District held a tax ratification election in September 2008 in which a majority of the qualified voters of the District approved the Maintenance and Operations tax rate of $1.1700.

VALUATION AND VOTED GENERAL OBLIGATION DEBT HISTORY

Fiscal Year	Net Taxable Valuation	Voted Unlimited Tax Bond Debt Outstanding [(1)]	Ratio Debt to A.V. [(2)]
2006/07	$ 1,639,586,040	$ 21,400,000	1.31%
2007/08	1,799,974,040	47,304,462	2.63%
2008/09	1,893,135,937	45,634,462	2.41%
2009/10	1,920,748,650	44,069,462	2.29%
2010/11	1,871,496,945	41,864,462	2.24%
2011/12	1,884,356,982	39,724,462	2.11%
2012/13	1,896,041,854	37,489,462	1.98%
2013/14	1,929,217,013	34,684,462	1.80%
2014/15	1,935,889,272	58,138,307	3.00%
2015/16	1,904,777,367	54,208,307	2.85%
2016/17	1,985,932,504	50,942,461	2.57%
2017/18	2,007,028,831	46,917,461	2.34%
2018/19	2,051,709,809	42,952,461 [(3)]	2.09%

(1) Excludes interest accreted on outstanding capital appreciation bonds, the Notes, the Warrants, and outstanding maintenance tax obligations, which are not voted unlimited tax debt.
(2) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement, "DEBT SERVICE REQUIREMENTS" in this Appendix and see the "Audited Financial Report Fiscal Year Ended June 30, 2017" in Appendix D for more information.
(3) Excludes the Notes and the Time Warrants which are not voted unlimited tax debt.

ESTIMATED OVERLAPPING DEBT STATEMENT

Taxing Body	Amount	Percent Overlapping	Amount Overlapping
Bowie County	$ 22,775,000	42.73%	$ 9,731,758
City of Nash	2,780,000	100.00%	2,780,000
City of Texarkana	42,625,000	61.43%	26,184,538
Total Overlapping Debt [(1)]			$ 38,696,295
Texarkana Independent School District [(2)]			60,335,194
Total Direct & Overlapping Debt			$ 99,031,489
Ratio of Net Direct & Overlapping Debt to Net Taxable Valuation		4.83%	
Per Capita Direct & Overlapping Debt		$2,713	

(1) Equals gross debt less self-supporting debt.
(2) Includes the Notes and the Time Warrants. Excludes interest accreted on outstanding capital appreciation bonds.

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

PRINCIPAL TAXPAYERS [(1)]

2018/19 Top Ten Taxpayers

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Arconic Inc.	Commercial	$ 50,027,689	2.44%
GG&A Central Mall Partners	Real Estate	23,540,205	1.15%
AEP Southwestern Elec Power Co	Electric Utility	22,981,685	1.12%
Rancho Texarkana Investors LLC	Commercial	17,936,171	0.87%
Walmart Stores #01-2123	Commercial Retail	17,079,155	0.83%
Dillard Texas Four-Point LLC	Retail	14,155,389	0.69%
Arklatex Real Estate LP	Real Estate	12,191,895	0.59%
Valor Telecom of Texas LP	Telecommunications	11,986,112	0.58%
William Gregg Orr	Residential	11,851,612	0.58%
Waggoner Creek Crossing LP	Real Estate	11,436,823	0.56%
		$ 193,186,736	9.42%

2017/18 Top Ten Taxpayers

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Arconic Inc.	Commercial	$ 34,037,358	1.70%
GG&A Central Mall Partners	Real Estate	27,289,221	1.36%
AEP Southwestern Elec Power Co	Electric Utility	21,630,820	1.08%
Walmart Stores #01-2123	Commercial Retail	18,720,324	0.93%
Rancho Texarkana Investors LLC	Commercial	17,451,042	0.87%
Valor Telecom of Texas LP	Telecommunications	13,072,112	0.65%
Arklatex Real Estate LP	Real Estate	11,966,619	0.60%
William Gregg Orr	Residential	11,704,107	0.58%
Waggoner Creek Crossing LP	Real Estate	11,647,533	0.58%
MPT of Texarkana - Steward LLC	Commercial	10,529,610	0.52%
		$ 178,048,746	8.87%

2016/17 Top Ten Taxpayers

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
GG&A Central Mall Partners	Real Estate	$ 30,455,987	1.53%
Alcoa Inc	Industrial Aluminum Mfg.	28,972,480	1.46%
Walmart Stores #01-2123	Commercial Retail	21,032,423	1.06%
AEP Southwestern Elec Power Co	Electric Utility	20,885,699	1.05%
Valor Telecom of Texas LP	Telecommunications	12,999,704	0.65%
Arklatex Real Estate LP	Real Estate	11,875,890	0.60%
William Gregg Orr	Residential	11,704,107	0.59%
Waggoner Creek Crossing LP	Real Estate	11,554,308	0.58%
Encore MF Texarkana LP	Real Estate	10,293,348	0.52%
Rancho Texarkana Investors LLC	Commercial	10,104,369	0.51%
		$ 169,878,315	8.55%

(1) Source: Bowie Central Appraisal District.

CLASSIFICATION OF ASSESSED VALUATION BY USE CATEGORY

Category		2018/19 [1]	% of Total		2017/18 [2]	% of Total		2016/17 [2]	% of Total
Real, Residential, Single-Family	$	843,160,492	37.41%	$	829,839,265	37.60%	$	817,092,857	37.28%
Real, Residential, Multi-Family		102,940,607	4.57%		99,137,477	4.49%		95,733,780	4.37%
Real, Vacant Lots/Tracts		73,598,669	3.27%		63,877,162	2.89%		62,879,115	2.87%
Real, Acreage		68,379,923	3.03%		43,346,703	1.96%		46,583,930	2.13%
Real, Farm & Ranch Improvements		20,772,219	0.92%		46,467,252	2.11%		43,593,753	1.99%
Real, Commercial & Industrial		709,847,078	31.49%		700,557,323	31.74%		692,057,833	31.58%
Oil & Gas		-	0.00%		-	0.00%		-	0.00%
Utilities		59,104,594	2.62%		58,753,004	2.66%		62,211,181	2.84%
Tangible Personal, Commercial		233,993,628	10.38%		242,839,406	11.00%		240,548,334	10.98%
Tangible Personal, Industrial		99,626,411	4.42%		82,484,397	3.74%		90,754,094	4.14%
Tangible Personal, Mobile Homes & Other		6,388,541	0.28%		6,469,419	0.29%		5,930,240	0.27%
Tangible Personal, Residential Inventory		2,692,114	0.12%		2,526,118	0.11%		2,660,806	0.12%
Tangible Personal, Special Inventory		33,529,547	1.49%		31,010,423	1.40%		31,555,633	1.44%
Total Appraised Value	$	2,254,033,823	100.00%	$	2,207,307,949	100.00%	$	2,191,601,556	100.00%
Less:									
Homestead Cap Adjustment	$	2,983,969		$	1,944,518		$	1,802,111	
Productivity Loss		42,103,828			41,641,652			44,987,187	
Exemptions		157,236,217 [2]			156,692,948 [2]			158,879,754 [2]	
Total Exemptions/Deductions [3]	$	202,324,014		$	200,279,118		$	205,669,052	
Net Taxable Assessed Valuation	$	2,051,709,809		$	2,007,028,831		$	1,985,932,504	

Category		2015/16 [2]	% of Total		2014/15 [2]	% of Total		2013/14 [2]	% of Total
Real, Residential, Single-Family	$	805,650,753	38.15%	$	790,860,171	37.73%	$	791,967,690	37.90%
Real, Residential, Multi-Family		94,123,338	4.46%		88,876,110	4.24%		88,330,990	4.23%
Real, Vacant Lots/Tracts		56,625,978	2.68%		57,823,154	2.76%		64,166,834	3.07%
Real, Acreage		47,133,749	2.23%		46,517,574	2.22%		44,559,183	2.13%
Real, Farm & Ranch Improvements		38,271,159	1.81%		38,747,437	1.85%		39,162,090	1.87%
Real, Commercial & Industrial		681,418,902	32.26%		691,929,040	33.01%		680,934,897	32.59%
Oil & Gas		-	0.00%		-	0.00%		-	0.00%
Utilities		57,672,539	2.73%		56,338,392	2.69%		55,238,977	2.64%
Tangible Personal, Commercial		228,100,680	10.80%		225,148,875	10.74%		223,620,809	10.70%
Tangible Personal, Industrial		65,606,880	3.11%		64,277,927	3.07%		65,411,240	3.13%
Tangible Personal, Mobile Homes & Other		5,767,601	0.27%		5,478,067	0.26%		5,917,810	0.28%
Tangible Personal, Residential Inventory		2,649,434	0.13%		2,766,412	0.13%		2,563,575	0.12%
Tangible Personal, Special Inventory		29,006,113	1.37%		27,126,774	1.29%		27,530,955	1.32%
Total Appraised Value	$	2,112,027,126	100.00%	$	2,095,889,933	100.00%	$	2,089,405,050	100.00%
Less:									
Homestead Cap Adjustment	$	1,560,355		$	1,150,693		$	1,663,097	
Productivity Loss		45,887,192			45,332,240			43,409,285	
Exemptions		159,802,212			113,517,728			115,115,655	
Total Exemptions/Deductions [3]	$	207,249,759		$	160,000,661		$	160,188,037	
Net Taxable Assessed Valuation	$	1,904,777,367		$	1,935,889,272		$	1,929,217,013	

(1) Certified Values from the Bowie Central Appraisal Districts as of July 2018.
(2) Source: Comptroller of Public Accounts - Property Tax Division.
(3) The passage of a Texas Constitutional Amendment on November 3, 2015 increased the homestead exemption from $15,000 to $25,000.
(4) Excludes values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers.

MAINTENANCE TAX PRINCIPAL REPAYMENT SCHEDULE

Fiscal Year Ending 6/30	Outstanding Maintenance Tax Obligations	Plus: The Notes	Plus: The Time Warrants	Total	Principal Unpaid At Year End	Percent of Principal Retired
2019	$ 1,228,598.26	$ 15,000.00	$ 25,000.00	$ 1,268,598.26	$ 14,534,134.79	8.03%
2020	1,093,208.14	35,000.00	55,000.00	1,183,208.14	13,350,926.65	15.52%
2021	1,127,988.15	40,000.00	55,000.00	1,222,988.15	12,127,938.50	23.25%
2022	1,164,004.52	40,000.00	55,000.00	1,259,004.52	10,868,933.98	31.22%
2023	1,195,501.47	40,000.00	65,000.00	1,300,501.47	9,568,432.51	39.45%
2024	1,237,493.40	45,000.00	60,000.00	1,342,493.40	8,225,939.11	47.95%
2025	1,274,995.18	45,000.00	65,000.00	1,384,995.18	6,840,943.93	56.71%
2026	1,318,022.10	45,000.00	65,000.00	1,428,022.10	5,412,921.83	65.75%
2027	1,352,921.83	45,000.00	70,000.00	1,467,921.83	3,945,000.00	75.04%
2028	1,385,000.00	50,000.00	70,000.00	1,505,000.00	2,440,000.00	84.56%
2029	1,425,000.00	55,000.00	75,000.00	1,555,000.00	885,000.00	94.40%
2030		50,000.00	80,000.00	130,000.00	755,000.00	95.22%
2031		50,000.00	85,000.00	135,000.00	620,000.00	96.08%
2032		55,000.00	85,000.00	140,000.00	480,000.00	96.96%
2033		55,000.00	90,000.00	145,000.00	335,000.00	97.88%
2034		60,000.00		60,000.00	275,000.00	98.26%
2035		65,000.00		65,000.00	210,000.00	98.67%
2036		65,000.00		65,000.00	145,000.00	99.08%
2037		70,000.00		70,000.00	75,000.00	99.53%
2038		75,000.00		75,000.00	-	100.00%
Total	$ 13,802,733.05	$ 1,000,000.00	$ 1,000,000.00	$ 15,802,733.05		

MAINTENANCE TAX DEBT SERVICE REQUIREMENTS (1) (2)

Fiscal Year Ending 6/30	Outstanding Maintenance Tax Debt Service	The Notes Principal	The Notes Interest	The Time Warrants Principal	The Time Warrants Interest	Combined Total
2019	$ 1,640,144.14	$ 15,000.00	$ 23,900.14	$ 25,000.00	$ 23,191.88	$ 1,727,236.16
2020	1,469,946.48	35,000.00	39,350.00	55,000.00	37,850.00	1,637,146.48
2021	1,471,795.69	40,000.00	37,950.00	55,000.00	36,200.00	1,640,945.69
2022	1,472,409.01	40,000.00	36,350.00	55,000.00	34,550.00	1,638,309.01
2023	1,467,222.33	40,000.00	34,750.00	65,000.00	32,350.00	1,639,322.33
2024	1,471,518.66	45,000.00	33,150.00	60,000.00	29,750.00	1,639,418.66
2025	1,469,648.97	45,000.00	31,800.00	65,000.00	26,750.00	1,638,198.97
2026	1,472,062.28	45,000.00	30,450.00	65,000.00	24,800.00	1,637,312.28
2027	1,470,750.42	45,000.00	28,650.00	70,000.00	22,200.00	1,636,600.42
2028	1,471,081.26	50,000.00	26,850.00	70,000.00	19,400.00	1,637,331.26
2029	1,469,531.26	55,000.00	24,850.00	75,000.00	16,600.00	1,640,981.26
2030		50,000.00	22,650.00	80,000.00	13,600.00	166,250.00
2031		50,000.00	20,650.00	85,000.00	10,400.00	166,050.00
2032		55,000.00	18,650.00	85,000.00	7,000.00	165,650.00
2033		55,000.00	16,175.00	90,000.00	3,600.00	164,775.00
2034		60,000.00	13,700.00			73,700.00
2035		65,000.00	11,000.00			76,000.00
2036		65,000.00	8,400.00			73,400.00
2037		70,000.00	5,800.00			75,800.00
2038		75,000.00	3,000.00			78,000.00
	$ 16,346,110.50	$ 1,000,000.00	$ 468,075.14	$ 1,000,000.00	$ 338,241.88	$ 19,152,427.52

(1) See the "Audited Financial Report Fiscal Year Ended June 30, 2017" in Appendix D for more information relative to District's outstanding obligations.
(2) Maintenance Tax obligations are payable solely from the limited maintenance and operations tax or other lawfully available funds of the District.

VOTED UNLIMITED TAX BOND PRINCIPAL REPAYMENT AND DEBT SERVICE REQUIREMENTS [(1)]

Fiscal Year Ending 8/31	Outstanding Voted Unlimited Tax Bonds [(2) (3)] Principal	Interest	Total	Voted Unlimited Tax Bonds Unpaid At Year End	Percent of Principal Retired
2019	$ 3,965,000.00	$ 1,759,771.88	$ 5,724,771.88	$ 42,952,460.80	8.45%
2020	3,920,000.00	1,804,203.13	5,724,203.13	39,032,460.80	16.81%
2021	3,390,000.00	1,887,493.75	5,277,493.75	35,642,460.80	24.03%
2022	2,735,000.00	2,544,200.00	5,279,200.00	32,907,460.80	29.86%
2023	2,610,000.00	2,666,687.50	5,276,687.50	30,297,460.80	35.42%
2024	2,510,000.00	2,764,987.50	5,274,987.50	27,787,460.80	40.77%
2025	2,420,000.00	2,857,343.75	5,277,343.75	25,367,460.80	45.93%
2026	2,335,000.00	2,943,300.00	5,278,300.00	23,032,460.80	50.91%
2027	1,860,000.00	3,415,100.00	5,275,100.00	21,172,460.80	54.87%
2028	1,755,000.00	3,520,700.00	5,275,700.00	19,417,460.80	58.61%
2029	1,637,460.80	3,637,539.20	5,275,000.00	17,780,000.00	62.10%
2030	1,420,000.00	839,300.00	2,259,300.00	16,360,000.00	65.13%
2031	1,475,000.00	781,125.00	2,256,125.00	14,885,000.00	68.27%
2032	1,550,000.00	705,500.00	2,255,500.00	13,335,000.00	71.58%
2033	1,630,000.00	626,000.00	2,256,000.00	11,705,000.00	75.05%
2034	1,715,000.00	542,375.00	2,257,375.00	9,990,000.00	78.71%
2035	1,805,000.00	454,375.00	2,259,375.00	8,185,000.00	82.55%
2036	1,895,000.00	361,875.00	2,256,875.00	6,290,000.00	86.59%
2037	1,995,000.00	264,625.00	2,259,625.00	4,295,000.00	90.85%
2038	2,095,000.00	162,375.00	2,257,375.00	2,200,000.00	95.31%
2039	2,200,000.00	55,000.00	2,255,000.00	-	100.00%
	$ 46,917,460.80	$ 34,593,876.71	$ 81,511,337.51		

(1) Debt service for the Bonds is illustrated on the State of Texas fiscal year end of August 31st, although the District's fiscal year ends on June 30th.
(2) Excludes outstanding maintenance tax obligations, the Notes and the Time Warrants, which are not voted unlimited tax bonds.
(3) Based on its wealth per student, the District expects to receive $855,000 of State financial assistance for debt service in 2018/19. The amount of state financial assistance for debt service, if any, may differ substantially each year depending on a variety of factors, including the amount, if any, appropriated for that purpose by the state legislature and a school district's wealth per student.

