Rating: Moody's: "Aaa"
(See "RATING" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein)

PRELIMINARY OFFICIAL STATEMENT
Dated: January 18, 2023

NEW ISSUE: BOOK-ENTRY-ONLY

In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, interest on the Bonds (defined below) will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on certain corporations.

$144,000,000*
TEXARKANA INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Bowie County, Texas)
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2023

Dated Date: February 1, 2023 **Due: February 15, as shown on the inside cover page**

The Texarkana Independent School District Unlimited Tax School Building Bonds, Series 2023 (the "Bonds") are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, Chapter 1371, Texas Government Code, as amended, an election held in the Texarkana Independent School District (the "District") on November 8, 2022 and the order to be adopted by the Board of Trustees of the District (the "Board") on January 25, 2023 (the "Bond Order"). The Bonds are payable as to principal and interest from the proceeds of an ad valorem tax levied annually, without legal limit as to rate or amount, against all taxable property located within the District. The District has received conditional approval from the Texas Education Agency for the Bonds to be guaranteed under the State of Texas Permanent School Fund Guarantee Program (hereinafter defined), which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. (See "THE BONDS – Permanent School Fund Guarantee" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").

Interest on the Bonds will accrue from the Dated Date shown above and will be payable on February 15 and August 15 of each year, commencing August 15, 2023 until stated maturity or prior redemption. The Bonds will be issued in fully registered form in principal denominations of $5,000 or any integral multiple thereof within a stated maturity. Principal and interest of the Bonds will be payable by the Paying Agent/Registrar, which initially is BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"), upon presentation and surrender of the Bonds for payment. Interest on the Bonds is payable by check dated as of the interest payment date and mailed by the Paying Agent/Registrar to the registered owners as shown on the records of the Paying Agent/Registrar on the close of business as of the 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 Bonds. (See "BOOK-ENTRY-ONLY SYSTEM").

Proceeds from the sale of the Bonds will be used for the purpose of (i) designing, constructing, renovating, improving, upgrading, updating, acquiring and equipping school facilities in the District including the purchase of necessary sites for school facilities, a career and technical education center, the purchase of new school buses and (ii) paying the costs of issuing the Bonds. (See "THE BONDS - Authorization and Purpose").

The Bonds maturing on and after February 15, 2034 are subject to redemption at the option of the District in whole or in part in principal amounts of $5,000 or any multiple thereof, on February 15, 2033 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. (See "THE BONDS - Optional Redemption"). If two or more serial bonds of consecutive maturities are combined into one or more "Term Bonds" by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Bond Order (see "THE BONDS – Mandatory Sinking Fund Redemption").

MATURITY SCHEDULE
(On Inside Cover Page)

The Bonds are offered for delivery when, as and if issued, and received by the Underwriters identified below (the "Underwriters") subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Norton Rose Fulbright US LLP, Dallas, Texas. The Bonds are expected to be available for initial delivery through the facilities of DTC on or about February 22, 2023.

STEPHENS INC.

BOK FINANCIAL SECURITIES, INC. **FHN FINANCIAL CAPITAL MARKETS** **HUNTINGTON CAPITAL MARKETS**

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

Preliminary, subject to change.

$144,000,000*
TEXARKANA INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Bowie County, Texas)
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2023

MATURITY SCHEDULE*
BASE CUSIP NO: 881847[1]

Maturity Date 2/15	Principal Amount*	Interest Rate	Initial Yield	CUSIP Suffix No.[1]
2026	$795,000			
2027	795,000			
2028	595,000			
2029	3,185,000			
2030	2,850,000			
2031	2,965,000			
2032	3,085,000			
2033	3,230,000			
2034	3,365,000			
2035	3,500,000			
2036	3,650,000			
2037	3,805,000			
2038	3,975,000			
2039	4,150,000			
2040	5,470,000			
2041	5,720,000			
2042	6,010,000			
2043	6,320,000			
2044	6,645,000			
2045	6,955,000			
2046	7,220,000			
2047	7,515,000			
2048	7,820,000			
2049	8,140,000			
2050	8,485,000			
2051	8,850,000			
2052	9,235,000			
2053	9,670,000			

(Interest to accrue from the Dated Date)

**Preliminary, subject to change.*

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TEXARKANA INDEPENDENT SCHOOL DISTRICT

APPOINTED OFFICIALS

Name	Position	Length of Education Service	Length of Service with District
Dr. Doug Brubaker	Superintendent	25 Years	2 Years
Anita Clay	Chief Financial Officer	21 Years	6 Years

CONSULTANTS AND ADVISORS

McCall, Parkhurst & Horton L.L.P., San Antonio, Texas	Bond Counsel
SAMCO Capital Markets, Inc., Plano, Texas	Financial Advisor
Thomas & Thomas PLLC, Texarkana, Texas	Certified Public Accountants

For additional information, contact:

Dr. Doug Brubaker
Superintendent
Texarkana Independent School District
4241 Summerhill Road
Texarkana, Texas 75503
(903) 794-3651

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

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in the Official Statement pursuant to their respective responsibilities to investors under the federal securities laws, but the Underwriters do 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 Financial Advisor or the Underwriters. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

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

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

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

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

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

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

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SELECTED DATA FROM THE OFFICIAL STATEMENT

The selected data is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this page from this Official Statement or to otherwise use it without the 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 Bonds — The Bonds are being issued in the principal amount of $144,000,000 (preliminary, subject to change) pursuant to the Constitution and general laws of the State of Texas, particularly Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, Chapter 1371, Texas Government Code, as amended, an election held in the District on November 8, 2022 and the order to be adopted by the Board on January 25, 2023 (the "Bond Order"). Proceeds from the sale of the Bonds will be used for the purpose of (i) designing, constructing, renovating, improving, upgrading, updating, acquiring and equipping school facilities in the District including the purchase of necessary sites for school facilities, a career and technical education center, the purchase of new school buses and (ii) paying the costs of issuing the Bonds. (See "THE BONDS - Authorization and Purpose")

Paying Agent/Registrar — The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. The District intends to use the Book-Entry-Only System of DTC. (See "BOOK-ENTRY-ONLY SYSTEM.")

Security — The Bonds will constitute direct and voted obligations of the District, payable as to principal and interest from ad valorem taxes levied annually against all taxable property located within the District, without legal limitation as to rate or amount. Payments of principal and interest on the Bonds will be further secured by the corpus of the Permanent School Fund of Texas. (See "THE BONDS – Security", "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS", "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM.")

Redemption — The Bonds maturing on and after February 15, 2034 are subject to redemption at the option of the District in whole or in part in principal amounts of $5,000 or any multiple thereof, on February 15, 2033 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. (See "THE BONDS – Optional Redemption.") If two or more serial bonds of consecutive maturities are combined into one or more "Term Bonds" by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Bond Order (see "THE BONDS – Mandatory Sinking Fund Redemption").

Permanent School Fund Guarantee — The District has received conditional approval from the Texas Education Agency for the payment of the Bonds to be guaranteed under the Permanent School Fund Guarantee Program, which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. (See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM.")

Rating — The Bonds are rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") based upon the guaranteed repayment thereof under the Permanent School Fund Guarantee Program of the Texas Education Agency. The District's underlying, unenhanced rating, including the Bonds, is "Aa3" by Moody's. (See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "RATING" herein.)

Tax Matters — In the opinion of Bond Counsel for the District, interest on the Bonds is excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on certain corporations. (See "TAX MATTERS" and Appendix C - "Form of Legal Opinion of Bond Counsel.")

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

Legal Opinion — Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel.

Delivery — When issued, anticipated to occur on or about February 22, 2023.

INTRODUCTORY STATEMENT

This Official Statement, including Appendices A, B and D, has been prepared by the Texarkana Independent School District (the "District"), a political subdivision of the State of Texas located in Bowie County, Texas, in connection with the offering by the District of its Unlimited Tax School Building Bonds, Series 2023 (the "Bonds").

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 such financial and other information, will necessarily continue or be repeated in the future.

There follows in this Official Statement descriptions of the Bonds and the order to be adopted by the Board of Trustees of the District (the "Board") on January 25, 2023 authorizing the issuance of the Bonds (the "Bond Order") and certain other information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained 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 the Final Official Statement pertaining to the Bonds will be deposited with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system. See "CONTINUING DISCLOSURE OF INFORMATION" herein for a description of the District's undertaking to provide certain information on a continuing basis.

COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency (including TEA) that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness, mitigation and reopening. However, on March 2, 2021, the Governor issued Executive Order GA-34 effective March 10, 2021, which supersedes most of the executive orders relating to COVID-19 and provides, generally, for the reopening of the State to 100%, ends the COVID-19 mask mandate, and supersedes any conflicting order issued by local officials in response to COVID-19, among other things and subject to certain limitations. Executive Order GA-34 remains in place until amended, rescinded, or superseded by the Governor. On May 18, 2021, Governor Abbott issued Executive Order GA-36, which supersedes Executive Order GA-34 in part. Executive Order GA-36 prohibits governmental entities in Texas, including counties, cities, school districts, public health authorities, and government officials from requiring or mandating any person to wear a face covering and subjects a governmental entity or official to a fine of up to $1,000 for noncompliance, subject to certain exceptions. Notwithstanding the above, Executive Order GA-36 provides for public schools to continue to follow policies regarding the wearing of face coverings to the extent reflected in current guidance by TEA, until June 4, 2021. However, Executive Order GA-36 required TEA to revise its guidance such that, effective 11:59 p.m. on June 4, 2021, no student, teacher, parent, or other staff member or visitor may be required to wear a face covering. TEA has since updated its guidance in accordance with Executive Order GA-36. Executive Order GA-38, issued on July 29, 2021 and Executive Order GA-39, issued on August 25, 2021, further provide that governmental entities cannot require mask mandates, vaccine passports, or mandatory vaccinations. On October 11, 2021, the Governor issued Executive Order GA-40, prohibiting any entity from requiring COVID vaccinations. Various lawsuits have been filed throughout the State related to the foregoing and litigation is expected to continue. Executive orders remain in place until they are amended, rescinded, or superseded by the Governor. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

The District continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of the Pandemic upon the District. While the potential impact of the Pandemic on the District cannot be fully quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and may continue negatively affecting economic growth and financial markets worldwide. In addition, the federal government has taken, and continues to consider additional, action without precedent in effort to counteract or mitigate the Pandemic's economic impact. These conditions and related responses and reactions may reduce or negatively affect property values within the District. See "AD VALOREM TAX PROCEDURES". The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds.

Additionally, state funding of District operations and maintenance in future fiscal years could be adversely impacted by the negative effects on economic growth and financial markets resulting from the Pandemic as well as ongoing disruptions in the global oil markets (which markets provide significant revenues to the State, who in turn, use such revenues to satisfy its public school funding obligations). See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM".

The value of the PSF guarantee could also be adversely impacted by ongoing volatility in the diversified global markets in which the PSF is invested. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – Infectious Disease Outbreak."

The financial and operating data contained in this Official Statement are as of dates and for periods stated herein. Accordingly, they are not indicative of the future prospects of the District. It is unclear at this time what effect, if any, COVID-19 and resulting economic disruption may have on future assessed values or the collection of taxes, either because of delinquencies or collection and valuation relief resulting from the declared emergency.

THE BONDS

Authorization and Purpose

The Bonds are being issued in the principal amount of $144,000,000 (preliminary, subject to change) pursuant to the Constitution and general laws of the State, including particularly Sections 45.001 and 45.003(b)(1), as amended, Texas Education Code, Chapter 1371, Texas Government Code, as amended ("Chapter 1371") an election held in the District on November 8, 2022 (the "Election") and the Bond Order to be adopted on January 25, 2023 (the "Bond Order"). Proceeds from the sale of the Bonds will be used for the purpose of (i) designing, constructing, renovating, improving, upgrading, updating, acquiring and equipping school facilities in the District including the purchase of necessary sites for school facilities, a career and technical education center, the purchase of new school buses and (ii) paying the costs of issuing the Bonds.

General Description

The Bonds will be dated February 1, 2023 (the "Dated Date") and will bear interest from the Dated Date. The Bonds will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. Interest on the Bonds is payable initially on August 15, 2023, and on each February 15 and August 15 thereafter until stated maturity or prior redemption.

The Bonds will be issued only as fully registered bonds. The Bonds will be issued in the denominations of $5,000 of principal amount or any integral multiple thereof within a stated maturity. Interest on the Bonds is payable by check mailed on or before each interest payment date by the Paying Agent/Registrar, initially, BOKF, NA, Dallas, Texas, to the registered owner at the last known address as it appears on the Paying Agent/Registrar's 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 Bonds will be payable only upon presentation of such Bonds at the corporate trust office of the Paying Agent/Registrar at stated maturity or prior redemption. So long as the Bonds are registered in the name of CEDE & CO. or other nominee for The Depository Trust Company, New York, New York ("DTC"), payments of principal and interest of the Bonds will be made as described in "BOOK-ENTRY-ONLY SYSTEM" herein.

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

Optional Redemption

The Bonds maturing on and after February 15, 2034 are subject to redemption at the option of the District in whole or in part in principal amounts of $5,000 or any multiple thereof, on February 15, 2033 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the District shall determine the amounts and maturities thereof to be redeemed and shall direct the Paying Agent/Registrar to select by lot the Bonds, or portions thereof, to be redeemed.

Mandatory Sinking Fund Redemption

If two or more serial bonds of consecutive maturities are combined into one or more "Term Bonds" by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Bond Order and as further set forth in the final Official Statement.

Notice of Redemption and DTC Notices

Not less than 30 days prior to a redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of a Bond to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER RECEIVED BY THE BONDHOLDER, AND, SUBJECT TO PROVISION FOR PAYMENT OF THE REDEMPTION PRICE HAVING BEEN MADE AND THE SATISFACTION OF ANY OTHER CONDITION SPECIFIED IN THE NOTICE, INTEREST ON THE REDEEMED BONDS SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A BOND HAS NOT BEEN PRESENTED FOR PAYMENT.

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

Security

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

Permanent School Fund Guarantee

In connection with the sale of the Bonds, the District has received conditional approval from the Commissioner of Education of the State for the guarantee of the Bonds under the Permanent School Fund Guarantee Program (Chapter 45, Subchapter C, of the

Texas Education Code, as amended). Subject to meeting certain conditions discussed under the heading "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein, the Bonds will be absolutely and unconditionally guaranteed by the corpus of the Permanent School Fund of the State of Texas. In the event of a payment default by the District, registered owners will receive all payments due from the corpus of the Permanent School Fund.

In the event the District defeases any of the Bonds, the payment of such defeased Bonds will cease to be guaranteed by the Permanent School Fund Guarantee. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "REGISTERED OWNERS' REMEDIES" herein.

Legality

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

Payment Record

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

Amendments

In the Bond Order, the District has reserved the right to amend the Bond Order without the consent of any holder for the purpose of amending or supplementing the Bond Order to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of the Bond Order that do not materially adversely affect the interests of the holders, (iv) qualify the Bond 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 Bond Order that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the District, do not materially adversely affect the interests of the holders.