TAX ADEQUACY WITH RESPECT TO THE DISTRICT'S VOTED UNLIMITED TAX BONDS

Projected Maximum Debt Service Requirement [(1)]	$ 5,724,771.88
Projected State Financial Assistance for Debt Service in 2018/19 [(2)]	855,000.00
Projected Net Debt Service Requirement	$ 4,869,771.88
$0.24220 Tax Rate @ 98% Collections Produces	$ 4,869,771.89
2017/18 Net Taxable Valuation	$ 2,051,709,809

(1) Excludes outstanding maintenance tax obligations, the Notes, and the Time Warrants which are not voted unlimited tax bonds.
(2) The amount of state financial assistance for debt service, if any, may differ substantially each year depending on a variety of factors, including the amount, if any, appropriated for that purpose by the state legislature and a school district's wealth per student. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement.

AUTHORIZED BUT UNISSUED BONDS

The District has no authorized but unissued unlimited ad valorem tax bonds. The District may incur other financial obligations payable from its collection of taxes and other sources of revenue, including maintenance tax notes payable from its collection of maintenance taxes, public property finance contractual obligations, delinquent tax notes, and leases for various purposes payable from State appropriations and surplus maintenance taxes.

COMPARATIVE STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES [1]

	Fiscal Year End June 30th				
	2013	**2014**	**2015**	**2016**	**2017**
Beginning Fund Balance	**$ 13,109,365**	**$ 13,336,504**	**$ 13,874,693**	**$ 14,290,605**	**$ 15,874,413**
Revenues:					
Local and Intermediate Sources	$ 22,713,630	$ 23,424,537	$ 23,045,151	$ 23,850,588	$ 23,760,069
State Sources	28,501,336	31,509,190	32,197,249	33,554,697	33,946,655
Federal Sources & Other	963,814	1,088,283	1,160,631	1,341,515	1,207,761
Total Revenues	**$ 52,178,780**	**$ 56,022,010**	**$ 56,403,031**	**$ 58,746,800**	**$ 58,914,485**
Expenditures:					
Instruction	$ 29,349,843	$ 30,899,736	$ 32,087,933	$ 32,993,684	$ 33,380,201
Instructional Resources & Media Services	315,539	328,415	325,527	351,052	391,784
Curriculum & Instructional Staff Development	1,627,506	1,683,541	1,983,901	1,987,605	1,818,286
Instructional Leadership	185,288	124,785	116,302	119,015	122,671
School Leadership	3,582,082	3,912,071	4,052,773	4,157,007	4,743,067
Guidance, Counseling & Evaluation Services	1,168,564	1,106,484	1,197,164	1,263,106	1,311,471
Health Services	344,887	343,035	346,101	299,756	347,958
Student (Pupil) Transportation	167,774	185,999	176,444	134,749	145,076
Cocurricular/Extracurricular Activities	2,247,044	2,458,614	2,786,617	2,793,650	2,924,877
General Administration	2,192,386	2,504,021	2,644,835	2,816,075	3,000,789
Plant Maintenance and Operations	6,064,345	6,626,813	6,375,548	6,696,859	6,968,854
Security and Monitoring Services	752,236	765,501	813,277	794,122	941,428
Data Processing Services	109,062	131,695	387,006	182,207	445,549
Community Services	51,795	38,093	46,080	38,335	39,760
Payments to Fiscal Agent/Member Districts of SSA	504,548	540,118	519,568	543,617	552,039
Other Intergovernmental Charges	393,741	384,900	378,043	392,154	393,149
Total Expenditures	**$ 49,056,640**	**$ 52,033,821**	**$ 54,237,119**	**$ 55,562,993**	**$ 57,526,959**
Excess (Deficiency) of Revenues over Expenditures	$ 3,122,140	$ 3,988,189	$ 2,165,912	$ 3,183,807	$ 1,387,526
Other Resources and (Uses):					
Transfer In	$ -	$ -	$ 1,210,176	$ 300,000	$ 884,199
Transfer Out	(2,895,000)	(3,450,000)	(2,960,176)	(1,900,000)	(1,934,199)
Total Other Resources (Uses)	**$ (2,895,000)**	**$ (3,450,000)**	**$ (1,750,000)**	**$ (1,600,000)**	**$ (1,050,000)**
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	$ 227,140	$ 538,189	$ 415,912	$ 1,583,807	$ 337,526
Ending Fund Balance	**$ 13,336,505**	**$ 13,874,693**	**$ 14,290,605**	**$ 15,874,412**	**$ 16,211,939** [2]

(1) See "MANAGEMENT'S DISCUSSION AND ANALYSIS - Next Year's Budgets and Rates" in Appendix D hereto for a discussion of the 2017/18 budget and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - Wealth Transfer Provisions " in the Official Statement.
(2) The District's unaudited General Fund balance for the fiscal year ended June 30, 2018 was $16,000,000.

CHANGE IN NET ASSETS [1]

	Fiscal Year End June 30th				
	2013	2014	2015	2016	2017
Revenues:					
Program Revenues:					
Charges for Services	$ 4,077,631	$ 4,056,850	$ 3,732,666	$ 3,946,469	$ 2,560,013
Operating Grants and Contributions	12,872,833	11,614,173	12,562,785	14,963,574	13,816,146
General Revenues:					
Property Taxes Levied for General Purposes	21,212,899	21,440,773	21,740,559	21,279,295	22,409,170
Property Taxes Levied for Debt Service	2,993,626	3,101,867	3,139,693	4,614,741	4,865,257
State Aid - Formula Grants	26,326,835	29,326,981	30,560,124	33,003,909	33,586,388
Investment Earnings	69,830	89,643	120,514	175,728	150,804
Miscellaneous	373,795	581,203	380,069	454,507	746,983
Grants and Contributions Not Restricted	1,519,261	1,863,464	1,206,271	-	-
Total Revenue	$ 69,446,710	$ 72,074,954	$ 73,442,680	$ 78,438,223	$ 78,134,761
Expenses:					
Instruction	$ 37,102,690	$ 37,153,656	$ 38,530,288	$ 42,871,409	$ 42,375,750
Instruction Resources & Media Services	388,515	364,073	356,485	436,701	709,194
Curriculum & Staff Development	2,029,603	2,092,043	2,112,579	2,215,161	1,889,018
Instructional Leadership	233,264	187,008	143,200	151,056	150,411
School Leadership	3,604,474	3,934,599	3,947,208	4,483,516	5,053,377
Guidance, Counseling & Evaluation Services	1,703,465	1,613,557	1,669,277	1,952,418	1,921,944
Social Work Services	37	224	-	115	11,220
Health Service	495,234	501,532	504,901	482,243	542,062
Student Transportation	255,030	264,446	253,593	221,614	229,575
Food Service	5,288,432	5,852,730	5,540,842	6,102,970	5,972,207
Cocurricular/Extracurricular Activities	2,235,019	2,434,899	2,459,269	2,863,958	2,940,702
General Administration	2,348,789	2,652,799	2,743,157	3,124,906	3,236,450
Plant Maintenance & Operations	6,133,366	6,179,334	6,216,279	6,816,576	6,684,349
Security and Monitoring Services	792,886	748,492	823,802	840,665	971,500
Data Processing Services	109,062	131,695	117,815	182,207	142,764
Community Services	589,300	573,187	589,753	541,756	796,439
Interest on Long-term Debt	2,525,503	2,484,509	1,681,362	2,974,082	2,985,154
Bond Issuance Costs and Fees	1,750	1,806	659,155	2,091	2,250
Payments to Fiscal Agent/Member Districts of SSA	504,548	540,118	519,568	543,617	552,039
Other Intergovernmental Charges	393,741	384,900	378,043	392,154	393,149
Total Expenditures	$ 66,734,708	$ 68,095,609	$ 69,246,575	$ 77,199,214	$ 77,559,555
Business Type Activities:					
Food Service Activity Fund	$ 382,019	$ 267,257	$ 263,258	$ 254,891	$ 229,990
Horticulture Activity Fund	-	-	-	-	-
Print Shop Activity Fund	69,169	56,232	80,809	87,173	112,938
Public Relations Activity Fund	2,967	7,515	12,039	780	3,703
Texas A&M Food Service Activity	435,721	412,078	269,235	28,611	-
TC Food Service Activity	161,278	4,358	-	-	-
St. James Food Service Activity	-	-	50,109	-	1,896
Unidentified Fund from Trial Balance	-	-	-	33,132	-
Total Business Type Activities	$ 1,051,154	$ 747,440	$ 675,450	$ 404,587	$ 348,527
Change in Net Assets	$ 1,660,848	$ 3,231,905	$ 3,520,655	$ 834,422	$ 226,679
Beginning Net Assets	$ 46,059,381	$ 47,258,199	$ 50,490,103	$ 43,956,901	$ 44,791,323
Prior Period Adjustment	$ (462,031) [2]	$ -	$ (10,053,858) [3]	$ -	$ -
Ending Net Assets	$ 47,258,198	$ 50,490,103	$ 43,956,901	$ 44,791,323	$ 45,018,002

(1) The foregoing information represents government-wide financial information provided in accordance with GASB 34, which the District adopted for the 2002 fiscal year.
(2) Prior Period Adjustment in FYE 2013 was from implementing GASB 65 and GASB 63.
(3) Prior Period Adjustment in FYE 2015 was from implementing GASB 68.

APPENDIX B

GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

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TEXARKANA INDEPENDENT SCHOOL DISTRICT

General and Economic Information

Texarkana ISD is located on the Texas side of Texarkana, a twin city sharing the border of Texas and Arkansas. Texarkana ISD includes a major portion of the City of Texarkana and the Cities of Wake Village and Nash. The City is the largest wholesale center between Dallas and Little Rock, Arkansas. The District's current estimated population is approximately 36,501.

Bowie County was created in 1840 from Red River County. The economy is diversified by manufacturing, lumber, government employment and agribusiness.

Source: Texarkana ISD and Bowie County Texas Municipal Reports.

Enrollment Statistics

School Year	Enrollment*
2006/07	6,097
2007/08	6,442
2008/09	6,660
2009/10	6,849
2010/11	6,937
2011/12	7,091
2012/13	7,129
2013/14	7,243
2014/15	7,100
2015/16	7,061
2016/17	7,169
2017/18	7,152
Current	7,197

**Enrollment figures provided are for the first of the year.*

District Staff

Teachers	526
Auxiliary Personnel	209
Teachers' Aides	191
Other	132
Administrators	53
Total	1,111

Facilities

Campus	Grades	Current Enrollment	Capacity	Year Built	Year of Addition/ Renovation
Paul Laurence Dunbar Early Education Center	PK	291	310	1953	1984
Theron Jones Early Literacy Center	K-2	402	460	1949	2003
Highland Park Elementary	PK-5	360	430	1961	1982
Martha and Josh Morriss Mathematics & Engineering Elementary	K-5	403	400	2007	NA
Nash Elementary	PK-5	686	730	1967	2001/2002/2013
Spring Lake Park Elementary	PK-5	404	440	1961	2002
Waggoner Creek Elementary	K-5	315	410	2016	
Wake Village Elementary	PK-5	624	770	1987	2002
Westlawn Elementary	3-5	332	360	1963	2005
Texas Middle School	6-8	1,523	1,990	2002	6th grade center-2016
Texas High School	9-12	1,793	1,980	1967	2006/2009
OPTIONS Academic Alternative High School	9-12	64	140	1961	2006

Principal Employers within the District

Name of Company	Type of Business	Number of Employees
Christus St. Michael Health	General Medical/Hospital	1,777
Texarkana ISD	Public Education	1,111
Walmart/Sams Club	Discount/Food Store	1,100
Wadley Regional Medical	General Medical/Hospital	750
Truman Arnold Companies	Petroleum Marketing	750
Collom & Carney Clinic	General Medical	552
McDonald's	Restaurants	450
Texarkana College	Higher Education	425
Texarkana, Texas - City	General Government	410
Ledwell & Sons Enterprises	Truck Body Manufacturer	380

Unemployment Rates

	July 2016	July 2017	July 2018
Bowie County	5.3%	4.9%	5.4%
State of Texas	5.1%	4.5%	4.0%

Source: Texas Workforce Commission.

APPENDIX C

FORMS OF LEGAL OPINIONS OF BOND COUNSEL

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NORTON ROSE FULBRIGHT

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FINAL

IN REGARD to the authorization and issuance of the "Texarkana Independent School District Maintenance Tax Notes, Series 2018A" (the *Notes*), dated October 1, 2018, in the aggregate principal amount of $1,000,000 we have reviewed the legality and validity of the issuance thereof by the Board of Trustees of the Texarkana Independent School District (the *District*). The Notes are issuable in fully registered form only, in denominations of $5,000 or any integral multiple thereof (within a Stated Maturity). The Notes have Stated Maturities of June 15 in each of the years 2019 through 2028, June 15, 2031, June 15, 2034, and June 15, 2038, unless optionally or mandatorily redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Notes. Interest on the Notes accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the resolution (the *Resolution*) authorizing the issuance of the Notes. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Resolution.

WE HAVE SERVED AS BOND COUNSEL for the District solely to pass upon the legality and validity of the issuance of the Notes under the laws of the State of Texas and with respect to the exclusion of the interest on the Notes from the gross income of the owners thereof for federal income tax purposes and for no other purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the District. 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. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Notes. Our role in connection with the District's Official Statement prepared for use in connection with the sale of the Notes has been limited as described therein.

WE HAVE EXAMINED the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the Board of Trustees of the District in connection with the issuance of the Notes, including the Resolution; (2) customary certifications and opinions of officials of the District; (3) certificates executed by officers of the District relating to the expected use and investment of proceeds of the Notes and certain other funds of the District, and to certain other facts solely within the knowledge and control of the District; and (4) such other documentation, including an examination of the Notes executed and delivered initially by the District, and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

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Legal Opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, in connection with the authorization and issuance of "TEXARKANA INDEPENDENT SCHOOL DISTRICT MAINTENANCE TAX NOTES, SERIES 2018A"

BASED ON OUR EXAMINATION, we are of the opinion that, under applicable law of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Notes have been duly authorized by the District and, when issued in compliance with the provisions of the Resolution, are valid, legally binding, and enforceable obligations of the District, payable from the proceeds of an annual maintenance and operations ad valorem tax levied, within the limitations prescribed by law, upon all taxable property within the District, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity.

2. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the *Code*), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the District with the provisions of the Resolution relating to sections 141 through 150 of the Code, interest on the Notes will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes, and such interest will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as hereinafter described, corporations.

FOR TAXABLE YEARS THAT BEGAN BEFORE JANUARY 1, 2018, interest on the Notes owned by a corporation will be included in such corporation's adjusted current earnings for purposes of computing the alternative minimum tax on such corporation, other than an S corporation, a qualified mutual fund, a real estate investment trust, a real estate mortgage investment conduit, or a financial asset securitization investment trust. The alternative minimum tax on corporations has been repealed for taxable years beginning on or after January 1, 2018.

WE EXPRESS NO OTHER OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Notes. Ownership of tax-exempt obligations such as the Notes may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, "S" corporations with subchapter "C" earnings and profits, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

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.

Norton Rose Fulbright US LLP

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FINAL

IN REGARD to the authorization and issuance of the "Texarkana Independent School District Maintenance Tax Time Warrants, Series 2018" (the *Obligations*), dated October 1, 2018, in the aggregate principal amount of $1,000,000, we have reviewed the legality and validity of the issuance thereof by the Board of Trustees of the Texarkana Independent School District (the *District*). The Obligations are issuable in fully registered form only, and shall be generally in denominations of $5,000 or any integral multiple thereof (within an Installment Amount), and have Installment Amount payment dates of June 15 in each of the years 2019 through 2026, June 15, 2029, and June 15, 2033, unless optionally or mandatorily redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Obligations. The principal amount of the Obligations is payable and interest on the Obligations accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the order (the *Order*) authorizing the issuance of the Obligations. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Order.

WE HAVE SERVED AS BOND COUNSEL for the District solely to pass upon the legality and validity of the issuance of the Obligations under the laws of the State of Texas and with respect to the exclusion of the interest on the Obligations from the gross income of the owners thereof for federal income tax purposes and for no other purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the District. 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 Obligations. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Obligations. Our role in connection with the District's Official Statement prepared for use in connection with the sale of the Obligations has been limited as described therein.