The Bond Order further provides that the holders of the Bonds aggregating in principal amount of at least 51% of the outstanding Bonds shall have the right from time to time to approve any amendment not described above to the Bond Order if it is deemed necessary or desirable by the District; provided, however, that without the consent of 100% of the holders of the then outstanding Bonds so affected, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Bonds; (ii) reducing the rate of interest borne by any of the outstanding Bonds; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Bonds; (iv) modifying the terms of payment of principal or interest or redemption premium, if any, on outstanding Bonds or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Bonds necessary for consent to such amendment. Reference is made to the Bond Order for further provisions relating to the amendment thereof.

Defeasance

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

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

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

Sources and Uses of Funds

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

Sources	
Par Amount of Bonds	$
[Net] Reoffering Premium	
Accrued Interest on Bonds	
Total Sources of Funds	$
Uses	
Deposit to Construction Fund	$
Costs of Issuance	
Underwriters' Discount	
Deposit to Interest and Sinking Fund	
Total Uses of Funds	$

REGISTERED OWNERS' REMEDIES

The Bond Order establishes specific events of default with respect to the Bonds and provides that if the District defaults in the payment of principal or interest on the Bonds when due, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, and the continuation thereof for a period of 60 days after notice of default is given by the District by any registered owner, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or the Bond Order covenants and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Bond Order does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the District to perform in accordance with the terms of the Bond Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3rd 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Chapter 1371, which pertains to the issuance of public securities by issuers such as the District, permits the District to waive sovereign immunity in the proceedings authorizing the issuance of the Bonds. Notwithstanding its reliance upon the provisions of Chapter 1371 in connection with the issuance of the Bonds (as further described under the caption "THE BONDS – Authorization and Purpose"), the District has not waived the defense of sovereign immunity with respect thereto. Because it is unclear whether the Texas Legislature has effectively waived the District's sovereign immunity from a suit for money damages beyond Chapter 1371 bondholders may not be able to bring such a suit against the District for breach of the Bonds or Bond Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. As a result, bondholders may not be able to bring such a suit against the District for breach of the Bonds or Bond Order covenants. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein for a description of the procedures to be followed for payment of the Bonds by the Permanent School Fund in the event the District fails to make a payment on the Bonds when due. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bond Order and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, by general principles of equity which permit the exercise of judicial discretion.

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

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

Successor Paying Agent/Registrar

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

Initial Registration

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

Future Registration

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

Record Date For Interest Payment

The "Record Date" for determining the party to whom the interest payable on a Bond 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 a Bond 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 Bonds

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

Replacement Bonds

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

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

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

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

During the 87th Regular Session of the Texas Legislature (the "87th Regular Session"), which concluded on May 31, 2021, Senate Bill 1232 ("SB 1232" or "the bill") was enacted, and the bill became effective on September 1, 2021. SB 1232 provides for a variety of changes to the operations and management of the Fund, including the creation of the Permanent School Fund Corporation (the "PSF Corporation"), and the delegation of responsibility to manage the portion of the Fund previously under the management supervision of the State Board of Education (the "SBOE") to the PSF Corporation. SB 1232 also requires changes with respect to the management of certain investments previously made at the discretion of the Texas School Land Board ("the "SLB"), including limiting the types of investments that may be made by the SLB and mandating the transfer of cash and certain other investment properties from the SLB to the PSF Corporation once the PSF Corporation is created. Certain of the authorizations of SB 1232, including the creation of the PSF Corporation have occurred, but other authorized changes are expected to be implemented in phases, generally from the first quarter of calendar year 2022 through the end of calendar year 2023. See "Management Transition to the PSF Corporation" for a summary of SB 1232 and its expected impact on the management and operations of the Fund.

History and Purpose

The PSF supports the State's public school system in two major ways: distributions to the constitutionally established Available School Fund (the "ASF"), as described below, and the guarantee of school district and charter district issued bonds through the

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

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

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

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

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

Audited financial information for the SBOE financial portfolios of the PSF is provided annually through the PSF Comprehensive Annual Financial Report (the "Annual Report"), which is filed with the Municipal Securities Rulemaking Board ("MSRB"). The SLB's land and real assets investment operations, which are part of the PSF as described below, are included in the annual financial report of the Texas General Land Office (the "GLO") that is included in the comprehensive annual report of the State of Texas. The Annual Report includes the Message of the Executive Administrator of the Fund (the "Message") and the Management's Discussion and Analysis ("MD&A"). The Annual Report for the year ended August 31, 2021, when filed with the MSRB in accordance with the PSF undertaking and agreement made in accordance with Rule 15c2-12 ("Rule 15c2-12") of the federal Securities and Exchange Commission (the "SEC"), as described below, is hereby incorporated by reference into this disclosure. Information included herein for the year ended August 31, 2021 is derived from the audited financial statements of the PSF, which are included in the Annual Report when and as it is filed and posted. Reference is made to the Annual Report for the complete Message and MD&A for the year ended August 31, 2021 and for a description of the financial results of the PSF for the year ended August 31, 2021, the most recent year for which audited financial information regarding the Fund is available. The 2021 Annual Report speaks only as of its date and the TEA has not obligated itself to update the 2021 Annual Report or any other Annual Report. The TEA posts (i) each Annual Report, which includes statistical data regarding the Fund as of the close of each fiscal year, (ii) the most recent disclosure for the Guarantee Program, (iii) the Statement of Investment Objectives, Policies and Guidelines of the Texas Permanent School Fund, which is codified at 19 Texas Administrative Code, Chapter 33 (the "Investment Policy"), and (iv) monthly updates with respect to the capacity of the Guarantee Program (collectively, the "Web Site Materials") on the TEA web site at http://tea.texas.gov/Finance_and_Grants/Permanent_School_Fund/ and with the MSRB at www.emma.msrb.org. Such monthly updates regarding the Guarantee Program are also incorporated herein and made a part hereof for all purposes. In addition to the Web Site Materials, the Fund is required to make quarterly filings with the SEC under Section 13(f) of the Securities Exchange Act of 1934. Such filings, which consist of a list of the Fund's holdings of securities specified in Section 13(f), including exchange-traded (e.g., NYSE) or NASDAQ-quoted stocks, equity options and warrants, shares of closed-end investment companies and certain convertible debt securities, is available from the SEC at www.sec.gov/edgar.shtml. A list of the Fund's equity and fixed income holdings as of August 31 of each year is posted to the TEA web site and filed with the MSRB. Such list excludes holdings in the Fund's securities lending program. Such list, as filed, is incorporated herein and made a part hereof for all purposes. See "Management Transition to the PSF Corporation" for ongoing changes in the management structure of the Fund that may result in changes to the annual audit prepared with respect to the Fund.

Management and Administration of the Fund Prior to the Implementation of SB 1232

The following discussion describes the legal and management structure of the Fund prior to full implementation of SB 1232, which has begun and is expected to continue in phases over an approximately two year period. See "Management Transition to the PSF Corporation" for summaries of certain laws applicable to the Fund pursuant to the Texas Constitution and SB 1232 and the ongoing changes in the management structure of the Fund.

The Texas Constitution and applicable statutes delegate to the SBOE the authority and responsibility for investment of the PSF's financial assets. The SBOE consists of 15 members who are elected by territorial districts in the State to four year terms of office.

The Texas Constitution provides that the Fund shall be managed though the exercise of the judgment and care under the circumstances then prevailing which persons of ordinary prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income therefrom as well as the probable safety of their capital (the "Prudent Person Standard"). The SBOE has adopted a "Statement of Investment Objectives, Policies, and Guidelines of the Texas Permanent School Fund," which is codified in the Texas Administrative Code beginning at 19 TAC section 33.1.

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

By law, the Education Commissioner is appointed by the Governor, with Senate confirmation, and assists the SBOE, but the Education Commissioner can neither be hired nor dismissed by the SBOE. The Executive Administrator of the Fund is hired by and reports to the Education Commissioner. Moreover, although the Fund's Executive Administrator and the PSF staff at TEA implement the decisions of and provide information to the School Finance/PSF Committee of the SBOE (the "PSF Committee of the SBOE") and the full SBOE, the SBOE can neither select nor dismiss the Executive Administrator. TEA's General Counsel provides legal advice to the Executive Administrator and to the SBOE. The SBOE has also engaged outside counsel to advise it as to its duties over the Fund, including specific actions regarding the investment of the PSF to ensure compliance with fiduciary standards, and to provide transactional advice in connection with the investment of Fund assets in non-traditional investments.

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

The SBOE/PSF investment staff and the SBOE's investment consultant for the Fund are tasked with advising the SBOE with respect to the implementation of the Fund's asset allocation policy, including the timing and manner of the selection of any external managers and other consultants.

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

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

Texas law assigns to the SLB the ability to control of the Fund's land and mineral rights and make investments in real assets. Administrative duties related to the land and mineral rights reside with the GLO, which is under the guidance of the elected commissioner of the GLO (the "Land Commissioner"). The SLB manages the proceeds of the land and mineral rights that are administrated by the GLO on behalf of the Fund. The SLB is governed by a five member board, the membership of which consists of the Land Commissioner, who sits as the chairman of the board, and four citizen members appointed by the Governor. The SLB and is generally authorized to invest in the following asset classes:

- Discretionary real assets investments consisting of externally managed real estate, infrastructure, and energy/minerals investment funds, separate accounts, and co-investment vehicles; internally managed direct real estate investments, and associated cash;
- Sovereign and other lands, being the lands set aside for the Fund when it was created, and other various lands not considered discretionary real asset investments; and,
- Mineral interests associated with Fund lands.

At August 31, 2021, the SLB managed approximately 15% of the PSF, as reflected in the fund balance of the PSF at that date. See "Management Transition to the PSF Corporation" for a summary of SB 1232 and its expected impact on the management and operations of the Fund.

In 2019, the Texas Legislature enacted legislation that required an annual joint meeting of the SLB and the SBOE for the purpose of discussing the allocation of the assets of the PSF and the investment of money in the PSF. Other legislation enacted in 2019 included a bill that created a "permanent school fund liquid account" (the "Liquid Account") in the PSF for the purpose of receiving funds transferred from the SLB on a quarterly basis that are not then invested by the SLB or needed within the forthcoming quarter for investment by the SBOE. That legislation also provided for the SBOE to administer and invest the Liquid Account and required the TEA, in consultation with the GLO, to conduct a study regarding distributions to the ASF from the PSF. That study (the "PSF Distribution Study"), dated August 31, 2020, is available at https://tea.texas.gov/sites/default/files/TEA-Distribution-Study.pdf.

Management Transition to the PSF Corporation

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

The description of SB 1232 that follows summarizes some key provisions of the bill. The full text of the bill can be found at https://capitol.texas.gov/BillLookup/Text.aspx?LegSess=87R&Bill=SB1232. SB 1232 provides for various transition dates relating to implementation of the bill, with the latest dates generally occurring in calendar year 2023. As a result, the full implementation of SB 1232 will necessarily evolve over time with the timing of certain aspects of its implementation yet to be determined.

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

At the inaugural meeting of the Board in January 2022, the Board appointed the Executive Administrator of the Fund as the interim chief executive officer of the PSF Corporation and in April 2022 the Executive Administrator of the Fund was confirmed as the chief executive officer of the PSF Corporation. The chief executive officer will report to the Board. Any amendments to the PSF Corporation's articles of formation and bylaws will be adopted by the Board but are subject to approval by the SBOE.

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

The SLB's investments in real estate investment funds and real asset investment funds will transfer to the PSF Corporation. Beginning December 31, 2022, the SLB will no longer be authorized to make investments into funds; however, the SLB will still be able to invest in land, mineral and royalty interests, and direct real estate holdings; the SLB will also be required to send PSF mineral revenue to the PSF Corporation for investment, subject to designation via the appropriations process to cover GLO expenses of managing the minerals. Tentatively, the transfer of SLB assets to the management of the PSF Corporation is expected to occur in late 2022 or early 2023, but exceptions could be made for specific investments.

In connection with the transfer of SLB's investment funds to the PSF Corporation, the PSF Corporation will also determine when the Liquid Account can be abolished, and any remaining balance transferred to the PSF managed by the PSF Corporation.

Not less than once each year, the Board must submit an audit report to the Legislative Budget Board ("LBB") regarding the operations of the PSF Corporation. The PSF Corporation may contract with a certified public accountant or the State Auditor to conduct an independent audit of the operations of the PSF Corporation, but such authorization does not affect the State Auditor's authority to conduct an audit of the PSF Corporation in accordance with other State laws.

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

The State general appropriations act for fiscal years 2022-23 required TEA (and GLO) to submit a plan to the LBB describing the steps required to implement SB 1232, and the plan was submitted on September 1, 2021. The plan included a description of appropriated funds and full time equivalent employees ("FTEs") to be transferred to PSF Corporation and identified costs to accrue to TEA as a result of such transfers. The plan identified a cost range of approximately $8,000,000 to $11,000,000 required in connection with the establishment of the PSF Corporation. During the Summer or Fall of 2022, an appropriation request is expected to be made by the chief executive officer of the PSF Corporation acting in cooperation with the Board to LBB in preparation for the 2024-2025 State biennium.

The Total Return Constitutional Amendment

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

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

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

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

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

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

Annual Distributions to the Available School Fund[1]

Fiscal Year Ending	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
PSF(SBOE) Distribution	$1,021	$1,021	$839	$839	$1,056	$1,056	$1,236	$1,236	$1,102	$1,102
PSF(SLB) Distribution	$0	$300	$0	$0	$0	$0	$0	$300	$600	$600[2]
Per Student Distribution	$221	$281	$175	$173	$215	$212	$247	$306	$347	$341

[1] In millions of dollars. Source: PSF Annual Report for year ended August 31, 2021.

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

In November 2020, the SBOE approved a projected $3.4 billion distribution to the ASF for State fiscal biennium 2022-2023. In making its determination of the 2022-2023 Distribution Rate, the SBOE took into account the announced planned distribution to the ASF by the SLB of $875 million for the biennium.

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

State Fiscal Biennium	2008-09	2010-11	2012-13	2014-15	2016-17	2018-19	2020-21	2022-23
SBOE Distribution Rate1	3.5%	2.5%	4.2%	3.3%	3.5%	3.7%	2.974%	4.18%

[1] Includes only distributions made to the ASF by the SBOE; see the immediately preceding table for amounts of direct SLB distributions to the ASF.

See "Management Transition to the PSF Corporation" for a discussion of planned changes in the management of the Fund that may impact distributions to the ASF.