WE HAVE EXAMINED the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the Board of Trustees of the District in connection with the issuance of the Obligations, including the Order; (2) customary certifications and opinions of officials of the District; (3) certificates executed by officers of the District relating to the expected use and investment of proceeds of the Obligations and certain other funds of the District, and to certain other facts solely within the knowledge and control of the District; and (4) such other documentation, including an examination of the Obligations executed and delivered initially by the District, and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion

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concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

BASED ON OUR EXAMINATION, we are of the opinion that, under applicable law of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Obligations have been duly authorized by the District and, when issued in compliance with the provisions of the Order, are valid, legally binding, and enforceable obligations of the District, payable from (1) unintended surplus and delinquent annual maintenance and operations tax revenues representing the proceeds of an ad valorem tax levied as a part of the District's maintenance and operations tax, within the limitations prescribed by law, upon all taxable property within the District and (ii) any other lawfully available funds of the District, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity.

2. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the *Code*), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the District with the provisions of the Order relating to sections 141 through 150 of the Code, interest on the Obligations will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes, and such interest will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as hereinafter described, corporations.

FOR TAXABLE YEARS THAT BEGAN BEFORE JANUARY 1, 2018, interest on the Obligations owned by a corporation will be included in such corporation's adjusted current earnings for purposes of computing the alternative minimum tax on such corporation, other than an S corporation, a qualified mutual fund, a real estate investment trust, a real estate mortgage investment conduit, or a financial asset securitization investment trust. The alternative minimum tax on corporations has been repealed for taxable years beginning on or after January 1, 2018.

WE EXPRESS NO OTHER OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Obligations. Ownership of tax-exempt obligations such as the Obligations may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, "S" corporations with subchapter "C" earnings and profits, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income credit, and taxpayers who may be deemed

Legal Opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, in connection with the authorization and issuance of "TEXARKANA INDEPENDENT SCHOOL DISTRICT MAINTENANCE TAX TIME WARRANTS, SERIES 2018"

to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

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.

Norton Rose Fulbright US LLP

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APPENDIX D

AUDITED FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2017

TEXARKANA INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2017

TEXARKANA INDEPENDENT SCHOOL DISTRICT

Annual Financial Report
Table of Contents
Year Ended June 30, 2017

TEXARKANA INDEPENDENT SCHOOL DISTRICT

Annual Financial Report
Table of Contents (Continued)
Year Ended June 30, 2017

Other Supplementary Information (Continued):

Certificate of Board

Certificate of Board

Texarkana Independent School District	Bowie	019-907
Name of School District	County	County-District-Region No.

We, the undersigned, certify that the attached annual financial report of the above named school district was reviewed and /X/ approved - / / disapproved for the year ended
(Check One)
June 30, 2017, at a meeting of the board of school trustees of such school district on the 14th day of November , 2017.

Amy Bowers
Signature of Board Secretary

Fred Norton, Jr.
Signature of Board President

If the board of trustees disapproves of the auditors' report, the reason(s) for disapproving it is/are: (attach list if necessary)

Independent Auditor’s Report

INDEPENDENT AUDITOR'S REPORT

Board of School Trustees
Texarkana Independent School District
Texarkana, Texas

Members of the Board:

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

Board of School Trustees
Texarkana Independent School District

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages v through xiii and the budgetary comparison information and pension plan schedules on pages 45 through 47 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 Texarkana Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements, agency funds, and private purpose trust funds financial statements, and the TEA required schedules listed in the table of contents are presented for additional analysis and are not a required part of the 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 of Federal Awards,* and is also not a required part of the basic financial statements.

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

Board of School Trustees
Texarkana Independent School District

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 7, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

Thomas & Thomas, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Texarkana, Texas
November 7, 2017

Management’s Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Texarkana Independent School District, discuss and analyze the District's financial performance for the year ended June 30, 2017. Please read it in conjunction with the independent auditors' report on page ii and iii, and the District's Basic Financial Statements, which begin on page 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 pages 1-3). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 4) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to other districts and how the sales revenues covered the expenses of the goods or services. The remaining statement (the fiduciary funds statement) provides financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements (starting on page 15) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by TEA. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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 grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in it. 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 divide the District into two kinds of activities:

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

- ♦ Business-type activities–The District provides food catering for the District and various community events. The District also provides a district wide print shop. The activity surplus helps fund the District’s instructional and maintenance costs.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 4 and provide detailed information about the most significant funds–not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's two kinds of funds–governmental and proprietary–use different accounting approaches.

- ♦ Governmental funds–Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending.

The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

- ♦ Proprietary funds–The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, the District's enterprise funds (one category of proprietary funds) are the business-type activities reported in the government-wide statements but containing more detail and additional information, such as cash flows. The internal service funds (the other category of proprietary funds) report activities that provide supplies and services for the District's other programs and activities.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities and alumni scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Fund Net Position on pages 13-14. 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 and business-type activities.

In 2017 and 2016, the ending net position of our business-type activities was $1,140,128 and $1,070,489 respectively. This amount is relatively insignificant to the overall operations of the District, but it represents efforts to find other sources of revenue that will help alleviate a portion of the taxpayer’s burden.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
Table I
Texarkana Independent School District

NET POSITION
(In Thousands)

	Governmental Activities		Business-type Activities		Totals		
	2016	2017	2016	2017	2016	2017	% Change
Current and other assets	$ 37,676	$ 32,843	$ 1,066	$ 1,117	$ 38,742	$ 33,960	-12.34%
Capital assets	106,019	107,375	14	26	106,033	107,401	1.29%
Total assets	143,695	140,218	1,080	1,143	144,775	141,361	-2.36%
Deferred Outflows of Resources	11,385	10,066	-	-	11,385	10,066	-11.59%
Long-term liabilities	92,666	88,053	-	-	92,666	88,053	-4.98%
Other liabilities	15,652	15,511	9	3	15,661	15,514	-0.94%
Total liabilities	108,318	103,564	9	3	108,327	103,567	-4.39%
Deferred Inflows of Resources	3,041	2,842	-	-	3,041	2,842	-6.54%
Net Position:							
Invested in capital assets net of related debt	27,276	31,719	-	-	27,276	31,719	16.29%
Restricted	9,860	5,957	-	-	9,860	5,957	-39.58%
Unrestricted	6,584	6,201	1,070	1,140	7,654	7,341	-4.09%
Total net position	$ 43,721	$ 43,878	$ 1,070	$ 1,140	$ 44,791	$ 45,018	0.51%

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
Table II
Texarkana Independent School District

Changes In Net Position
(In Thousands)

	Governmental Activities		Business-type Activities		Totals		
	2016	2017	2016	2017	2016	2017	% Change
Revenues :							
Program Revenues:							
Charges for Services	$ 3,460	2,142	$ 486	$ 418	$ 3,946	$ 2,560	-35.12%
Operating grants and contributions	14,964	13,816			14,964	13,816	-7.67%
General Revenues:						-	
Maintenance and operations taxes	21,279	22,409			21,279	22,409	5.31%
Debt service taxes	4,615	4,865			4,615	4,865	5.42%
State aid – formula grants	33,004	33,586			33,004	33,586	1.76%
Grants and Contributions not restricted to specific functions	-		-	-	-	-	0.00%
Investment Earnings	175	151		-	175	151	-13.71%
Miscellaneous	455	747		-	455	747	64.18%
Special Item	-		-	-	-	-	
Total Revenue	77,952	77,717	486	418	78,438	78,134	-0.39%
Expenses:							
Instruction, curriculum and media services	45,523	44,974			45,523	44,974	-1.21%
Instructional and school leadership	4,635	5,204			4,635	5,204	12.28%
Student support services	2,656	2,705			2,656	2,705	1.84%
Child nutrition	6,103	5,972			6,103	5,972	-2.15%
Co-curricular activities	2,864	2,941			2,864	2,941	2.69%
General administration	3,125	3,236			3,125	3,236	3.55%
Plant maintenance, security & data processing	7,840	7,799			7,840	7,799	-0.52%
Community services	542	796			542	796	46.86%
Debt services	2,976	2,987			2,976	2,987	0.37%
Capital Outlay	-					-	
Payments to Fiscal Agent and Intergovernmental Charges	936	945	-	-	936	945	0.96%
Other business-type activities	-		405	348	405	348	-14.07%
Total Expenses	77,200	77,560	405	348	77,605	77,907	0.39%
Increase in net assets before transfers and special items	752	157	81	70	833	227	-72.75%
Net position at beginning of year	42,968	43,721	989	1,070	43,957	44,791	1.90%
Prior Period Adjustment	-					-	-100.00%
Net position at end of year	$ 43,721	$ 43,878	$ 1,070	$ 1,140	$ 44,791	$ 45,018	0.51%

Some of the major highlights of the 2016-2017 school year included the following:

- The district completed several additional district wide construction projects out of bond fund savings of approximately $1.8 million dollars. Among these projects were two new playgrounds, Instructional Services re-roofing, field house project, technology updates, tennis court renovations and various other projects. Texarkana ISD would have not been able to complete these had this savings not been available.

- The District's General Fund Balance rose to $16,211,939 as a result of financial operations for the 2016-2017 school year. This is an increase of $337,526 over the 2015-2016 ending fund balance.

- The District received a "Superior Rating" in the FIRST (Financial Integrity Rating System of Texas) system for the preceding thirteen years. The State's FIRST rating system was revised during the 2014-15 reporting period. TISD received a "A-Superior Rating" rating and status for both the 2014-2015 and 2015-2016 fiscal years.

- Texarkana ISD was awarded Texas Title I Priority Schools (TTIPS) grant for February 1, 2017 to July 31, 2020. Years 1 and 2 award amount equaled $2,105,650. The TTIPS grant has five major objectives to improve literacy, strengthen teacher quality, retain highly effective teachers, provide extended learning opportunities to close the achievement gap, and increase positive relationships and communication between parents and the school.

- Texarkana ISD received a "Met Standard" rating from the Texas Education Agency for 2017 by passing all four accountability index measures. Campuses in the District received twenty Distinction Designations.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 4) reported a combined fund balance of $22.2 million. Included in this year's total change in fund balance is an increase of $337,526 in the District's General Fund. Other changes in fund balances should also be noted. Fund Balance as of June 30, 2016 and 2017 of $6,304,276 and $1,238,816 respectively, decreased the Capital Projects Fund-Fund Balance due to the continued construction projects from the passed bond issue. The Capital Projects Fund-Fund Balance will significantly reduce as projects are completed, creating new assets for the District.

Over the course of the year, the Board of Trustees revised the District's budget as operating changes became apparent. These budget amendments were in the ordinary course of operations and should be considered as such. The changes of any significance fall into these categories:

- Additional funds that became available through federal, state, and grant resources
- Adjustments for changes in state and local revenues
- Year-end accruals
- Changes requested by district principals within their campus operations, normally movement between functional levels.

The District's General Fund balance of $16.2 million reported on page 4 differs from the General Fund's budgeted fund balance of $14.6 million reported in the budgetary comparison schedule on page 45.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, the District had $173 million invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance.

Debt

At year-end, the District had $77.2 million in bonds and notes outstanding versus $81.1 million last year. The District's general obligation bond rating has been the highest possible due to Permanent School Fund Guarantees by the State of Texas.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
Table III
Texarkana Independent School District
DISTRICT'S CAPITAL ASSETS
(In Thousands)

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2016	2017	2016	2017	2016	2017	2016-2017
Land	5,828	5,833			5,828	5,833	0.09%
Buildings and improvements	127,125	155,118	9	9	127,134	155,127	22.02%
Furniture and equipment	9,823	10,947	236	242	10,059	11,189	11.23%
Construction in progress	24,995	1,250	-		24,995	1,250	-95.00%
Totals at historical cost	167,771	173,148	245	251	168,016	173,399	3.20%
Less accumulated depreciation for:							
Buildings and improvements	(53,346)	(57,085)	(7)	(7)	(53,353)	(57,092)	7.01%
Furniture and equipment	(8,406)	(8,688)	(224)	(217)	(8,630)	(8,905)	3.19%
Total accumulated depreciation	(61,752)	(65,773)	(231)	(224)	(61,983)	(65,997)	6.48%
Net capital assets	106,019	107,375	14	27	106,033	107,402	1.29%

More detailed information about the District's long-term liabilities is presented in Notes C, E, and P to the financial statements.

NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal-year 2018 budget and tax rate. The Texarkana ISD Board of Trustees voted to maintain the tax rate at 1.425. This rate consists of an M&O tax rate of 1.17 and I&S tax rate of .26.

Changes in the state funding formula continue to affect district operations. These factors were taken into account when adopting the General Fund budget for 2017-2018 school year. Amounts available for appropriation in the General Fund budget are $55 million. The revenue from local sources, majority property taxes, account for approximately 40.33% of available General fund revenues. State Foundation Revenue accounts for approximately 57.62% percent of the General Fund Revenues in the current year. The District will use its revenues to finance programs we offer and to meet state unfunded mandate requirements.

If these estimates are realized, the District's budgetary General Fund-Fund balance is expected to be near break-even 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 Texarkana Independent School District, 4241 Summerhill Rd., Texarkana, Texas.

Basic Financial Statements

Government-wide Financial Statements

TEXARKANA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

EXHIBIT A-1

Data Control Codes		1 Primary Government: Governmental Activities	2 Primary Government: Business Type Activities	3 Primary Government: Total	4 Component Unit: Nonmajor Component Unit
	ASSETS				
1110	Cash and Cash Equivalents	$ 9,675,415	$ 1,116,377	$ 10,791,792	$ -
1120	Current Investments	9,994,962	-	9,994,962	272,549
1210	Property Taxes - Current	2,232,163	-	2,232,163	-
1230	Allowance for Uncollectible Taxes	(686,184)	-	(686,184)	-
1240	Due from Other Governments	11,468,910	-	11,468,910	-
1267	Due from Fiduciary Funds	43,349	-	43,349	-
1290	Other Receivables, net	-	-	-	4,729
1300	Inventories	114,170	240	114,410	-
	Capital Assets:				
1510	Land	5,833,162	-	5,833,162	-
1520	Buildings, Net	98,032,484	1,570	98,034,054	-
1530	Furniture and Equipment, Net	2,258,827	25,277	2,284,104	-
1580	Construction in Progress	1,250,285	-	1,250,285	-
1800	Restricted Assets	-	-	-	204,745
1910	Long Term Investments	-	-	-	75,721
1000	Total Assets	140,217,543	1,143,464	141,361,007	557,744
	DEFERRED OUTFLOWS OF RESOURCES				
1701	Deferred Charge for Refunding	2,208,555	-	2,208,555	-
1705	Deferred Outflow Related to TRS	7,857,194	-	7,857,194	-
1700	Total Deferred Outflows of Resources	10,065,749	-	10,065,749	-
	LIABILITIES				
2110	Accounts Payable	1,025,509	3,211	1,028,720	63,632
2140	Interest Payable	674,138	-	674,138	-
2150	Payroll Deductions & Withholdings	436,921	-	436,921	-
2160	Accrued Wages Payable	4,965,266	-	4,965,266	-
2180	Due to Other Governments	3,031,898	125	3,032,023	-
2300	Unearned Revenue	149,791	-	149,791	-
	Noncurrent Liabilities				
2501	Due Within One Year	5,227,477	-	5,227,477	-
2502	Due in More Than One Year	71,962,545	-	71,962,545	-
2540	Net Pension Liability (District's Share)	16,090,237	-	16,090,237	-
2000	Total Liabilities	103,563,781	3,336	103,567,117	63,632
	DEFERRED INFLOWS OF RESOURCES				
2601	Unavailable Revenue - Property Taxes	-	-	-	-
2605	Deferred Inflow Related to TRS	2,841,637	-	2,841,637	-
2600	Total Deferred Inflows of Resources	2,841,637	-	2,841,637	-
	NET POSITION				
3200	Net Investment in Capital Assets	31,719,183	-	31,719,183	-
3820	Restricted for Federal and State Programs	2,496,646	-	2,496,646	-
3850	Restricted for Debt Service	2,221,719	-	2,221,719	-
3860	Restricted for Capital Projects	1,238,816	-	1,238,816	-
3890	Restricted for Other Purposes	-	-	-	280,466
3900	Unrestricted	6,201,510	1,140,128	7,341,638	213,646
3000	Total Net Position	$ 43,877,874	$ 1,140,128	$ 45,018,002	$ 494,112