Asset Allocation of Fund Portfolios

With respect to the management of the Fund's financial assets portfolio, the single most significant change made to date as a result of the Total Return Constitutional Amendment has been new asset allocation policies adopted from time to time by the SBOE. The SBOE generally reviews the asset allocations during its summer meeting in even-numbered years. The first asset allocation policy adopted by the SBOE following the Total Return Constitutional Amendment was in February 2004, and the policy was reviewed and modified or reaffirmed in the summers of each even-numbered year, most recently in June 2022. The Fund's Investment Policy provides for minimum and maximum ranges among the components of each of the asset classifications: equities, fixed income and alternative asset investments. The alternative asset allocation category includes real estate, real return, absolute return and private equity components. Alternative asset classes diversify the SBOE-managed assets and are not as correlated to traditional asset classes, which is intended to increase investment returns over the long run while reducing risk and return volatility of the portfolio. Given the greater weighting in the overall portfolio of passively managed investments, it is expected that the Fund will reflect the general performance returns of the markets in which the Fund is invested.

The most recent asset allocation of the PSF(SBOE), approved by the SBOE in June 2022, is set forth below, along with the current asset allocations of the PSF(SLB) and the asset allocation of the Liquid Account (the Liquid Account asset allocation was most recently revised in June 2022).

The next scheduled review of the PSF(SBOE) asset allocation is June 2024. See "Management Transition to the PSF Corporation" for a discussion of planned changes in the management of the Fund that could affect the responsibility for review of the asset allocation and the timing of asset allocation review, as well as elimination of the Liquid Account.

PSF Strategic Asset Allocations

	PSF(SBOE)	PSF(SLB)	Liquid Account
Equity Total	55%	0%	77%
Public Equity Total	37%	0%	77%
Large Cap US Equity	14%	0%	38%
Small/Mid Cap US Equity	6%	0%	10%
International Equities	14%	0%	29%
Emerging Markets Equity	3%	0%	0%
Private Equity	18%	0%	0%
Fixed Income Total	22%	0%	21%
Core Bonds	12%	0%	16%
Non-Core Bonds (High Yield & Bank Loans)	4%	0%	0%
Emerging Markets Debt	3%	0%	0%
Treasuries	3%	0%	0%
TIPS	0%	0%	5%
Short Duration	0%	0%	0%
Alternative Investments Total	22%	100%	0%
Absolute Return	7%	0%	0%
Real Estate	11%	33%	0%
Real Return	4%	0%	0%
Energy	0%	31%	0%
Infrastructure	0%	36%	0%
Emerging Manager Program	1%	0%	0%
Cash	0%	0%	2%

For a variety of reasons, each change in asset allocation for the Fund has been implemented in phases, and that approach is likely to be carried forward when and if the asset allocation policy is again modified.

The table below sets forth the comparative investments of the PSF(SBOE) for the years ending August 31, 2020 and 2021.

Comparative Investment Schedule - PSF(SBOE)[1]

Fair Value (in millions) August 31, 2021 and 2020				
ASSET CLASS	August 31, 2021	August 31, 2020	Amount of Increase (Decrease)	Percent Change
EQUITY				
Domestic Small Cap	$ 2,597.3	$ 2,005.8	$ 591.5	29.5%
Domestic Large Cap	6,218.7	5,106.3	1,112.4	21.8%
Total Domestic Equity	8,816.0	7,112.1	1,703.9	24.0%
International Equity	8,062.1	6,380.9	1,681.2	26.3%
TOTAL EQUITY	16,878.1	13,493.0	3,385.1	25.1%
FIXED INCOME				
Domestic Fixed Income	4,853.1	4,232.6	620.5	14.7%
U.S. Treasuries	1,243.3	918.7	324.6	35.3%
Emerging Market Debt	2,683.7	2,450.7	233.0	9.5%
TOTAL FIXED INCOME	8,780.1	7,602.0	1,178.1	15.5%
ALTERNATIVE INVESTMENTS				
Absolute Return	3,546.0	3,517.2	28.8	0.8%
Real Estate	3,706.0	3,102.1	603.9	19.5%
Private Equity	7,724.6	4,761.5	2,963.1	62.2%
Risk Parity	-	1,164.9	(1,164.9)	-100.0%
Real Return	1,675.5	2,047.4	(371.9)	-18.2%

TOT ALT INVESTMENTS	16,652.1	14,593.1	2,059.0	14.1%
UNALLOCATED CASH	262.9	122.9	140.0	113.9%
TOTAL PSF(SBOE) INVESTMENTS	$ 42,573.2	$ 35,811.0	$ 6,762.2	18.9%

Source: PSF Annual Report for year ended August 31, 2021.
[1] *The investments shown in the table above at August 31, 2021 do not fully reflect the changes made to the PSF Strategic Asset Allocation in 2020, as those changes were still being phased in at the end of the fiscal year.*

In accordance with legislation enacted during 2019, the PSF has established the Liquid Account for purposes of investing cash received from the SLB to be invested in liquid assets and managed by the SBOE in the same manner it manages the PSF. That cash was previously included in the PSF valuation but was held and invested by the State Comptroller. See "Management Transition to the PSF Corporation" for a discussion of planned changes in the management of the Fund that could result in the dissolution of the Liquid Account and a blending of assets held in the Liquidity Account into the general investment portfolio of the Fund.

The table below sets forth the investments of the Liquid Account for the year ended August 31, 2021.

Liquid Account Fair Value at August 31, 2021[1]

Fair Value (in millions) August 31, 2021 and 2020

ASSET CLASS	August 31, 2021	August 31, 2020	Amount of Increase (Decrease)	Percent Change
Equity				
Domestic Small/Mid Cap	$228.3	-	$228.3	N/A
Domestic Large Cap	578.6	-	578.6	N/A
Total Domestic Equity	806.9	-	806.9	N/A
International Equity	392.6	-	392.6	N/A
TOTAL EQUITY	1,199.5	-	1,199.5	N/A
Fixed Income				
Short-Term Fixed Income	1,074.8	$1,597.3	(522.5)	-32.7%
Core Bonds	413.1	-	413.1	N/A
TIPS	213.9	-	213.9	N/A
TOTAL FIXED INCOME	1,701.8	1,597.3	104.5	6.5%
Unallocated Cash	1,420.5	2,453.3	(1,032.8)	-42.1%
Total Liquid Account Investments	$4,321.8	$4,050.6	$271.2	6.7%

[1] *In millions of dollars.*
Source: PSF Annual Report for year ended August 31, 2021.

The table below sets forth the comparative investments of the PSF(SLB) for the years ending August 31, 2020 and 2021.

Comparative Investment Schedule - PSF(SLB)

Fair Value (in millions) August 31, 2021 and 2020

Asset Class	As of 8-31-21	As of 8-31-20	Increase (Decrease)	Percent Change
Discretionary Real Assets Investments				
Externally Managed				
Real Assets Investment Funds[1]				
Energy/Minerals	$1,707.5	$1,164.0	$543.5	46.7%
Infrastructure	1,652.3	1,485.4	166.9	11.2%
Real Estate	1,276.8	1,174.8	102.0	8.7%
Internally Managed Direct Real Estate Investments	223.9	219.5	4.4	2.0%
Total Discretionary Real Assets Investments	4,860.5	4,043.7	816.8	20.2%
Dom. Equity Rec'd as In-Kind Distribution	1.7	0.9	0.8	88.9%
Sovereign and Other Lands	405.4	408.6	(3.2)	-0.8%
Mineral Interests	2,720.4	2,115.4	605	28.6%
Cash at State Treasury[2]	699.2	333.8	365.4	109.5%
Total PSF(SLB) Investments	$8,687.2	$6,902.4	$1,784.8	25.9%

[1] The fair values of externally managed real assets investment funds, separate accounts, and co-investment vehicles are estimated using the most recent valuations available, adjusted for subsequent contributions and withdrawals.
[2] Cash at State Treasury represents amounts that have been deposited in the State Treasury and temporarily invested in short-term investments until called for investment by the external real assets investment funds, separate accounts, and co-investment vehicles to which PSF(SLB) has made capital commitments. Prior to September 1, 2019, PSF(SLB) was required by statute to deposit cash designated by the SLB for investment in real assets in the State Treasury until it is drawn for investment. After September 1, 2019, that cash was moved to the Liquid Account to be invested by the SBOE.