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

TEXARKANA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Data Control Codes		1 Expenses	Program Revenues 3 Charges for Services	4 Operating Grants and Contributions
Primary Government:				
	GOVERNMENTAL ACTIVITIES:			
11	Instruction	$ 42,375,750	$ 886,867	$ 6,450,901
12	Instructional Resources and Media Services	709,194	-	54,924
13	Curriculum and Staff Development	1,889,018	-	123,868
21	Instructional Leadership	150,411	-	30,072
23	School Leadership	5,053,377	-	464,771
31	Guidance, Counseling and Evaluation Services	1,921,944	-	623,152
32	Social Work Services	11,220	-	10,658
33	Health Services	542,062	-	19,831
34	Student (Pupil) Transportation	229,575	-	7,322
35	Food Services	5,972,207	950,900	5,313,196
36	Extracurricular Activities	2,940,702	247,973	86,484
41	General Administration	3,236,450	-	131,749
51	Facilities Maintenance and Operations	6,684,349	56,107	202,413
52	Security and Monitoring Services	971,500	-	46,184
53	Data Processing Services	142,764	-	-
61	Community Services	796,439	-	250,621
72	Debt Service - Interest on Long Term Debt	2,985,154	-	-
73	Debt Service - Bond Issuance Cost and Fees	2,250	-	-
93	Payments related to Shared Services Arrangements	552,039	-	-
99	Other Intergovernmental Charges	393,149	-	-
[TG]	Total Governmental Activities:	77,559,555	2,141,847	13,816,146
	BUSINESS-TYPE ACTIVITIES:			
01	Food Service Catering	229,990	245,994	-
02	Print Shop Activity	112,938	166,209	-
03	Public Relations Activity Fund	3,703	5,963	-
04	St James Day School Food Servi	1,896	-	-
[TB]	Total Business-Type Activities:	348,527	418,166	-
[TP]	TOTAL PRIMARY GOVERNMENT:	$ 77,908,082	$ 2,560,013	$ 13,816,146
Component Unit:				
1C	Nonmajor Component Unit	126,221	-	-
[TC]	TOTAL COMPONENT UNITS:	$ 126,221	$ -	$ -

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

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

Net (Expense) Revenue and Changes in Net Position			
6	7	8	9
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	Component Unit
$ (35,037,982)	$ -	$ (35,037,982)	$ -
(654,270)	-	(654,270)	-
(1,765,150)	-	(1,765,150)	-
(120,339)	-	(120,339)	-
(4,588,606)	-	(4,588,606)	-
(1,298,792)	-	(1,298,792)	-
(562)	-	(562)	-
(522,231)	-	(522,231)	-
(222,253)	-	(222,253)	-
291,889	-	291,889	-
(2,606,245)	-	(2,606,245)	-
(3,104,701)	-	(3,104,701)	-
(6,425,829)	-	(6,425,829)	-
(925,316)	-	(925,316)	-
(142,764)	-	(142,764)	-
(545,818)	-	(545,818)	-
(2,985,154)	-	(2,985,154)	-
(2,250)	-	(2,250)	-
(552,039)	-	(552,039)	-
(393,149)	-	(393,149)	-
(61,601,562)	-	(61,601,562)	-
-	16,004	16,004	-
-	53,271	53,271	-
-	2,260	2,260	-
-	(1,896)	(1,896)	-
-	69,639	69,639	-
(61,601,562)	69,639	(61,531,923)	-
-	-	-	(126,221)
-	-	-	(126,221)
22,409,170	-	22,409,170	-
4,865,257	-	4,865,257	-
33,586,388	-	33,586,388	-
150,804	-	150,804	8,296
746,983	-	746,983	98,020
61,758,602	-	61,758,602	106,316
157,040	69,639	226,679	(19,905)
43,720,834	1,070,489	44,791,323	514,017
$ 43,877,874	$ 1,140,128	$ 45,018,002	$ 494,112

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Fund Financial Statements

TEXARKANA INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

Data Control Codes		10 General Fund	20 Child Nutrition	60 Capital Projects
	ASSETS			
1110	Cash and Cash Equivalents	$ 5,787,882	$ 2,887,570	$ 1,352,159
1120	Investments - Current	8,300,067	-	-
1210	Property Taxes - Current	1,883,641	-	-
1230	Allowance for Uncollectible Taxes (Credit)	(597,241)	-	-
1240	Receivables from Other Governments	9,792,036	21,000	-
1260	Due from Other Funds	1,624,810	-	-
1300	Inventories	27,754	86,416	-
1000	Total Assets	$ 26,818,949	$ 2,994,986	$ 1,352,159
	LIABILITIES			
2110	Accounts Payable	$ 438,391	$ 383,269	$ 111,832
2150	Payroll Deductions and Withholdings Payable	355,932	10,803	-
2160	Accrued Wages Payable	4,277,506	104,268	-
2170	Due to Other Funds	1,890,565	-	1,511
2180	Due to Other Governments	2,754,147	-	-
2300	Unearned Revenues	-	-	-
2000	Total Liabilities	9,716,541	498,340	113,343
	DEFERRED INFLOWS OF RESOURCES			
2601	Unavailable Revenue - Property Taxes	890,469	-	-
2600	Total Deferred Inflows of Resources	890,469	-	-
	FUND BALANCES			
	Nonspendable Fund Balance:			
3410	Inventories	27,754	86,416	-
	Restricted Fund Balance:			
3480	Retirement of Long-Term Debt	-	-	-
	Committed Fund Balance:			
3510	Construction	8,000,000	1,500,000	1,238,816
3600	Unassigned Fund Balance	8,184,185	910,230	-
3000	Total Fund Balances	16,211,939	2,496,646	1,238,816
4000	Total Liabilities, Deferred Inflows & Fund Balances	$ 26,818,949	$ 2,994,986	$ 1,352,159

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

	Other Funds	Total Governmental Funds
	$ (352,196)	$ 9,675,415
	1,694,895	9,994,962
	348,522	2,232,163
	(88,943)	(686,184)
	1,655,874	11,468,910
	310,615	1,935,425
	-	114,170
	$ 3,568,767	$ 34,734,861
	$ 92,017	$ 1,025,509
	70,186	436,921
	583,492	4,965,266
	-	1,892,076
	277,751	3,031,898
	149,791	149,791
	1,173,237	11,501,461
	173,811	1,064,280
	173,811	1,064,280
	-	114,170
	2,221,719	2,221,719
	-	10,738,816
	-	9,094,415
	2,221,719	22,169,120
	$ 3,568,767	$ 34,734,861

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TEXARKANA INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2017

	Total Fund Balances - Governmental Funds	$	22,169,120
1	The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.		-
2	Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was $161,771,108 and the accumulated depreciation was ($67,750,862). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position. Note: Beginning Balances related to TRS are NOT included in this amount.		26,449,461
3	Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2017 capital outlays and debt principal payments is to decrease net position.		9,686,257
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. At the beginning of the year, the net position related to TRS was a Deferred Resource Outflow in the amount of $8,980,677, a Deferred Resource Inflow in the amount of $3,041,108 and a net pension liability in the amount of $15,957,556. The impact of this on Net Position is (10,017,987). Changes from the current year reporting of the TRS plan resulted in a decrease in net position in the amount of ($1,056,693). The combination of the beginning of the year amounts and the changes during the year resulted in a difference between the ending fund balance and the ending net position in the amount of ($11,074,680) .		(11,074,680)
5	The 2017 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(4,416,564)
6	Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue. The net effect of these reclassifications and recognitions is to increase net position.		1,064,280
19	**Net Position of Governmental Activities**	$	43,877,874

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

TEXARKANA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

Data Control Codes		10 General Fund	20 Child Nutrition	60 Capital Projects
	REVENUES:			
5700	Total Local and Intermediate Sources	$ 23,760,069	$ 950,900	$ 23,225
5800	State Program Revenues	33,946,655	64,898	-
5900	Federal Program Revenues	1,207,761	5,248,298	-
5020	Total Revenues	58,914,485	6,264,096	23,225
	EXPENDITURES:			
	Current:			
0011	Instruction	33,380,201	-	133,524
0012	Instructional Resources and Media Services	391,784	-	232,158
0013	Curriculum and Instructional Staff Development	1,818,286	-	-
0021	Instructional Leadership	122,671	-	-
0023	School Leadership	4,743,067	-	-
0031	Guidance, Counseling and Evaluation Services	1,311,471	-	-
0032	Social Work Services	-	-	-
0033	Health Services	347,958	-	-
0034	Student (Pupil) Transportation	145,076	-	-
0035	Food Services	-	5,967,686	-
0036	Extracurricular Activities	2,924,877	-	-
0041	General Administration	3,000,789	-	-
0051	Facilities Maintenance and Operations	6,968,854	-	17,012
0052	Security and Monitoring Services	941,428	-	-
0053	Data Processing Services	445,549	-	-
0061	Community Services	39,760	-	-
	Debt Service:			
0071	Principal on Long Term Debt	-	-	-
0072	Interest on Long Term Debt	-	-	-
0073	Bond Issuance Cost and Fees	-	-	-
	Capital Outlay:			
0081	Facilities Acquisition and Construction	-	-	4,455,991
	Intergovernmental:			
0093	Payments to Fiscal Agent/Member Districts of SSA	552,039	-	-
0099	Other Intergovernmental Charges	393,149	-	-
6030	Total Expenditures	57,526,959	5,967,686	4,838,685
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	1,387,526	296,410	(4,815,460)
	OTHER FINANCING SOURCES (USES):			
7915	Transfers In	884,199	-	300,000
8911	Transfers Out (Use)	(1,934,199)	-	(550,000)
7080	Total Other Financing Sources (Uses)	(1,050,000)	-	(250,000)
1200	Net Change in Fund Balances	337,526	296,410	(5,065,460)
0100	Fund Balance - July 1 (Beginning)	15,874,413	2,200,236	6,304,276
3000	Fund Balance - June 30 (Ending)	$ 16,211,939	$ 2,496,646	$ 1,238,816

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

Other Funds	Total Governmental Funds
$ 5,400,292	$ 30,134,486
1,738,517	35,750,070
4,867,811	11,323,870
12,006,620	77,208,426
4,604,539	38,118,264
41,454	665,396
54,861	1,873,147
22,910	145,581
194,239	4,937,306
552,985	1,864,456
10,658	10,658
-	347,958
-	145,076
-	5,967,686
-	2,924,877
-	3,000,789
-	6,985,866
-	941,428
-	445,549
756,852	796,612
5,186,141	5,186,141
1,713,081	1,713,081
2,250	2,250
-	4,455,991
-	552,039
-	393,149
13,139,970	81,473,300
(1,133,350)	(4,264,874)
1,300,000	2,484,199
-	(2,484,199)
1,300,000	-
166,650	(4,264,874)
2,055,069	26,433,994
$ 2,221,719	$ 22,169,120

TEXARKANA 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 JUNE 30, 2017

Total Net Change in Fund Balances - Governmental Funds	$	(4,264,874)
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net position.		-
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2017 capital outlays and debt principal payments is to increase net position.		9,686,257
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(4,416,564)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue and adjusting current year revenue to show the revenue earned from the current year's tax levy. The net effect of these reclassifications and recognitions is to increase net position.		208,914
Current year changes due to GASB 68 increased revenues in the amount of $328,594 but also increased expenditures in the amount of $1,385,287. The net effect on the change in the ending net position was a decrease in the amount of $1,056,693.		(1,056,693)
Change in Net Position of Governmental Activities	$	157,040

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

Proprietary Fund Financial Statements

EXHIBIT D-1

TEXARKANA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	Business-Type Activities
	Total Enterprise Funds
ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 1,116,377
Inventories	240
Total Current Assets	1,116,617
Noncurrent Assets:	
Capital Assets:	
Buildings and Improvements	9,200
Depreciation on Buildings	(7,630)
Furniture and Equipment	242,435
Depreciation on Furniture and Equipment	(217,158)
Total Noncurrent Assets	26,847
Total Assets	1,143,464
LIABILITIES	
Current Liabilities:	
Accounts Payable	3,211
Due to Other Governments	125
Total Liabilities	3,336
NET POSITION	
Unrestricted Net Position	1,140,128
Total Net Position	$ 1,140,128

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

EXHIBIT D-2

TEXARKANA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Business-Type Activities Total Enterprise Funds
OPERATING REVENUES:	
Local and Intermediate Sources	$ 418,166
Total Operating Revenues	418,166
OPERATING EXPENSES:	
Payroll Costs	71,230
Professional and Contracted Services	2,796
Supplies and Materials	266,162
Other Operating Costs	1,276
Depreciation Expense	7,064
Total Operating Expenses	348,528
Operating Income	69,638
Total Net Position - July 1 (Beginning)	1,070,490
Total Net Position - June 30 (Ending)	$ 1,140,128

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

TEXARKANA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Business-Type Activities Total Enterprise Funds
Cash Flows from Operating Activities:	
Cash Received from User Charges	$ 416,789
Cash Payments to Employees for Services	(71,507)
Cash Payments for Suppliers	(274,367)
Net Cash Provided by Operating Activities	70,915
Cash Flows from Capital & Related Financing Activities:	
Acquisition of Capital Assets	(20,178)
Net Increase in Cash and Cash Equivalents	50,737
Cash and Cash Equivalents at Beginning of Year	1,065,640
Cash and Cash Equivalents at End of Year	$ 1,116,377
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income:	$ 69,638
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	7,064
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Receivables	(1,378)
Increase (decrease) in Accounts Payable	(4,132)
Increase (decrease) in Accrued Wages Payable	(277)
Net Cash Provided by Operating Activities	$ 70,915

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

Fiduciary Fund Financial Statements

TEXARKANA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	$ 152,019	$ 495,355
Investments - Current	-	161,914
Total Assets	152,019	$ 657,269
LIABILITIES		
Accounts Payable	278	$ 12,521
Due to Other Funds	-	43,349
Due to Student Groups	-	274,374
Payable from Restricted Assets	126,885	327,025
Total Liabilities	127,163	$ 657,269
NET POSITION		
Unrestricted Net Position	24,857	
Total Net Position	$ 24,857	

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

EXHIBIT E-2

TEXARKANA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Private Purpose Trust Funds
ADDITIONS:	
Local and Intermediate Sources	$ 5,696
Total Additions	5,696
DEDUCTIONS:	
Other Operating Costs	4,000
Total Deductions	4,000
Change in Net Position	1,696
Total Net Position - July 1 (Beginning)	23,161
Total Net Position - June 30 (Ending)	$ 24,857

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

Notes to the Financial Statements

A. Summary of Significant Accounting Policies

Texarkana Independent School District (the "District") is a public education agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles in the United States of America (U.S. GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (FAR) and the requirements of contracts and grants of agencies from whom it receives funds.

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

1. Reporting Entity

The Board of Trustees (the "Board") is elected by the public, has the authority to make decisions, appoint administrators and managers, can significantly influence operations and has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity". There is one component unit included within the reporting entity.

Discretely Presented Component Unit

Texarkana Public Schools Foundation, Inc. (the Foundation), a not-for-profit organization operated by an independent board of directors, is organized to provide assistance, development and maintenance of charitable, educational, or scientific programs or activities for the District. The Foundation is included as a component unit in the District's government wide financial statements. As a not-for-profit organization, the Foundation is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and is not classified as a private foundation. The Foundation issues separate financial statements which are available for review at the District's business office.

2. Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Texarkana Independent School District nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

A. Summary of Significant Accounting Policies (Continued)

2. Government-Wide and Fund Financial Statements (Continued)

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

Interfund activities between governmental funds and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position. All interfund transactions are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as interfund transfers. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities. All interfund balances and activity is a result of interfund clearing of transactions through a common bank account or reclassification of costs between funds.

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

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

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

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

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

A. Summary of Significant Accounting Policies (Continued)

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

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

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

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

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net positions, and unrestricted net position.

4. Fund Accounting

The District reports the following major governmental funds:

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

b. **Child Nutrition Special Revenue Fund** – The District accounts for resources restricted or designated for, a specific purpose by the District or grantor in a special revenue fund. Most Federal and some State financial assistance are accounted for in the special revenue funds.

c. **Capital Projects Funds –** The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

A. Summary of Significant Accounting Policies (Continued)

4. Fund Accounting (Continued)

Additionally, the District reports the following fund types:

Governmental Funds:

a. **Special Revenue Funds** – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance are accounted for in the Special Revenue Funds. Unused balances are subject to being returned to the grantor at the close of the specified project period.

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

c. **Permanent Funds –** The District accounts for donations for which the donor has stipulated that the principal may not be expended and where the income may only be used for purposes that support the District's programs. The District has no Permanent Funds.

Proprietary Funds:

a. **Enterprise Funds –** The District's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund. The District's Enterprise Funds are the Food Service, Public Relations, School Improvement, Police Department, Texas A&M Food, Print Shop, Texarkana College, and St. James Food Service Funds. All operations of the enterprise funds are classified as operating activities.

Fiduciary Funds:

a. **Private Purpose Trust Funds –** The District accounts for 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 as private purpose trust funds. The District's Private Purpose Trust Funds are campus VIP funds and scholarship funds.

b. **Agency Funds –** The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Funds are the foundation fund and activity funds.

A. Summary of Significant Accounting Policies (Continued)

5. Other Accounting Policies

a. For purposes of the statement of cash flows for proprietary and similar fund-types, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

b. The consumption method is used to account for inventories of food products, school supplies and athletic equipment. Under this method, these items are carried in an inventory account of the respective fund at cost, using the first-in, first-out method of accounting, and are subsequently charged to expenditures when consumed. In the General Fund, inventories are offset by a fund balance reserve indicating that they are unavailable as current expendable financial resources. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.