The asset allocation of the Fund's financial assets portfolio is subject to change by the SBOE from time to time based upon a number of factors, including recommendations to the SBOE made by internal investment staff and external consultants. Fund performance may also be affected by factors other than asset allocation, including, without limitation, the general performance of the securities markets and other capital markets in the United States and abroad, which may be affected by different levels of economic activity; decisions of political officeholders; significant adverse weather events and the market impact of domestic and international climate change; development of hostilities in and among nations; cybersecurity threats and events; changes in international trade policies or practices; application of the Prudent Person Standard, which may eliminate certain investment opportunities for the Fund; management fees paid to external managers and embedded management fees for some fund investments; and, PSF operational limitations impacted by Texas law or legislative appropriation. See "Management Transition to the PSF Corporation" for a discussion of planned changes in the management of the Fund that may affect these factors. The Guarantee Program could also be impacted by changes in State or federal law or regulations or the implementation of new accounting standards.

The School District Bond Guarantee Program

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

In the event of default, holders of guaranteed school district bonds will receive all payments due from the corpus of the PSF. Following a determination that a school district will be or is unable to pay maturing or matured principal or interest on any guaranteed bond, the Act requires the school district to notify the Education Commissioner not later than the fifth day before the stated maturity date of such bond or interest payment. Immediately following receipt of such notice, the Education Commissioner must cause to be transferred from the appropriate account in the PSF to the Paying Agent/Registrar an amount necessary to pay the maturing or matured principal and interest. Upon receipt of funds for payment of such principal or interest, the Paying Agent/Registrar must pay the amount due and forward the canceled bond or evidence of payment of the interest to the State Comptroller of Public Accounts (the "Comptroller"). The Education Commissioner will instruct the Comptroller to withhold the amount paid, plus interest, from the first State money payable to the school district. The amount withheld pursuant to this funding "intercept" feature will be deposited to the credit of the PSF. The Comptroller must hold such canceled bond or evidence of payment of the interest on behalf of the PSF. Following full reimbursement of such payment by the school district to the PSF with interest, the Comptroller will cancel the bond or evidence of payment of the interest and forward it to the school district. The Act permits the Education Commissioner to order a school district to set a tax rate sufficient to reimburse the PSF for any payments made with respect to guaranteed bonds, and also sufficient to pay future payments on guaranteed bonds, and provides certain enforcement mechanisms to the Education Commissioner, including the appointment of a board of managers or annexation of a defaulting school district to another school district.

If a school district fails to pay principal or interest on a bond as it is stated to mature, other amounts not due and payable are not accelerated and do not become due and payable by virtue of the district's default. The School District Bond Guarantee Program does not apply to the payment of principal and interest upon redemption of bonds, except upon mandatory sinking fund redemption, and does not apply to the obligation, if any, of a school district to pay a redemption premium on its guaranteed bonds. The guarantee applies to all matured interest on guaranteed school district bonds, whether the bonds were issued with a fixed or variable interest rate and whether the interest rate changes as a result of an interest reset provision or other bond order provision requiring an interest rate change. The guarantee does not extend to any obligation of a school district under any agreement with a third party relating to guaranteed bonds that is defined or described in State law as a "bond enhancement agreement" or a "credit agreement," unless the right to payment of such third party is directly as a result of such third party being a bondholder.

In the event that two or more payments are made from the PSF on behalf of a district, the Education Commissioner shall request the Attorney General to institute legal action to compel the district and its officers, agents and employees to comply with the duties required of them by law in respect to the payment of guaranteed bonds.

Generally, the regulations that govern the School District Bond Guarantee Program (the "SDBGP Rules") limit guarantees to certain types of notes and bonds, including, with respect to refunding bonds issued by school districts, a requirement that the bonds produce debt service savings, and that bonds issued for capital facilities of school districts must have been voted as unlimited tax debt of the issuing district. The Guarantee Program Rules include certain accreditation criteria for districts applying for a guarantee of their bonds, and limit guarantees to districts that have less than the amount of annual debt service per average daily attendance that represents the 90th percentile of annual debt service per average daily attendance for all school districts, but such limitation will not apply to school districts that have enrollment growth of at least 25% over the previous five school years. The SDBGP Rules are codified in the Texas Administrative Code at 19 TAC section 33.65 and are available at https://tea.texas.gov/sites/default/files/ch033a.pdf.

The Charter District Bond Guarantee Program

The Charter District Bond Guarantee Program became effective March 3, 2014. The SBOE published final regulations in the Texas Register that provide for the administration of the Charter District Bond Guarantee Program (the "CDBGP Rules"). The CDBGP Rules are codified at 19 TAC section 33.67 and are available at https://tea.texas.gov/sites/default/files/ch033a.pdf.

The Charter District Bond Guarantee Program has been authorized through the enactment of amendments to the Act, which provide that a charter holder may make application to the Education Commissioner for designation as a "charter district" and for a guarantee by the PSF under the Act of bonds issued on behalf of a charter district by a non-profit corporation. If the conditions for the Charter District Bond Guarantee Program are satisfied, the guarantee becomes effective upon approval of the bonds by the Attorney General and remains in effect until the guaranteed bonds are paid or defeased, by a refunding or otherwise.

As of March 2022 (the most recent date for which data is available), the percentage of students enrolled in open-enrollment charter schools (excluding charter schools authorized by school districts) to the total State scholastic census was approximately 6.98%. At August 2, 2022, there were 192 active open-enrollment charter schools in the State and there were 910 charter school campuses active under such charters (though as of such date, 28 of such campuses are not currently serving students for various reasons).

Section 12.101, Texas Education Code, as amended by the Legislature in 2013, limits the number of charters that the Education Commissioner may grant to 215 charters as of the end of fiscal year 2014, with the number increasing in each fiscal year thereafter through 2019 to a total number of 305 charters. While legislation limits the number of charters that may be granted, it does not limit the number of campuses that may operate under a particular charter. For information regarding the capacity of the Guarantee Program, see "Capacity Limits for the Guarantee Program." The Act provides that the Education Commissioner may not approve the guarantee of refunding or refinanced bonds under the Charter District Bond Guarantee Program in a total amount that exceeds one-half of the total amount available for the guarantee of charter district bonds under the Charter District Bond Guarantee Program.

In accordance with the Act, the Education Commissioner may not approve charter district bonds for guarantee if such guarantees will result in lower bond ratings for public school district bonds that are guaranteed under the School District Bond Guarantee Program. To be eligible for a guarantee, the Act provides that a charter district's bonds must be approved by the Attorney General, have an unenhanced investment grade rating from a nationally recognized investment rating firm, and satisfy a limited investigation conducted by the TEA.

The Charter District Bond Guarantee Program does not apply to the payment of principal and interest upon redemption of bonds, except upon mandatory sinking fund redemption, and does not apply to the obligation, if any, of a charter district to pay a redemption premium on its guaranteed bonds. The guarantee applies to all matured interest on guaranteed charter district bonds, whether the bonds were issued with a fixed or variable interest rate and whether the interest rate changes as a result of an interest reset provision or other bond resolution provision requiring an interest rate change. The guarantee does not extend to any obligation of a charter district under any agreement with a third party relating to guaranteed bonds that is defined or described in State law as a "bond enhancement agreement" or a "credit agreement," unless the right to payment of such third party is directly as a result of such third party being a bondholder.

The Act provides that immediately following receipt of notice that a charter district will be or is unable to pay maturing or matured principal or interest on a guaranteed bond, the Education Commissioner is required to instruct the Comptroller to transfer from the Charter District Reserve Fund to the district's paying agent an amount necessary to pay the maturing or matured principal or interest. If money in the Charter District Reserve Fund is insufficient to pay the amount due on a bond for which a notice of default has been received, the Education Commissioner is required to instruct the Comptroller to transfer from the PSF to the district's paying agent the amount necessary to pay the balance of the unpaid maturing or matured principal or interest. If a total of two or more payments are made under the Charter District Bond Guarantee Program on charter district bonds and the Education Commissioner determines that the charter district is acting in bad faith under the program, the Education Commissioner may request the Attorney General to institute appropriate legal action to compel the charter district and its officers, agents, and employees to comply with the duties required of them by law in regard to the guaranteed bonds. As is the case with the School District Bond Guarantee Program, the Act provides a funding "intercept" feature that obligates the Education Commissioner to instruct the Comptroller to withhold the amount paid with respect to the Charter District Bond Guarantee Program, plus interest, from the first State money payable to a charter district that fails to make a guaranteed payment on its bonds. The amount withheld will be deposited, first, to the credit of the PSF, and then to restore any amount drawn from the Charter District Reserve Fund as a result of the non-payment.

The CDBGP Rules provide that the PSF may be used to guarantee bonds issued for the acquisition, construction, repair, or renovation of an educational facility for an open-enrollment charter holder and equipping real property of an open-enrollment charter school and/or to refinance promissory notes executed by an open-enrollment charter school, each in an amount in excess of $500,000 the proceeds of which loans were used for a purpose described above (so-called new money bonds) or for refinancing bonds previously issued for the charter school that were approved by the attorney general (so-called refunding bonds). Refunding bonds may not be guaranteed under the Charter District Bond Guarantee Program if they do not result in a present value savings to the charter holder.

The CDBGP Rules provide that an open-enrollment charter holder applying for charter district designation and a guarantee of its bonds under the Charter District Bond Guarantee Program satisfy various provisions of the regulations, including the following: It must (i) have operated at least one open-enrollment charter school with enrolled students in the State for at least three years; (ii) agree that the bonded indebtedness for which the guarantee is sought will be undertaken as an obligation of all entities under common control of the open-enrollment charter holder, and that all such entities will be liable for the obligation if the open-enrollment charter holder defaults on the bonded indebtedness, provided, however, that an entity that does not operate a charter school in Texas is subject to this provision only to the extent it has received state funds from the open-enrollment charter holder; (iii) have had completed for the past three years an audit for each such year that included unqualified or unmodified audit opinions; and (iv) have received an investment grade credit rating within the last year. Upon receipt of an application for guarantee under the Charter District Bond Guarantee Program, the Education Commissioner is required to conduct an investigation into the financial status of the applicant charter district and of the accreditation status of all open-enrollment charter schools operated under the charter, within the scope set forth in the CDBGP Rules. Such financial investigation must establish that an applying charter district has a historical debt service coverage ratio, based on annual debt service, of at least 1.1 for the most recently completed fiscal year, and a projected debt service coverage ratio, based on projected revenues and expenses and maximum annual debt service, of at least 1.2. The failure of an open-enrollment charter holder to comply with the Act or the applicable regulations, including by making any material misrepresentations in the charter holder's application for charter district designation or guarantee under the Charter District Bond Guarantee Program, constitutes a material violation of the open-enrollment charter holder's charter.

From time to time, TEA has limited new guarantees under the Charter District Bond Guarantee Program to conform to capacity limits specified by the Act. Legislation enacted during the Legislature's 2017 regular session modified the manner of calculating the capacity of the Charter District Bond Guarantee Program (the "CDBGP Capacity"), which further increased the amount of the CDBGP Capacity, beginning with State fiscal year 2018, but that provision of the law does not increase overall Program capacity, it merely makes available to the Charter District Bond Guarantee Program a greater share of capacity in the Guarantee Program. The CDBGP Capacity is made available from the capacity of the Guarantee Program but is not reserved exclusively for the Charter District Bond Guarantee Program. See "Capacity Limits for the Guarantee Program" and "2017 Legislative Changes to the Charter District Bond Guarantee Program." Other factors that could increase the CDBGP Capacity include Fund investment performance, future increases in the Guarantee Program multiplier, changes in State law that govern the calculation of the CDBGP Capacity, as described below, changes in State or federal law or regulations related to the Guarantee Program limit, growth in the relative percentage of students enrolled in open-enrollment charter schools to the total State scholastic census, legislative and administrative changes in funding for charter districts, changes in level of school district or charter district participation in the Guarantee Program, or a combination of such circumstances.

Capacity Limits for the Guarantee Program

The capacity of the Fund to guarantee bonds under the Guarantee Program is limited to the lessor of that imposed by State law (the "State Capacity Limit") and that imposed by regulations and a notice issued by the IRS (the "IRS Limit", with the limit in effect at any given time being the "Capacity Limit"). From 2005 through 2009, the Guarantee Program twice reached capacity under the IRS Limit, and in each instance the Guarantee Program was closed to new bond guarantee applications until relief was obtained from the IRS. The most recent closure of the Guarantee Program commenced in March 2009 and the Guarantee Program reopened in February 2010 on the basis of receipt of the IRS Notice.

Prior to 2007, various legislation was enacted modifying the calculation of the State Capacity limit; however, in 2007, Senate Bill 389 ("SB 389") was enacted, providing for increases in the capacity of the Guarantee Program, and specifically providing that the SBOE may by rule increase the capacity of the Guarantee Program from two and one-half times the cost value of the PSF to an amount not to exceed five times the cost value of the PSF, provided that the increased limit does not violate federal law and regulations and does not prevent bonds guaranteed by the Guarantee Program from receiving the highest available credit rating, as determined by the SBOE. SB 389 further provided that the SBOE shall at least annually consider whether to change the capacity of the Guarantee Program. Additionally, on May 21, 2010, the SBOE modified the SDBGP Rules, and increased the State Capacity Limit to an amount equal to three times the cost value of the PSF. Such modified regulations, including the revised capacity rule, became effective on July 1, 2010. The SDBGP Rules provide that the Education Commissioner may reduce the multiplier to maintain the AAA credit rating of the Guarantee Program but also provide that any changes to the multiplier made by the Education Commissioner are to be ratified or rejected by the SBOE at the next meeting following the change. See "Valuation of the PSF and Guaranteed Bonds" below.

Since September 2015, the SBOE has periodically voted to change the capacity multiplier as shown in the following table.

Changes in SBOE-determined multiplier for State Capacity Limit

Date	Multiplier
Prior to May 2010	2.50
May 2010	3.00
September 2015	3.25
February 2017	3.50
September 2017	3.75
February 2018 (current)	3.50

Prior to the issuance of the IRS Notice (defined below), the capacity of the program under the IRS Limit was limited to two and one-half times the lower of cost or fair market value of the Fund's assets adjusted by a factor that excluded additions to the Fund made since May 14, 1989. On December 16, 2009, the IRS published Notice 2010-5 (the "IRS Notice") stating that the IRS would issue proposed regulations amending the existing regulations to raise the IRS limit to 500% of the total cost of the assets held by the PSF as of December 16, 2009. In accordance with the IRS Notice, the amount of any new bonds to be guaranteed by the PSF, together with the then outstanding amount of bonds previously guaranteed by the PSF, must not exceed the IRS limit on the sale date of the new bonds to be guaranteed. The IRS Notice further provided that the IRS Notice may be relied upon for bonds sold on or after December 16, 2009, and before the effective date of future regulations or other public administrative guidance affecting funds like the PSF.