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

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

d. Although the District's policy allows some employees to accumulate earned but unused vacation and sick pay benefits, there is no recorded liability since these benefits will not require a cash outlay.

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

   The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

A. Summary of Significant Accounting Policies (Continued)

5. Other Accounting Policies (Continued)

Buildings, furniture and other equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	40
Building Improvements	15
Vehicles	5
Office Equipment	5
Computer Equipment	5

f. When the District incurs an expense for which it may use either restricted or unassigned assets, restricted assets are utilized first unless there are unassigned assets which must be returned if unused.

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

6. Budgetary Data

Formal budgetary accounting is employed for all required Governmental Fund Types, as outlined in FAR, and is prepared on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

The official school budget is prepared for adoption for required Governmental Fund Types prior to June 27, of the preceding fiscal year for the subsequent fiscal year beginning July 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given. The approved budget is filed with the Texas Education Agency through the Public Education Information System.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Debt Service Fund and the Food Service Special Revenue Fund. The remaining special revenue funds and the Capital Projects Fund adopt project-length budgets which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles. The budget was amended throughout the year by the Board of Trustees. Such amendments are before the fact and are reflected in the official minutes of the Board. During the year, several amendments were necessary.

A. Summary of Significant Accounting Policies (Continued)

6. Budgetary Data (Continued)

A reconciliation of fund balances at June 30, 2017, for both budgeted and unbudgeted special revenue funds is as follows:

Budgeted Funds - Food Service Special Revenue Fund	$	2,496,646
Unbudgeted Funds		-
All Special Revenue Funds	$	2,496,646

7. Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at June 30, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. As of June 30, 2017, the District had no outstanding encumbrances.

8. Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenditures. Actual results could differ from those estimates.

9. Fund Equity

Unassigned fund equity for governmental funds indicates available amounts for the budgeting of future operations. The committed fund equity for governmental funds indicates committed funds that have been earmarked by Board Resolution for specific purposes and are therefore not available for general expenditures to be appropriated in the following period unless amended by future board action. Restricted fund balance is that portion of fund equity which is not available for appropriation or which has been legally separated for specific purposes. As of June 30, 2017, the nonspendable fund balance include $27,754 for inventories in the general fund and $86,416 for inventories in the child nutrition program in the Special Revenue Fund. The Debt Service Fund has restricted a total of $2,221,719 for retirement of funded indebtedness as of June 30, 2017. Amounts totaling $8,000,000, $1,238,816, and $1,500,000 have been committed for authorized construction programs in the General Fund, Capital Projects Fund, and Food Service Fund, respectively.

10. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2017, the District purchased commercial insurance to cover general liabilities. There were no significant reductions to coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

B. Reconciliation of Government-Wide and Fund Financial Statements

1. Explanation of Certain Differences Between The Governmental Fund Balance Sheet and The Government-Wide Statement of Net Position

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in the governmental funds. In addition, long-term liabilities, including bonds payable, notes payable, and accrued interest, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

Capital Assets At the Beginning of the Year	Historic Cost	Accumulated Depreciation	Net Value at the Beginning of the Year	Change in Net Position
Land	$ 5,827,840	$ -	$ 5,827,840	
Buildings	127,125,256	53,346,379	73,778,877	
Furniture and Equipment	9,823,189	8,405,596	1,417,593	
Construction in Progress	24,994,822	-	24,994,822	
Change in Net Assets				$ 106,019,133

Long-term Liabilities At the Beginning of the Year	Payable at the Beginning of the Year	
Bonds Payable and Accretion on Capital Appreciation Bonds	$ (56,393,124)	
Notes Payable	(11,286,740)	
Accrued Interest on Notes and Bonds	(826,256)	
Premium and Discount on Issuance of Bonds	(13,468,200)	
Deferred Gain/Loss on Refunding	2,404,648	
Change in Net Position		$ (79,569,672)
Net Adjustment to Net Position		$ 26,449,461

B. Reconciliation of Government-Wide and Fund Financial Statements

1. Explanation of Certain Differences Between The Governmental Fund Balance Sheet and The Government-Wide Statement of Net Position (Continued)

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that the District's proportionate share of the net pension liability, deferred outflows, and deferred inflows of resources as required by GASB 68 were as follows:

	Adjustment to Net Position	Adjustment to Changes in Net Position	Ending Impact on Net Position
Net Pension Liability	(15,957,556)	(132,681)	(16,090,237)
Deferred Inflow	(3,041,108)	199,471	(2,841,637)
Deferred Outflow	8,980,677	(1,123,483)	7,857,194
Net Adjustment to Net Position	(10,017,987)	(1,056,693)	(11,074,680)

2. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and the Government-Wide Statement of Activities

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net assets of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlay and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. The adjustment affects both the net position balance and the change in net position. The details of this adjustment are as follows:

Current Year Capital Outlay	Amount	Adjustments to Changes in Net Position	Adjustments to Net Position
Land	$ 5,322		
Buildings & Improvements	27,993,101		
Furniture & Equipment	1,547,643		
Construction in Progress	(23,744,537)		
Total Capital Outlay	$ 5,801,529	$ 5,801,529	$ 5,801,529
Debt and Principal Payments			
Bond Principal	$ 3,265,846		
Loan Principal	1,173,885		
Total Principal Payments	$ 4,439,731	$ 4,439,731	$ 4,439,731
Other Items			
Loss on Disposal of Asset	$ (29,339)		
Change in Accrued Interest Payable	152,118		
Change in Bond Premium and Accretion:			
Deferred Amount on Refunding Bonds	(196,093)		
Accretion on Cap Appreciation	(795,158)		
Premium on Bonds	313,469		
Total Other Items	$ (555,003)	$ (555,003)	$ (555,003)
Total Adjustment to Net Position		$ 9,686,257	$ 9,686,257

B. Reconciliation of Government-Wide and Fund Financial Statements (Continued)

2. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and the Government-Wide Statement of Activities *(Continued)*

Another element of the reconciliation on Exhibit C-2 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. The adjustment is the result of several items. The details for this element are as follows:

Adjustments to Revenue and Deferred Revenue	Amount	Adjustments to Change in Net Position	Adjustments to Net Position
Taxes Collected from Prior Year Levies	(931,718)	$ (931,718)	$ -
Uncollected Taxes (assumed collectible)	650,498	650,498	650,498
PY Uncollected Taxes (assumed collectible)	413,782	413,782	413,782
PY Tax Collections	76,352	76,352	-
Total Changes		$ 208,914	$ 1,064,280

C. Bonds

Bonded indebtedness of the District is reflected in the General Long-Term Debt Account Group, and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. Proceeds of long-term issues are reflected as "Other Resources" in the operating statement of the recipient fund. All bonds authorized in prior years have been issued.

On August 8, 2007, the District issued Unlimited School Building Bonds, Series 2007. Total issue was $26,082,000 with yields ranging from 3.75% to 5.22%. During the year ended June 30, 2015, these bonds were partially defeased with the Unlimited Tax School Building & Refunding bonds – Series 2015. As of June 30, 2017, $917,461 of the bonds are outstanding.

On November 18, 2010, the District issued Unlimited Tax Refunding Bonds, Series 2010 to refund $5,070,000 of the Unlimited Tax School Building Bonds, Series 2002. The refunding bonds issued provided the District with a net present value cash flow savings of $644,690. As of June 30, 2017, $2,820,000 of the bonds are outstanding.

On November 18, 2014, the District issued Unlimited Tax Refunding Bonds, Series 2014 to refund $7,799,500 of the Unlimited Tax Refunding Bonds, Series 2005. The refunding bonds issued provided the District with a net present value cash flow savings of $1,021,137 and an economic gain of $970,302. As of June 30, 2017, $4,845,000 of the bonds are outstanding.

On March 18, 2015, the District issued Unlimited Tax School Building & Refunding Bonds, Series 2015 to refund $15,781,155 of the Unlimited Tax School Building Bonds, Series 2007. The total issue was $42,930,000, $27,150,000 for School Building and $15,780,000 for refunding. The refunding bonds issued provided the District with a net present value cash flow savings of $3,460,000 and an economic gain of $2,804,431. As of June 30, 2017, $42,360,000 of the bonds are outstanding.

C. Bonds (Continued)

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

Debt Service requirements are as follows:

Description	Interest Rate Payable	Original Issued	Outstanding 6/30/2016	Issued	Retired	Outstanding 6/30/2017
Unlimited Tax School Building	3.75%					
Bonds - Series 2007	5.22%	26,082,000	2,298,307	-	1,380,846	917,461
Unlimited Tax Refunding	2.00%					
Bonds - Series 2010	4.00%	5,070,000	3,215,000	-	395,000	2,820,000
Unlimited Tax Refunding	1.50%					
Bonds - Series 2014	3.00%	7,590,000	6,050,000	-	1,205,000	4,845,000
Unlimited Tax School Building &	2.00%					
Refunding Bonds - Series 2015	5.00%	42,930,000	42,645,000	-	285,000	42,360,000
Totals			$ 54,208,307	$ -	$ 3,265,846	$ 50,942,461

Years Ending June 30,	Principal	Interest	Total
2018	4,025,000	1,732,563	5,757,563
2019	3,965,000	1,787,413	5,752,413
2020	3,920,000	1,842,131	5,762,131
2021	3,390,000	1,921,275	5,311,275
2022-2026	12,610,000	13,861,775	26,471,775
2027-2031	8,147,461	12,280,739	20,428,200
2032-2036	8,595,000	2,905,000	11,500,000
2037-2040	6,290,000	639,250	6,929,250
Total Bonded Debt	$ 50,942,461	$ 36,970,146	$ 87,912,607

There was $2,130,191 in bond interest expense paid for the year.

D. Capital Asset Activity

Capital Asset Activity for the District for the year ended June 30, 2017, was as follows:

	Primary Government				
	Balance 6/30/2016	Additions	Transfer	Reductions	Balance 6/30/2017
Governmental Activities:					
Land	$ 5,827,840	$ 5,322	$ -	$ -	$ 5,833,162
Building and Improvements	127,125,256	2,998,278	24,994,822	-	155,118,356
Furniture and Equipment	9,823,190	1,547,643		(424,138)	10,946,695
Construction in Progress	24,994,822	1,250,285	(24,994,822)	-	1,250,285
Totals at Historical Cost	167,771,108	5,801,528	-	(424,138)	173,148,498
Less Accumulated Depreciation					
Buildings and Improvements	53,346,379	3,739,494	-	-	57,085,873
Furniture and Equipment	8,405,596	677,070	-	(394,799)	8,687,867
Total Accumulated Depreciation	61,751,975	4,416,564	-	(394,799)	65,773,740
Governmental Activities Capital Assets, Net	$ 106,019,133	$ 1,384,964	$ -	$ (29,339)	$ 107,374,758

	Balance 6/30/2016	Additions	Transfer	Reductions	Balance 6/30/2017
Business-type Activities:					
Building and Improvements	$ 9,200	$ -	$ -	$ -	$ 9,200
Furniture and Equipment	222,963	19,472	-	-	242,435
Totals at Historical Cost	232,163	19,472	-	-	251,635
Less Accumulated Depreciation					
Buildings and Improvements	6,925	705	-	-	7,630
Furniture and Equipment	211,505	5,653	-	-	217,158
Total Accumulated Depreciation	218,430	6,358	-	-	224,788
Business-type Activities Capital Assets, Net	$ 13,733	$ 13,114	$ -	$ -	$ 26,847

D. Capital Asset Activity (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction	$ 3,539,674
Intructional Resource & Media Services	36,674
Curriculum & Instrustional Staff Development	3,950
Health Services	186,975
Student Transportation	81,812
Food Services	336,242
General Administration	174,250
Plant Maintenance and Operations	39,496
Security and Monitoring Services	17,491
Total Depreciation	$ 4,416,564

The District's policy is to capitalize and depreciate those items with a value of $5,000 or greater. Accordingly, all capital assets with a cost of less than $5,000 are expensed.

E. Changes in Long-term Liabilities

Long-term activity for the year ending June 30, 2017 was as follows:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds and Notes Payable					
General Obligation Bonds	$ 54,208,307	$ -	$ 3,265,846	$ 50,942,461	$ 4,025,000
Accretion on Capital Appreciation Bonds	2,184,817	795,158	-	2,979,975	-
Bond Premium	13,468,200	-	313,469	13,154,731	-
Maintenance Notes	11,291,166	-	1,178,311	10,112,855	1,202,477
Total Governmental Activities Long-term Liabilities	$ 81,152,490	$ 795,158	$ 4,757,626	$ 77,190,022	$ 5,227,477

F. General Fund Federal Source Revenues

Indirect cost revenues were determined by applying approved indirect cost rates to actual applicable expenditures of federally-funded grant programs.

Program or Source	CFDA Number	Amount	Total Grant or Entitlement
NAI Medicaid	N/A	$ 911,577	$ 911,577
La Porte Medicaid	N/A	15,114	15,114
E-Rate	N/A	153,919	153,919
Indirect Costs:			
ESEA, Title I, Part A	84.010	69,334	69,334
ESEA, Title I, Priority	84.010	5,053	5,053
Title VI, IDEA-B, Formula	84.027	38,413	38,413
Title VI, IDEA-B, Preschool	84.173	712	712
Carl D. Perkins Basic	84.048	2,897	2,897
ESEA, Title II Part A	84.367	9,852	9,852
Title III, LEP Program	84.365	889	889
Total		$ 1,207,761	$ 1,207,761

G. Property Taxes

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll on January 1, 2016, upon which the levy for the 2016-2017 fiscal year was based, was $1,974,870,987. Delinquent taxes are subject to both penalty and interest charges plus delinquent collection fees for attorney costs.

The tax rates assessed for the year ended June 30, 2017, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were $1.170 and $.255 per $100 valuation, for a total of $1.43 per $100 valuation.

Total tax collections for the year ended June 30, 2017, were 99% of the current year adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting 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. As of June 30, 2017, property taxes receivable, net of estimated uncollectible taxes, totaled $1,286,400 and $259,579 for the General and Debt Service Funds, respectively.

H. Pension Plan Obligations

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.tx.us/about/documents/ cafr.pdf#CAFR; by writing to TRS at 1000 Red River Street, Austin, TX 78791-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2016 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan Fiduciary net position as of August 31, 2016.

Net Pension Liability	Total
Total Pension Liability	$ 171,797,150,487
Less: Plan Fiduciary Net Position	(134,008,637,473)
Net Pension Liability	$ 37,788,513,014
Net Position as percentage of Total Pension Liability	78.00%

H. Pension Plan Obligations (Continued)

Benefits Provided – TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 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 through 2017. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

Contribution Rates

	2016	2017
Member	7.20%	7.70%
Non-Employer Contributing Entity (State)	6.80%	6.80%
Employers	6.80%	6.80%

Texarkana 2016 Employer Contributions	$	1,352,865
Texarkana 2016 Member Contributions	$	3,006,573
Texarkana 2016 NECE On-Behalf Contributions	$	2,078,485

H. Pension Plan Obligations (Continued)

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 a 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 TRS the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a 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 assumption:

Valuation Date	August 31, 2016
Actuarial Cost method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases Including Inflation	3.50% to 9.50%
Payroll Growth Rate	2.50%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

H. Pension Plan Obligations (Continued)

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 on the following page:

H. Pension Plan Obligations (Continued)

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%)
TISD's proportionate share of the net pension liability:	$24,902,267	$16,090,237	$8,615,855

H. Pension Plan Obligations (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the District reported a liability of $16,090,237 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	$ 16,090,237
State's proportionate share that is associated with the District	24,671,300
Total	$ 40,761,537

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 .0425797% which was a decrease of .0025636% from its proportion measured as of August 31, 2015.

Per the Actuarial Valuation Report for the year ending August 31, 2016, there have been no changes in the actuarial assumptions or methods since the Prior Actuarial Valuation – The following are the actuarial assumptions of other inputs that affected measurement of the total pension liability for the current measurement period:

Economic Assumptions:

1. The inflation remained unchanged at 2.5%
2. The ultimate merit assumption for long-service employees remained unchanged at 1.00%.
3. In accordance with the observed experience, there were no adjustments in the service-based promotional/longevity component of the salary scale.
4. The payroll growth assumption remained unchanged at 2.50%.

Mortality Assumptions:

5. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
6. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
7. The pre-retirement mortality tables for active employees stayed flat at 90% of the recently published RP-2014 mortality table for active employees.

H. Pension Plan Obligations (Continued)

Other Demographic Assumptions

8. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
9. There were no adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns remained unchanged to reflect the rehire assumption. The timing of the termination decrement also remained unchanged to reflect the beginning to match the actual pattern in the data.
10. No adjustments were made to the retirement patterns for members consistent with experience and future expectations.
11. No adjustments to the disability patterns were made for members consistent with experience and future expectations.
12. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

Actuarial Methods and Policies

13. The method of using celled data in the valuation process remained unchanged using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

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

For the year ended August 31, 2016, the District recognized pension expense of $2,560,293 and revenue of $2,560,293 for support provided by the state.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 252,292	$ 480,445
Changes in actuarial assumptions	490,402	446,000
Difference between projected and actual investment earnings	3,100,611	1,738,123
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,820,577	177,069
Contributions paid to TRS subsequent to the measurement date	1,193,312	-
Total	$ 7,857,194	$ 2,841,637

H. Pension Plan Obligations (Continued)

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 June 30:	Pension Expense Amount
2017	$ 670,859
2018	670,859
2019	1,539,920
2020	604,087
2021	341,876
2022	(5,356)
Thereafter	-

I. Deposits and Investments

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits – State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with FDIC insurance or pledged securities, as approved by the School Depository Act, with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be pledged in the name of the governmental entity and held by the entity or its agent. At June 30, 2017, the District and the component unit's deposits were covered by FDIC insurance or pledged securities held by the depository's agent for the benefit of the District.

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

The *Public Funds Investment Act* (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

I. Deposits and Investments (Continued)

Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investments pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to the investment practices as provided by the Act. Texarkana Independent School District is in substantial compliance with the requirements of the Act and with local policies.

FASB Accounting Standards Codification Subtopic 820-10 requires that investments in financial and nonfinancial assets be reported in a hierarchy which includes the following three different levels:

Level I: Assets are based on quoted prices or unadjusted quoted prices in active markets for identical assets or liabilities that the District has the ability to access at the District's year end.

Level II: Assets are based on other than quoted prices or adjusted quoted prices of similar assets or liabilities in markets that are not active.

Level III: Assets are based on unobservable inputs and which shall reflect the District's own assumptions about the asset or liabilities.

The fair value hierarchy gives the highest priority to Level I assets and the lowest priority to Level III assets. As of June 30, 2017, Texarkana Independent School District and its component unit had the following investments:

	Governmental & Agency Funds		Component Unit	
Level I Investments	**Fair Value**	**Carrying Value**	**Fair Value**	**Carrying Value**
Stocks (Agency Funds)	$ 116,203	$ 116,203	$ -	$ -
Mutual Funds (Agency Funds)	45,711	45,711	-	-
Total Level I Investments	161,914	161,914	-	-
Level II Investments				
First Public Investment Pool	4,996,211	4,996,211	-	-
Bank Held Investments	4,998,751	4,998,751	272,549	272,549
Total Level II Investments	9,994,962	9,994,962	272,549	272,549
Investments measured at NAV	-	-	75,721	75,721
Total Investments	$ 10,156,876	$ 10,156,876	$ 348,270	$ 348,270

The bank held investments listed above include the following:

	District	Component Unit
Certificates of Deposit	$ 4,973,465	$ 272,549
Money Market Accounts	25,286	-
Total Bank Held Investments	$ 4,998,751	$ 272,549

I. Deposits and Investments (Continued)

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

Credit Risk-To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments in obligations of the United States or its agencies, certificates of deposit, repurchase agreements, banker's acceptances, commercial paper, money market mutual funds, guaranteed investment contracts, and public funds investment pools.

Custodial Credit Risk for Investments-To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the District and hand them over to the District or its designated agent. This includes securities in securities lending transactions. All of the securities are in the District's name and held by the depository's agent.

Concentration of Credit Risk-To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District limits investments to less than 5% of its total investments. The District further limits investments in a single issuer when they would cause investment risks to be significantly greater in the governmental and business-type activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government. Usually this limitation is 20%.

Interest Rate Risk-To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires any internally created pool fund group shall have a maximum dollar weighted maturity of 180 days. The maximum allowable stated maturity of any other individual investment owned by the District shall not exceed one year from the time of purchase. The Board may specifically authorize a longer maturity for a given investment, within legal limits. The District's investment portfolio shall have sufficient liquidity to meet anticipated cash flow requirements.

Lone Star - The Lone Star Investment Pool (Lone Star) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. Lone Star is managed by an 11-member Board of Trustees and pursuant to the Investment Agreement, the Board is authorized and directed to adopt and maintain bylaws consistent with the bylaws of the Texas School Cash Management Program. Pursuant to Section 2256.016(g) of the Public Funds Investment Act, Lone Star has established an Advisory Board. The purpose of the Advisory Board is to gather and exchange information from participants and non-participants relating to Lone Star's operations. The Board has entered into an agreement with the Texas Association of School Boards (TASB), a Texas nonprofit corporation, pursuant to which TASB serves as administrator of the Lone Star's operations. Standard & Poor's rates money market funds and has rated Lone Star as AAA. The net asset value of the District's investment in Lone Star approximates fair value.

J. Investment in Beneficial Interest in the Arkansas Community Foundation

In a prior year, the component unit (Foundation) transferred funds to the Arkansas Community Foundation (ACF), which is a permanently restricted endowment fund for which only the earnings on the investments can be distributed at the discretion of the ACF.

J. Investment in Beneficial Interest in the Arkansas Community Foundation (Continued)

The beneficial interests in the ACF are recorded at the net asset value of the underlying assets which include but are not limited to common stocks, mutual funds, government bonds, corporate bonds, mortgage backed securities, fixed income funds, partnerships and cash. The net asset value is used as a practical expedient to estimate fair value.

This practical expedient would not be used if it is determined to be probable that the fund will sell the investment for an amount different from the net asset value. The Foundation's assets measured at the net asset value are not classified within the fair value hierarchy. See Note I.

The following table summarizes investments for which fair value is measured using the net asset value per share as a practical expedient as of June 30, 2017:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Arkansas Community Foundation	75,721	N/A	N/A	N/A

K. Depository Contract Law

Under Texas state law, a bank serving as the school depository must have a bond or in lieu thereof, deposited or pledged securities with the District or an independent third party agent, an amount equal to the highest daily balance of all deposits the District may have during the term of the depository contract, less any applicable FDIC insurance.

At June 30, 2017, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts) was $15,790,543 and the bank balance was $17,353,272. At year end, the District's cash deposits were covered by FDIC insurance or by pledged collateral held by the District's agent banks.

L. Due from Other Governments

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

All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

	State Entitlements	Federal & State Grants	Taxing Authority	Total
General Fund	$ 8,412,745	$ 341,593	$ 1,037,698	$ 9,792,036
Special Revenue Fund	-	1,676,874	-	1,676,874
Total	$ 8,412,745	$ 2,018,467	$ 1,037,698	$ 11,468,910

M. Interfund Receivables and Payables

Interfund balances at June 30, 2017, consisted of the following individual fund receivables and payables for the Governmental, Business Type and Trust and Agency Funds:

	Receivable	Payable
General Fund		
General Fund	$ 1,579,950	$ 1,579,950
Debt Service Fund	-	310,615
Capital Projects Fund	1,511	-
Trust & Agency Fund	43,349	-
Total General Fund	1,624,810	1,890,565
Debt Service Fund		
General Fund	310,615	-
Total Debt Service Fund	310,615	-
Capital Projects Fund		
General Fund	-	1,511
Total Capital Projects Fund	-	1,511
Trust and Agency		
General Fund	-	43,349
Total Trust and Agency	-	43,349
Grand Totals	$ 1,935,425	$ 1,935,425

N. Concentration of Credit Risks

The District's receivables consist primarily of amounts due from the State of Texas, the Federal Government and taxpayers within the District's taxing jurisdiction.

O. Accumulated Unpaid Vacation and Sick Leave Benefits

Upon retirement of certain employees, the District pays up to 30 days of local accumulated leave time at a maximum rate of $50 per day. Due to the indeterminate nature of the obligation, no accrual is included in the general purpose financial statements.

P. Health Care Coverage

As disclosed above, as of October 1, 2002, the District began participating in the State Insurance Program. In accordance with the new plan provisions, the District paid $242 in premiums on behalf of each employee. The remaining premiums were paid by the employees based upon the coverage elections.

Q. Loans

In 2006, the District obtained a loan for $1,300,000 under the Texas Education code, Section 45.108 also payable from maintenance tax collections.

In August of 2009, the District obtained an additional loan for $2,500,000 under the Texas Education Code, Section 45.108 also payable from maintenance tax collections.

In 2010, the District obtained a loan for $6,512,905 under the Texas Education code, Section 45.108 which is payable from maintenance tax collections. This note retired $3,212,905 of outstanding loans.

In 2011, the District obtained a loan for $7,797,730 under the Texas Education code, Section 45.108 which is payable from maintenance tax collections. This note retired $7,100,517 of outstanding loans.

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

Year Approved	Loan Purpose	Interest Rate	Total Loans Authorized	Amt Outstanding 6/30/2016	Borrowed	Retired	Amt Outstanding 6/30/2017
Payable from Debt Service Fund							
2012	Maintenance	2.96%	$ 7,797,730	$ 6,033,314	$ -	$ 473,555	$ 5,559,759
2010	Maintenance	2.95%	6,512,905	4,345,153	-	434,196	3,910,957
2009	Maintenance	3.57%	2,500,000	899,923	-	270,560	629,363
2006	Maintenance	3.99%	1,300,000	12,776	-	-	12,776
				$ 11,291,166	$ -	$ 1,178,311	$ 10,112,855

Interest expense for 2017 was $324,873.

Debt service requirements are as follows:

Year Ended June 30,	Debt Service Principal	Debt Service Interest	Total
2018	1,202,477	287,699	1,490,176
2019	1,227,468	249,701	1,477,169
2020	1,000,795	214,913	1,215,708
2021	967,186	185,593	1,152,779
2022 - 2026	5,085,417	483,414	5,568,831
2027	629,512	10,061	639,573
	$ 10,112,855	$ 1,431,381	$ 11,544,236

R. Workers' Compensation

On September 1, 2011, Texarkana ISD opted out of the self-funded workers' compensation program with other member school districts. The District's new coverage is with Texas Political Subdivisions for a fixed rate of $167,312 from September 1, 2016 thru August 31, 2017. The District is still responsible for past liabilities with Claims Administrative Services. The accrued liability for Claims Administrative Services self-insurance of $43,447 includes incurred but not reported claims. This liability reported in the fund as of June 30, 2017 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicated that it is probable that a liability has been incurred as of the date of the financial statements, and the amount of loss can be due to changes in legal doctrines, and damage awards. This process used in computing the liability does not result necessarily in an exact amount. The liability booked was the discounted estimate of the actuary at the mean funding level.

The following year by year exposure details the number of annual claims:

Fiscal Year	Claims
2006-2007	33
2007-2008	50
2008-2009	35
2009-2010	71
2010-2011	63
2011-2012	-
2012-2013	-
2013-2014	-
2014-2015	-
2015-2016	-
2016-2017	-
11 Year Average	23

Changes in the workers' compensation claims liability in fiscal years ended June 30, 2017 and 2016 are represented below:

	2017	2016
Beginning of Fiscal Year Liability	$ 51,896	$ 67,812
Current Year Claims and Changes	-	-
Claims Payments	(8,449)	(15,916)
End of Fiscal Year Liability	$ 43,447	$ 51,896

S. Deferred Inflows of Resources and Unearned Revenues

Deferred revenue of the individual funds of the District at June 30, 2017, consisted of the following:

	General Fund	Special Revenue	Debt Service	Total
Net Tax Revenue	$ 890,469	$ -	$ 173,811	$ 1,064,280
Text Book Allotment	-	67,684	-	67,684
High School Allotment	-	21,830	-	21,830
Public School CCS	-	60,277	-	60,277
	$ 890,469	$ 149,791	$ 173,811	$ 1,214,071

T. Medicare Prescription Drug, Improvement, and Modernization Act

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 Schools 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. These on behalf payments have been recorded as equal revenues and expenditures in the amount of $142,963, $172,565 and $179,283 for 2017, 2016, and 2015, respectively.

U. Revenues from Local and Intermediate Sources

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

	General	Special Revenue	Debt Service	Capital Projects	Total
Property Taxes	$22,228,816	-	$ 4,773,221	-	$27,002,037
Investment Income	114,517	-	13,499	22,788	150,804
Penalties & Interest	227,800	-	107,146	-	334,946
Tuition & Fees	118,582	506,231	-	-	624,813
Rent	56,107	-	-	-	56,107
Food Service	-	950,900	-	-	950,900
Athletic	125,221	-	-	-	125,221
Apple Donation	541,308	-	-	-	541,308
Intermediate	74,454	-	-	-	74,454
Insurance Recovery	4,284	-	-	-	4,284
Other	268,979	-	195	437	269,611
	$23,760,069	$1,457,131	$ 4,894,061	$ 23,225	$30,134,486

V. Interfund Transfers

Interfund transfers for the year ended June 30, 2017 are as follows:

Fund	Transfer In	Transfer Out
General Fund:	$ 884,199	$ 1,934,199
General Fund	884,199	1,934,199
Capital Project Funds:	300,000	550,000
Capital Project Funds	300,000	550,000
Debt Service Fund:	1,300,000	-
Debt Service Fund	1,300,000	-
Special Revenue Funds:	-	-
Special Revenue Funds	-	-
	$ 2,484,199	$ 2,484,199

W. Subsequent Events

Management has evaluated subsequent events through November 7, 2017, the date the financial statements were available for issue, and has determined that no subsequent events disclosures are necessary.

X. Contingent Liability

The District has maintained insurance coverage through the Texas Association of Public Schools Property and Liability Fund (TAPS) for a number of years. This cost-sharing risk pool arrangement did not have sufficient funds to meet its obligations for the 2015-2016 year resulting in an assessment of members. Since that assessment, TAPS has filed for bankruptcy protection which may result in an additional assessment of members to fund in any further losses. Any additional assessment of members, if any, cannot be reasonably estimated, but the District is of the opinion that it would not significantly impact operations.

Required Supplementary Information

TEXARKANA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 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	$ 22,668,285	$ 23,858,686	$ 23,760,069	$ (98,617)
5800	State Program Revenues	31,889,723	34,290,328	33,946,655	(343,673)
5900	Federal Program Revenues	1,000,000	1,375,000	1,207,761	(167,239)
5020	Total Revenues	55,558,008	59,524,014	58,914,485	(609,529)
	EXPENDITURES:				
	Current:				
0011	Instruction	32,143,385	34,221,575	33,380,201	841,374
0012	Instructional Resources and Media Services	393,542	428,596	391,784	36,812
0013	Curriculum and Instructional Staff Development	1,872,845	2,031,938	1,818,286	213,652
0021	Instructional Leadership	114,177	126,932	122,671	4,261
0023	School Leadership	4,474,014	4,875,201	4,743,067	132,134
0031	Guidance, Counseling and Evaluation Services	1,290,154	1,338,339	1,311,471	26,868
0033	Health Services	346,233	367,712	347,958	19,754
0034	Student (Pupil) Transportation	148,392	170,429	145,076	25,353
0036	Extracurricular Activities	2,174,748	3,189,298	2,924,877	264,421
0041	General Administration	2,909,612	3,140,212	3,000,789	139,423
0051	Facilities Maintenance and Operations	7,050,228	7,660,151	6,968,854	691,297
0052	Security and Monitoring Services	724,646	974,664	941,428	33,236
0053	Data Processing Services	162,000	487,000	445,549	41,451
0061	Community Services	35,100	45,224	39,760	5,464
	Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	550,000	555,000	552,039	2,961
0099	Other Intergovernmental Charges	396,000	396,000	393,149	2,851
6030	Total Expenditures	54,785,076	60,008,271	57,526,959	2,481,312
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	772,932	(484,257)	1,387,526	1,871,783
	OTHER FINANCING SOURCES (USES):				
7915	Transfers In	500,000	1,179,613	884,199	(295,414)
8911	Transfers Out (Use)	(1,655,493)	(1,955,493)	(1,934,199)	21,294
7080	Total Other Financing Sources (Uses)	(1,155,493)	(775,880)	(1,050,000)	(274,120)
1200	Net Change in Fund Balances	(382,561)	(1,260,137)	337,526	1,597,663
0100	Fund Balance - July 1 (Beginning)	15,874,413	15,874,413	15,874,413	-
3000	Fund Balance - June 30 (Ending)	$ 15,491,852	$ 14,614,276	$ 16,211,939	$ 1,597,663

EXHIBIT G-6

TEXARKANA INDEPENDENT SCHOOL DISTRICT

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

TEACHER RETIREMENT SYSTEM OF TEXAS

FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016	2015
District's Proportion of the Net Pension Liability (Asset)	0.0425797%	0.0451433%	0.0302714%
District's Proportionate Share of Net Pension Liability (Asset)	$ 16,090,237	$ 15,957,556	$ 8,085,909
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	24,671,300	24,042,933	20,777,771
Total	$ 40,761,537	$ 40,000,489	$ 28,863,680
District's Covered-Employee Payroll	$ 41,757,954	$ 41,337,593	$ 39,650,152
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	38.53%	38.60%	20.39%
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-7

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

	2017	2016	2015
Contractually Required Contribution	$ 1,435,637	$ 1,353,476	$ 1,238,865
Contribution in Relation to the Contractually Required Contribution	(1,435,637)	(1,353,476)	(1,238,865)
Contribution Deficiency (Excess)	$ -0-	$ -0-	$ -0-
District's Covered-Employee Payroll	$ 44,394,809	$ 41,530,144	$ 40,954,566
Contributions as a Percentage of Covered-Employee Payroll	3.23%	3.26%	3.02%

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."

Other Supplementary Information

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Non-major Government Funds

TEXARKANA INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

Data Control Codes		211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	220 Adult Education Federal
	ASSETS			
1110	Cash and Cash Equivalents	$ 82,731	$ (1,683)	$ (170,563)
1120	Investments - Current	-	-	-
1210	Property Taxes - Current	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-
1240	Receivables from Other Governments	308,178	14,074	191,352
1260	Due from Other Funds	-	-	-
1000	Total Assets	$ 390,909	$ 12,391	$ 20,789
	LIABILITIES			
2110	Accounts Payable	$ 6,820	$ 5,879	$ 12,539
2150	Payroll Deductions and Withholdings Payable	41,558	1,324	2,703
2160	Accrued Wages Payable	342,531	5,188	5,547
2180	Due to Other Governments	-	-	-
2300	Unearned Revenues	-	-	-
2000	Total Liabilities	390,909	12,391	20,789
	DEFERRED INFLOWS OF RESOURCES			
2601	Unavailable Revenue - Property Taxes	-	-	-
2600	Total Deferred Inflows of Resources	-	-	-
	FUND BALANCES			
	Restricted Fund Balance:			
3480	Retirement of Long-Term Debt	-	-	-
3000	Total Fund Balances	-	-	-
4000	Total Liabilities, Deferred Inflows & Fund Balances	$ 390,909	$ 12,391	$ 20,789

223 TANF Family Assistance	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary	227 IDEA - Part B Deaf	228 IDEA - Part B Preschool Deaf	244 Career and Technical - Basic Grant	253 IDEA Part C Deaf - Early Intervention
$ (19,723)	$ (204,401)	$ (13,735)	$ -	$ -	$ -	$ (24,077)	$ (203)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
25,580	302,877	18,285	-	-	-	24,077	203
-	-	-	-	-	-	-	-
$ 5,857	$ 98,476	$ 4,550	$ -	$ -	$ -	$ -	$ -
$ 114	$ 25	$ -	$ -	$ -	$ -	$ -	$ -
-	16,563	1,707	-	-	-	-	-
5,743	81,888	2,843	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
5,857	98,476	4,550	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
$ 5,857	$ 98,476	$ 4,550	$ -	$ -	$ -	$ -	$ -

TEXARKANA INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

Data Control Codes		255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	276 Title I - SIP Academy Grant	301 SSA ESEA I, C Migrant
	ASSETS				
1110	Cash and Cash Equivalents	$ (145,039)	$ (13,401)	$ (169,011)	$ -
1120	Investments - Current	-	-	-	-
1210	Property Taxes - Current	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Receivables from Other Governments	175,418	13,401	267,229	-
1260	Due from Other Funds	-	-	-	-
1000	Total Assets	$ 30,379	$ -	$ 98,218	$ -
	LIABILITIES				
2110	Accounts Payable	$ -	$ -	$ 31,505	$ -
2150	Payroll Deductions and Withholdings Payable	2,917	-	-	-
2160	Accrued Wages Payable	27,462	-	66,713	-
2180	Due to Other Governments	-	-	-	-
2300	Unearned Revenues	-	-	-	-
2000	Total Liabilities	30,379	-	98,218	-
	DEFERRED INFLOWS OF RESOURCES				
2601	Unavailable Revenue - Property Taxes	-	-	-	-
2600	Total Deferred Inflows of Resources	-	-	-	-
	FUND BALANCES				
	Restricted Fund Balance:				
3480	Retirement of Long-Term Debt	-	-	-	-
3000	Total Fund Balances	-	-	-	-
4000	Total Liabilities, Deferred Inflows & Fund Balances	$ 30,379	$ -	$ 98,218	$ -

315 SSA IDEA, Part B Discretionary	381 Adult Basic Education State	385 Visually Impaired SSVI	386 Regional Day School for the Deaf	410 State Textbook Fund	412 Public School Child Care Services	419 Head Start Ready To Read	424 School Leadership Pilot Prog.
$ (15,048)	$ (17,456)	$ -	$ 33,376	$ 100,312	$ 67,365	$ (6,640)	$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
15,111	26,912	-	-	-	-	8,155	-
-	-	-	-	-	-	-	-
$ 63	$ 9,456	$ -	$ 33,376	$ 100,312	$ 67,365	$ 1,515	$ -
$ 63	$ 552	$ -	$ -	$ 32,628	$ 377	$ 1,515	$ -
-	(19)	-	3,433	-	-	-	-
-	8,923	-	29,943	-	6,711	-	-
-	-	-	-	-	-	-	-
-	-	-	-	67,684	60,277	-	-
63	9,456	-	33,376	100,312	67,365	1,515	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
$ 63	$ 9,456	$ -	$ 33,376	$ 100,312	$ 67,365	$ 1,515	$ -

TEXARKANA INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

Data Control Codes		425 Teacher Induction and Mentoring	428 High School Allotment	429 PreK Planning Grant	Total Nonmajor Special Revenue Funds
	ASSETS				
1110	Cash and Cash Equivalents	$ -	$ 21,830	$ (265,022)	$ (760,388)
1120	Investments - Current	-	-	-	-
1210	Property Taxes - Current	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Receivables from Other Governments	-	-	265,022	1,655,874
1260	Due from Other Funds	-	-	-	-
1000	Total Assets	$ -	$ 21,830	$ -	$ 895,486
	LIABILITIES				
2110	Accounts Payable	$ -	$ -	$ -	$ 92,017
2150	Payroll Deductions and Withholdings Payable	-	-	-	70,186
2160	Accrued Wages Payable	-	-	-	583,492
2180	Due to Other Governments	-	-	-	-
2300	Unearned Revenues	-	21,830	-	149,791
2000	Total Liabilities	-	21,830	-	895,486
	DEFERRED INFLOWS OF RESOURCES				
2601	Unavailable Revenue - Property Taxes	-	-	-	-
2600	Total Deferred Inflows of Resources	-	-	-	-
	FUND BALANCES				
	Restricted Fund Balance:				
3480	Retirement of Long-Term Debt	-	-	-	-
3000	Total Fund Balances	-	-	-	-
4000	Total Liabilities, Deferred Inflows & Fund Balances	$ -	$ 21,830	$ -	$ 895,486

511 Debt Service Fund	Total Nonmajor Governmental Funds
$ 408,192	$ (352,196)
1,694,895	1,694,895
348,522	348,522
(88,943)	(88,943)
-	1,655,874
310,615	310,615
$ 2,673,281	$ 3,568,767
$ -	$ 92,017
-	70,186
-	583,492
277,751	277,751
-	149,791
277,751	1,173,237
173,811	173,811
173,811	173,811
2,221,719	2,221,719
2,221,719	2,221,719
$ 2,673,281	$ 3,568,767

TEXARKANA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

Data Control Codes		211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	220 Adult Education Federal
	REVENUES:			
5700	Total Local and Intermediate Sources	$ -	$ -	$ -
5800	State Program Revenues	-	-	-
5900	Federal Program Revenues	2,239,447	159,943	325,352
5020	Total Revenues	2,239,447	159,943	325,352
	EXPENDITURES:			
	Current:			
0011	Instruction	1,926,670	159,943	314,724
0012	Instructional Resources and Media Services	41,454	-	-
0013	Curriculum and Instructional Staff Development	47,865	-	-
0021	Instructional Leadership	-	-	10,628
0023	School Leadership	98,515	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	-
0032	Social Work Services	180	-	-
0061	Community Services	124,763	-	-
	Debt Service:			
0071	Principal on Long Term Debt	-	-	-
0072	Interest on Long Term Debt	-	-	-
0073	Bond Issuance Cost and Fees	-	-	-
6030	Total Expenditures	2,239,447	159,943	325,352
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-
	OTHER FINANCING SOURCES (USES):			
7915	Transfers In	-	-	-
1200	Net Change in Fund Balance	-	-	-
0100	Fund Balance - July 1 (Beginning)	-	-	-
3000	Fund Balance - June 30 (Ending)	$ -	$ -	$ -

223 TANF Family Assistance	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary	227 IDEA - Part B Deaf	228 IDEA - Part B Preschool Deaf	244 Career and Technical - Basic Grant	253 IDEA Part C Deaf - Early Intervention
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-
37,580	1,201,482	22,226	1,177	-	-	90,410	-
37,580	1,201,482	22,226	1,177	-	-	90,410	-
31,848	648,497	22,226	1,177	-	-	83,414	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	6,996	-
5,732	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	552,985	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
37,580	1,201,482	22,226	1,177	-	-	90,410	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

TEXARKANA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

Data Control Codes		255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	276 Title I - SIP Academy Grant	301 SSA ESEA I, C Migrant
	REVENUES:				
5700	Total Local and Intermediate Sources	$ -	$ -	$ -	$ -
5800	State Program Revenues	-	-	-	5,825
5900	Federal Program Revenues	309,159	45,512	337,034	-
5020	Total Revenues	309,159	45,512	337,034	5,825
	EXPENDITURES:				
	Current:				
0011	Instruction	309,159	45,512	307,631	5,825
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	-	-	-	-
0021	Instructional Leadership	-	-	-	-
0023	School Leadership	-	-	18,925	-
0031	Guidance, Counseling and Evaluation Services	-	-	-	-
0032	Social Work Services	-	-	10,478	-
0061	Community Services	-	-	-	-
	Debt Service:				
0071	Principal on Long Term Debt	-	-	-	-
0072	Interest on Long Term Debt	-	-	-	-
0073	Bond Issuance Cost and Fees	-	-	-	-
6030	Total Expenditures	309,159	45,512	337,034	5,825
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
	OTHER FINANCING SOURCES (USES):				
7915	Transfers In	-	-	-	-
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - July 1 (Beginning)	-	-	-	-
3000	Fund Balance - June 30 (Ending)	$ -	$ -	$ -	$ -

315 SSA IDEA, Part B Discretionary	381 Adult Basic Education State	385 Visually Impaired SSVI	386 Regional Day School for the Deaf	410 State Textbook Fund	412 Public School Child Care Services	419 Head Start Ready To Read	424 School Leadership Pilot Prog.
$ -	$ -	$ -	$ -	$ -	$ 497,277	$ -	$ -
-	42,912	2,643	77,026	269,362	-	42,480	9,186
15,111	-	-	-	-	83,378	-	-
15,111	42,912	2,643	77,026	269,362	580,655	42,480	9,186
15,111	36,362	2,643	77,026	269,362	-	-	9,186
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	6,550	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	580,655	42,480	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
15,111	42,912	2,643	77,026	269,362	580,655	42,480	9,186
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

TEXARKANA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

Data Control Codes		425 Teacher Induction and Mentoring	428 High School Allotment	429 PreK Planning Grant	Total Nonmajor Special Revenue Funds
	REVENUES:				
5700	Total Local and Intermediate Sources	$ -	$ 8,954	$ -	$ 506,231
5800	State Program Revenues	150,000	-	265,022	864,456
5900	Federal Program Revenues	-	-	-	4,867,811
5020	Total Revenues	150,000	8,954	265,022	6,238,498
	EXPENDITURES:				
	Current:				
0011	Instruction	150,000	-	188,223	4,604,539
0012	Instructional Resources and Media Services	-	-	-	41,454
0013	Curriculum and Instructional Staff Development	-	-	-	54,861
0021	Instructional Leadership	-	-	-	22,910
0023	School Leadership	-	-	76,799	194,239
0031	Guidance, Counseling and Evaluation Services	-	-	-	552,985
0032	Social Work Services	-	-	-	10,658
0061	Community Services	-	8,954	-	756,852
	Debt Service:				
0071	Principal on Long Term Debt	-	-	-	-
0072	Interest on Long Term Debt	-	-	-	-
0073	Bond Issuance Cost and Fees	-	-	-	-
6030	Total Expenditures	150,000	8,954	265,022	6,238,498
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
	OTHER FINANCING SOURCES (USES):				
7915	Transfers In	-	-	-	-
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - July 1 (Beginning)	-	-	-	-
3000	Fund Balance - June 30 (Ending)	$ -	$ -	$ -	$ -

511 Debt Service Fund	Total Nonmajor Governmental Funds
$ 4,894,061	$ 5,400,292
874,061	1,738,517
-	4,867,811
5,768,122	12,006,620
-	4,604,539
-	41,454
-	54,861
-	22,910
-	194,239
-	552,985
-	10,658
-	756,852
5,186,141	5,186,141
1,713,081	1,713,081
2,250	2,250
6,901,472	13,139,970
(1,133,350)	(1,133,350)
1,300,000	1,300,000
166,650	166,650
2,055,069	2,055,069
$ 2,221,719	$ 2,221,719

Non-major Enterprise Funds

TEXARKANA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2017

	711 Food Service Activity	713 Print Shop Activity
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 409,546	$ 394,298
Inventories	-	-
Total Current Assets	409,546	394,298
Noncurrent Assets:		
Capital Assets:		
Buildings and Improvements	9,200	-
Depreciation on Buildings	(7,630)	-
Furniture and Equipment	194,921	41,529
Depreciation on Furniture and Equipment	(194,921)	(16,252)
Total Noncurrent Assets	1,570	25,277
Total Assets	411,116	419,575
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,157	2,054
Due to Other Governments	-	-
Total Liabilities	1,157	2,054
NET POSITION		
Unrestricted Net Position	409,959	417,521
Total Net Position	$ 409,959	$ 417,521

714 Public Relations Activity	715 School Improvement Activity	716 Police Department Activity	720 Texas A&M Food Service Activity	730 TC Food Service Activity	740 St. James Food Service Activity	Total Nonmajor Enterprise Funds
$ 5,726	$ 570	$ 464	$ 287,508	$ 15,385	$ 2,880	$ 1,116,377
240	-	-	-	-	-	240
5,966	570	464	287,508	15,385	2,880	1,116,617
-	-	-	-	-	-	9,200
-	-	-	-	-	-	(7,630)
5,985	-	-	-	-	-	242,435
(5,985)	-	-	-	-	-	(217,158)
-	-	-	-	-	-	26,847
5,966	570	464	287,508	15,385	2,880	1,143,464
-	-	-	-	-	-	3,211
10	-	-	-	115	-	125
10	-	-	-	115	-	3,336
5,956	570	464	287,508	15,270	2,880	1,140,128
$ 5,956	$ 570	$ 464	$ 287,508	$ 15,270	$ 2,880	$ 1,140,128

TEXARKANA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	711 Food Service Activity	713 Print Shop Activity
OPERATING REVENUES:		
Local and Intermediate Sources	$ 245,994	$ 166,209
Total Operating Revenues	245,994	166,209
OPERATING EXPENSES:		
Payroll Costs	70,353	-
Professional and Contracted Services	2,796	-
Supplies and Materials	156,113	105,386
Other Operating Costs	23	1,193
Depreciation Expense	705	6,359
Total Operating Expenses	229,990	112,938
Operating Income (Loss)	16,004	53,271
Total Net Position - July 1 (Beginning)	393,955	364,250
Total Net Position - June 30 (Ending)	$ 409,959	$ 417,521

714 Public Relations Activity	715 School Improvement Activity	716 Police Department Activity	720 Texas A&M Food Service Activity	730 TC Food Service Activity	740 St. James Food Service Activity	Total Nonmajor Enterprise Funds
$ 5,963	$ -	$ -	$ -	$ -	$ -	$ 418,166
5,963	-	-	-	-	-	418,166
-	-	-	-	-	877	71,230
-	-	-	-	-	-	2,796
3,703	-	-	-	-	960	266,162
-	-	-	-	-	60	1,276
-	-	-	-	-	-	7,064
3,703	-	-	-	-	1,897	348,528
2,260	-	-	-	-	(1,897)	69,638
3,696	570	464	287,508	15,270	4,777	1,070,490
$ 5,956	$ 570	$ 464	$ 287,508	$ 15,270	$ 2,880	$ 1,140,128

TEXARKANA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	711 Food Service Activity	713 Print Shop Activity
Cash Flows from Operating Activities:		
Cash Received from User Charges	$ 244,617	$ 166,209
Cash Payments to Employees for Services	(70,630)	-
Cash Payments for Suppliers	(162,371)	(106,087)
Net Cash Provided by (Used for) Operating Activities	11,616	60,122
Cash Flows from Capital & Related Financing Activities:		
Acquisition of Capital Assets	(705)	(19,473)
Net Increase (Decrease) in Cash and Cash Equivalents	10,911	40,649
Cash and Cash Equivalents at Beginning of Year	398,635	353,649
Cash and Cash Equivalents at End of Year	$ 409,546	$ 394,298
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:		
Operating Income (Loss):	$ 16,004	$ 53,271
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:		
Depreciation	705	6,359
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (increase) in Receivables	(1,378)	-
Increase (decrease) in Accounts Payable	(3,438)	492
Increase (decrease) in Accrued Wages Payable	(277)	-
Net Cash Provided by (Used for) Operating Activities	$ 11,616	$ 60,122

714 Public Relations Activity	715 School Improvement Activity	716 Police Department Activity	720 Texas A&M Food Service Activity	730 TC Food Service Activity	740 St. James Food Service Activity	Total Nonmajor Enterprise Funds
$ 5,963	$ -	$ -	$ -	$ -	$ -	$ 416,789
-	-	-	-	-	(877)	(71,507)
(3,703)	-	-	-	-	(2,206)	(274,367)
2,260	-	-	-	-	(3,083)	70,915
-	-	-	-	-	-	(20,178)
2,260	-	-	-	-	(3,083)	50,737
3,466	570	464	287,508	15,385	5,963	1,065,640
$ 5,726	$ 570	$ 464	$ 287,508	$ 15,385	$ 2,880	$ 1,116,377
$ 2,260	$ -	$ -	$ -	$ -	$ (1,897)	$ 69,638
-	-	-	-	-	-	7,064
-	-	-	-	-	-	(1,378)
-	-	-	-	-	(1,186)	(4,132)
-	-	-	-	-	-	(277)
$ 2,260	$ -	$ -	$ -	$ -	$ (3,083)	$ 70,915

Agency Funds

TEXARKANA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	BALANCE JULY 1 2016	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30 2017
Texas High Club				
Assets:				
Cash and Temporary Investments	$ 195,194	$ 385,546	$ 401,961	$ 178,779
Liabilities:				
Accounts Payable	$ 18,504	$ 301,781	$ 308,209	$ 12,076
Due to Student Groups	176,690	401,961	411,948	166,703
Total Liabilities	$ 195,194	$ 703,742	$ 720,157	$ 178,779
TH New Horizon Scholarship				
Assets:				
Cash and Temporary Investments	$ (98)	$ -	$ -	$ (98)
Liabilities:				
Due to Student Groups	$ (98)	$ -	$ -	$ (98)
5K THS Fundraiser				
Assets:				
Cash and Temporary Investments	$ -	$ 24,612	$ 3,132	$ 21,480
Liabilities:				
Accounts Payable	$ -	$ 2,303	$ 2,303	$ -
Due to Student Groups	-	24,612	3,132	21,480
Total Liabilities	$ -	$ 26,915	$ 5,435	$ 21,480
Distinguished Alumni Fund				
Assets:				
Cash and Temporary Investments	$ 12,656	$ -	$ -	$ 12,656
Liabilities:				
Accrued Expenses	$ 12,656	$ -	$ -	$ 12,656
Texas Middle School Club				
Assets:				
Cash and Temporary Investments	$ 68,497	$ 93,577	$ 77,599	$ 84,475
Liabilities:				
Accounts Payable	$ 3,047	$ -	$ 3,047	$ -
Due to Student Groups	65,450	93,577	74,552	84,475
Total Liabilities	$ 68,497	$ 93,577	$ 77,599	$ 84,475
Adult Education Scholarship				
Assets:				
Cash and Temporary Investments	$ 3,843	$ 500	$ 1,615	$ 2,728
Liabilities:				
Accounts Payable	$ 327	$ -	$ 327	$ -
Due to Student Groups	3,516	654	1,442	2,728
Total Liabilities	$ 3,843	$ 654	$ 1,769	$ 2,728
Northeast Texas Education				
Assets:				

TEXARKANA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	BALANCE JULY 1 2016	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30 2017
Cash and Temporary Investments	$ 162,484	$ -	$ -	$ 162,484
Liabilities:				
Due to Other Funds	$ 43,349	$ -	$ -	$ 43,349
Due to Student Groups	1,126	-	-	1,126
Accrued Expenses	118,009	-	-	118,009
Total Liabilities	$ 162,484	$ -	$ -	$ 162,484
Dual Credit - THS				
Assets:				
Cash and Temporary Investments	$ 250,452	$ 146,895	$ 200,542	$ 196,805
Liabilities:				
Accounts Payable	$ 30,716	$ 77,363	$ 107,634	$ 445
Accrued Expenses	219,736	154,701	178,077	196,360
Total Liabilities	$ 250,452	$ 232,064	$ 285,711	$ 196,805
TOTAL AGENCY FUNDS				
Assets:				
Cash and Temporary Investments	$ 688,030	$ 656,128	$ 686,889	$ 657,269
Liabilities:				
Accounts Payable	$ 52,594	$ 381,447	$ 421,520	$ 12,521
Due to Other Funds	43,349	-	-	43,349
Due to Student Groups	242,577	524,911	493,114	274,374
Accrued Expenses	349,510	155,592	178,077	327,025
Total Liabilities	$ 688,030	$ 1,061,950	$ 1,092,711	$ 657,269

Private Purpose Trust Funds

TEXARKANA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2017

	802 Texas High School VIP Fund	805 Highland Park VIP Fund	807 Theron Jones VIP Fund	808 Westlawn VIP Fund	809 Nash VIP Fund
ASSETS					
Cash and Cash Equivalents	$ 25,132	$ 483	$ 5,575	$ (562)	$ 6,325
Total Assets	25,132	483	5,575	(562)	6,325
LIABILITIES					
Accounts Payable	-	-	-	-	-
Payable from Restricted Assets	25,132	483	5,575	(562)	6,326
Total Liabilities	25,132	483	5,575	(562)	6,326
NET POSITION					
Unrestricted Net Position	$ -	$ -	$ -	$ -	$ -
Total Net Position	$ -	$ -	$ -	$ -	$ -

811 Spring Lake Park VIP Fund	813 Wake Village VIP Fund	815 Dunbar VIP Fund	816 Morris Elementary VIP Fund	817 Waggoner Creek VIP Fund	829 Scholarship Fund	842 Texas Middle School VIP Fund	Total Private Purpose Trust Funds
$ 1,476	$ 18,254	$ 510	$ 53,940	$ 3,850	$ 24,857	$ 12,179	$ 152,019
1,476	18,254	510	53,940	3,850	24,857	12,179	152,019
-	-	-	278	-	-	-	278
1,476	18,254	510	53,662	3,850	-	12,179	126,885
1,476	18,254	510	53,940	3,850	-	12,179	127,163
$ -	$ -	$ -	$ -	$ -	$ 24,857	$ -	$ 24,857
$ -	$ -	$ -	$ -	$ -	$ 24,857	$ -	$ 24,857

TEXARKANA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	802 Texas High School VIP Fund	805 Highland Park VIP Fund	807 Theron Jones VIP Fund	808 Westlawn VIP Fund	809 Nash VIP Fund
ADDITIONS:					
Local and Intermediate Sources	$ -	$ -	$ -	$ -	$ -
Total Additions	-	-	-	-	-
DEDUCTIONS:					
Other Operating Costs	-	-	-	-	-
Total Deductions	-	-	-	-	-
Change in Net Position	-	-	-	-	-
Net Position - July 1 (Beginning)	-	-	-	-	-
Net Position - June 30 (Ending)	$ -	$ -	$ -	$ -	$ -

811 Spring Lake Park VIP Fund	813 Wake Village VIP Fund	815 Dunbar VIP Fund	816 Morris Elementary VIP Fund	817 Waggoner Creek VIP Fund	829 Scholarship Fund	842 Texas Middle School VIP Fund	Total Private Purpose Trust Funds
$ -	$ -	$ -	$ -	$ -	$ 5,696	$ -	$ 5,696
-	-	-	-	-	5,696	-	5,696
-	-	-	-	-	4,000	-	4,000
-	-	-	-	-	4,000	-	4,000
-	-	-	-	-	1,696	-	1,696
-	-	-	-	-	23,161	-	23,161
$ -	$ -	$ -	$ -	$ -	$ 24,857	$ -	$ 24,857

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Required TEA Schedules

TEXARKANA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED JUNE 30, 2017

Last 10 Years		(1) Tax Rates Maintenance	(2) Tax Rates Debt Service	(3) Assessed/Appraised Value for School Tax Purposes
2008	and prior years	Various	Various	$ Various
2009		1.170000	0.170000	1,892,100,811
2010		1.170000	0.170000	1,816,192,314
2011		1.170000	0.170000	1,869,450,714
2012		1.170000	0.170000	1,879,251,358
2013		1.170000	0.170000	1,881,877,414
2014		1.170000	0.170000	1,929,101,050
2015		1.170000	0.170000	1,948,780,382
2016		1.170000	0.265500	1,904,476,997
2017	(School year under audit)	1.170000	0.265500	1,974,870,987
1000	TOTALS			

(10) Beginning Balance 7/1/2016	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2017
$ 277,382	$ -	$ 4,641	$ 442	$ (54,517)	$ 217,782
59,178	-	1,512	218	(3,582)	53,866
64,483	-	1,590	230	(4,119)	58,544
71,852	-	4,414	638	(4,979)	61,821
85,047	-	8,455	1,221	(5,518)	69,853
110,523	-	15,059	2,175	(5,898)	87,391
129,575	-	22,661	3,273	(3,501)	100,140
225,177	-	62,702	9,057	(10,202)	143,216
1,047,082	-	637,370	138,914	(70,192)	200,606
-	27,310,580	21,514,947	4,689,155	132,466	1,238,944
$ 2,070,299	$ 27,310,580	$ 22,273,351	$ 4,845,323	$ (30,042)	$ 2,232,163

TEXARKANA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED JUNE 30, 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	$ 1,600,000	$ 1,600,000	$ 950,900	$ (649,100)
5800	State Program Revenues	65,000	65,000	64,898	(102)
5900	Federal Program Revenues	4,300,000	4,726,789	5,248,298	521,509
5020	Total Revenues	5,965,000	6,391,789	6,264,096	(127,693)
	EXPENDITURES:				
0035	Food Services	5,900,000	7,199,713	5,967,686	1,232,027
6030	Total Expenditures	5,900,000	7,199,713	5,967,686	1,232,027
1200	Net Change in Fund Balances	65,000	(807,924)	296,410	1,104,334
0100	Fund Balance - July 1 (Beginning)	2,200,236	2,200,236	2,200,236	-
3000	Fund Balance - June 30 (Ending)	$ 2,265,236	$ 1,392,312	$ 2,496,646	$ 1,104,334

EXHIBIT J-5

TEXARKANA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 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	$ 4,452,800	$ 4,652,800	$ 4,894,061	$ 241,261
5800	State Program Revenues	755,059	905,059	874,061	(30,998)
5020	Total Revenues	5,207,859	5,557,859	5,768,122	210,263
	EXPENDITURES:				
	Debt Service:				
0071	Principal on Long Term Debt	6,899,024	5,200,000	5,186,141	13,859
0072	Interest on Long Term Debt	-	1,796,773	1,713,081	83,692
0073	Bond Issuance Cost and Fees	-	2,250	2,250	-
6030	Total Expenditures	6,899,024	6,999,023	6,901,472	97,551
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,691,165)	(1,441,164)	(1,133,350)	307,814
	OTHER FINANCING SOURCES (USES):				
7915	Transfers In	1,391,165	1,391,165	1,300,000	(91,165)
1200	Net Change in Fund Balances	(300,000)	(49,999)	166,650	216,649
0100	Fund Balance - July 1 (Beginning)	2,055,069	2,055,069	2,055,069	-
3000	Fund Balance - June 30 (Ending)	$ 1,755,069	$ 2,005,070	$ 2,221,719	$ 216,649

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Federal Awards Section

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

Board of School Trustees
Texarkana Independent School District
Texarkana, Texas

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Texarkana Independent School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 7, 2017.

Internal Control Over Financial Reporting

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

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

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

Board of School Trustees
Texarkana Independent School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of 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 matter that is required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Thomas & Thomas, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Texarkana, Texas
November 7, 2017

INDEPENDENT AUDITOR'S
REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
UNIFORM GUIDANCE

Board of School Trustees
Texarkana Independent School District
Texarkana, Texas

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited Texarkana Independent School District's (the District) compliance with the types of compliance requirements described in the *(OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Board of School Trustees
Texarkana Independent School District

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to on the previous page. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of compliance 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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Thomas & Thomas, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Texarkana, Texas
November 7, 2017

TEXARKANA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

Summary of Audit Results

Financial Statements

Type of Report Issued on the Financial Statements	Unmodified
Internal Control Over Financial Reporting:	
Material Weaknesses Identified	None Reported
Significant Deficiencies Identified That are not Considered to be Material Weaknesses	None Reported
Noncompliance Material to the Financial Statements	None Reported

Federal Awards

Internal Control over Major Programs:	
Material Weaknesses Identified	None Reported
Significant Deficiencies Identified That are not Considered to be Material Weaknesses	None Reported
Type of Report on Compliance for Major Federal Programs	Unmodified
Findings Disclosed in the Audit which are Required to be Reported in Government Auditing Standards	None Reported
Findings Disclosed in the Audit which are Required to be Reported in Accordance with 2 CFR 200.516(a)	None Reported
Programs Audited as Major:	
ESEA, Title I, Part A – Improving Basic Programs	CFDA #84.010A
IDEA, Part B – Special Education	CFDA #84.027A
Texas Title I Priority Schools	CFDA #84.377A
Threshold Used to Distinguish between Type A and Type B Programs	$750,000

Texarkana Independent School District qualified as a low risk entity.

TEXARKANA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

Details of findings relating to the financial statements which are required to be reported in accordance with GAGAS–

There were no findings or questioned costs related to the financial statements or GAGAS.

Details of findings and questioned costs relating to Federal awards –

There were no findings or questioned costs related to the financial statements or federal awards.

TEXARKANA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2017

Program/Finding	Description

Prior year findings related to the financial statements which were required to be reported in accordance with GAGAS:

The finding reported in 2016 was corrected during 2017.

Prior year findings and questioned costs relating to Federal awards:

The finding reported in 2016 was corrected during 2017.

TEXARKANA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
NORTHEAST TEXAS WORKFORCE DEVELOPMENT BOARD			
Direct Programs:			
NORTHEAST TEXAS WORKFORCE DEVELOPMENT	93596	17-019907	$ 83,378
Total Direct Programs			$ 83,378
TOTAL NORTHEAST TEXAS WORKFORCE DEVELOPMENT BOARD			$ 83,378
U.S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education			
Adult Education (ABE) - Federal	84.002	0714ABE001	$ 325,352
ESEA, Title I, Part A - Improving Basic Programs	84.010A	1761010109907	2,239,447
ESEA, Title I, Part C - Migratory Children	84.011	16610112019907115	11,551
ESEA, Title I, Part C - Migratory Children	84.011	17610112019907115	148,392
Total CFDA Number 84.011			159,943
*IDEA - Part B, Formula	84.027	176600010199076600	1,201,482
*IDEA - Part B, Discretionary	84.027	166600010199076601	1,177
*SSA - IDEA - Part B, Discretionary	84.027	176600010199076601	15,111
Total CFDA Number 84.027			1,217,770
*IDEA - Part B, Preschool	84.173	176610010199076610	22,226
Total Special Education Cluster (IDEA)			1,239,996
Career and Technical - Basic Grant	84.048	17420006019907	90,410
Title III, Part A - English Language Acquisition	84.365A	17671001019907	45,512
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	17694501019907	309,159
Title I SIP Academy Grant	84.377A	S377A150044	337,034
Total Passed Through State Department of Education			$ 4,746,853
TOTAL U.S. DEPARTMENT OF EDUCATION			$ 4,746,853
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through State Department of Education			
Temporary Assistance for Needy Families (TANF)	93.558	163625017110396	$ 37,580
Total Passed Through State Department of Education			$ 37,580
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			$ 37,580
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through the State Department of Agriculture			
*School Breakfast Program	10.553	17-019907	$ 1,286,886
*National School Lunch Program - Cash Assistance	10.555	17-019907	3,534,624
*National School Lunch Prog. - Non-Cash Assistance	10.555	17-019907	426,788
Total CFDA Number 10.555			3,961,412
Total Child Nutrition Cluster			5,248,298
Total Passed Through the State Department of Agriculture			$ 5,248,298
TOTAL U.S. DEPARTMENT OF AGRICULTURE			$ 5,248,298
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 10,116,109

*Clustered Programs

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

TEXARKANA INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

Basis of Presentation

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

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

The District participates in numerous state and federal grant programs governed by various rules and regulations of grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2017, 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 contingency.

Medicaid Funds

During the year ending June 30, 2017, the District received Medicaid funds of $926,691 which is not considered a federal award since it is direct cash assistance to individuals.

E-Rate Funding

During the year ending June 30, 2017, the District received a discount on phone and internet bills in the amount of $153,919. This amount is reflected as federal revenue in the general fund.

Indirect Costs

Indirect costs totaling $127,151 are in the General Fund.

Reconciliation of Federal Funds

Federal Funds Per K-1	$ 10,116,109
General Fund Federal Funding	1,080,610
Indirect Cost in General Fund	127,151
	$ 11,323,870

Financial Advisory Services
Provided By:

SAMCO CAPITAL MARKETS, INC.