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

On July 18, 2016, the IRS issued final regulations enacting the IRS Notice (the "Final IRS Regulations"). The Final IRS Regulations are effective for bonds sold on or after October 17, 2016. The IRS Notice, the Proposed IRS Regulations and the Final IRS Regulations establish a static capacity for the Guarantee Program based upon the cost value of Fund assets on December 16, 2009, multiplied by five. On December 16, 2009, the cost value of the Guarantee Program was $23,463,730,608 (estimated and unaudited), thereby producing an IRS Limit of approximately $117.3 billion.

In September 2015, the SBOE also approved a new 5% capacity reserve for the Charter District Bond Guarantee Program. The State Capacity Limit increased from $128,247,002,583 on August 31, 2020 to $135,449,634,408 on August 31, 2021 (but at such date the IRS Limit ($117,318,653,038) remained the lower of the two, so it is the current Capacity Limit for the Fund).

Since July 1991, when the SBOE amended the Guarantee Program Rules to broaden the range of bonds that are eligible for guarantee under the Guarantee Program to encompass most Texas school district bonds, the principal amount of bonds guaranteed under the Guarantee Program has increased sharply. In addition, in recent years a number of factors have caused an increase in the amount of bonds issued by school districts in the State. See the table "Permanent School Fund Guaranteed Bonds" below. Effective September 1, 2009, the Act provides that the SBOE may annually establish a percentage of the cost value of the Fund to be reserved from use in guaranteeing bonds (the "Capacity Reserve"). The SDBGP Rules provide for a minimum Capacity Reserve for the overall Guarantee Program of no less than 5% and provide that the amount of the Capacity Reserve may be increased by a majority vote of the SBOE. The CDBGP Rules provide for an additional 5% reserve of CDBGP Capacity. The Education Commissioner is authorized to change the Capacity Reserve, which decision must be ratified or rejected by the SBOE at its next meeting following any change made by the Education Commissioner. The current Capacity Reserve is noted in the monthly updates with respect to the capacity of the Guarantee Program on the TEA web site at http://tea.texas.gov/Finance_and_Grants/Permanent_School_Fund/, which are also filed with the MSRB.

Based upon historical performance of the Fund, the legal restrictions relating to the amount of bonds that may be guaranteed has generally resulted in a lower ratio of guaranteed bonds to available assets as compared to many other types of credit enhancements that may be available for Texas school district bonds and charter district bonds. However, the ratio of Fund assets to guaranteed bonds and the growth of the Fund in general could be adversely affected by a number of factors, including Fund investment performance, investment objectives of the Fund, an increase in bond issues by school districts in the State or legal restrictions on the Fund, changes in State laws that implement funding decisions for school districts and charter districts, which could adversely affect the credit quality of those districts, the implementation of the Charter District Bond Guarantee Program, or significant changes in distributions to the ASF. The issuance of the IRS Notice and the Final IRS Regulations resulted in a substantial increase in the amount of bonds guaranteed under the Guarantee Program. As the amount of guaranteed bonds approaches the IRS Limit, the SBOE is seeking changes to the existing federal tax law requirements regarding the Guarantee Program with the objective of obtaining an increase in the IRS Limit, but no assurances can be given that the SBOE will be successful in that undertaking. The implementation of the Charter School Bond Guarantee Program has also increased the total amount of guaranteed bonds.

2017 Legislative Changes to the Charter District Bond Guarantee Program

The CDBGP Capacity is established by the Act. During the 85th Texas Legislature, which concluded on May 29, 2017, Senate Bill 1480 ("SB 1480") was enacted. SB 1480 amended the Act to modify how the CDBGP Capacity is established effective as of September 1, 2017 and made other substantive changes to the Charter District Bond Guarantee Program. Prior to the enactment of SB 1480, the CDBGP Capacity was calculated as the Capacity Limit less the amount of outstanding bond guarantees under the Guarantee Program multiplied by the percentage of charter district scholastic population relative to the total public school scholastic population. SB 1480 amended the CDBGP Capacity calculation so that the Capacity Limit is multiplied by the percentage of charter district scholastic population relative to the total public school scholastic population prior to the subtraction of the outstanding bond guarantees, thereby increasing the CDBGP Capacity. SB 1480 provided for the implementation of the new method of calculating the CDBGP Capacity to begin with the State fiscal year that commences September 1, 2021 (the State's fiscal year 2022) but authorized the SBOE discretion to increase the CDBGP Capacity incrementally in the intervening four fiscal years, beginning with fiscal year 2018 by up to a cumulative 20% in each fiscal year (for a total maximum increase of 80% in fiscal year 2021) as compared to the capacity figure calculated under the Act as of January 1, 2017, which it has done.

The percentage of the charter district scholastic population to the overall public school scholastic population has grown from 3.53% in September 2012 to 6.83% in March 2021. TEA is unable to predict how the ratio of charter district students to the total State scholastic population will change over time.

In addition to modifying the manner of determining the CDBGP Capacity, SB 1480 provided that the Education Commissioner's investigation of a charter district application for guarantee may include an evaluation of whether the charter district bond security documents provide a security interest in real property pledged as collateral for the bond and the repayment obligation under the proposed guarantee. The Education Commissioner may decline to approve the application if the Education Commissioner determines that sufficient security is not provided. The Act and the CDBGP Rules previously required the Education Commissioner to make an investigation of the accreditation status and certain financial criteria for a charter district applying for a bond guarantee, which remain in place.

Since the initial authorization of the Charter District Bond Guarantee Program, the Act has established a bond guarantee reserve fund in the State treasury (the "Charter District Reserve Fund"). Formerly, the Act provided that each charter district that has a bond guaranteed must annually remit to the Education Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 10% of the savings to the charter district that is a result of the lower interest rate on its bonds due to the guarantee by the PSF. SB 1480 modified the Act insofar as it pertains to the Charter District Reserve Fund. Effective September 1, 2017, the Act provides that a charter district that has a bond guaranteed must remit to the Education Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 20% of the savings to the charter district that is a result of the lower interest rate on the bond due to the guarantee by the PSF. The amount due shall be paid on receipt by the charter district of the bond proceeds. However, the deposit requirement will not apply if the balance of the Charter District Reserve Fund is at least equal to 3.00% of the total amount of outstanding guaranteed bonds issued by charter districts. At June 30, 2022, the Charter District Reserve Fund contained $80,001,668, which represented approximately 2.13% of the guaranteed charter district bonds. The Reserve Fund is held and invested as a non-commingled fund under the administration of the PSF staff.

Charter District Risk Factors

Open-enrollment charter schools in the State may not charge tuition and, unlike school districts, charter districts have no taxing power. Funding for charter district operations is largely from amounts appropriated by the Legislature. Additionally, the amount of State payments a charter district receives is based on a variety of factors, including the enrollment at the schools operated by a charter district, and may be affected by the State's economic performance and other budgetary considerations and various political considerations.

Other than credit support for charter district bonds that is provided to qualifying charter districts by the Charter District Bond Guarantee Program, State funding for charter district facilities construction is limited to a program established by the Legislature in 2017, which provides $60 million per year for eligible charter districts with an acceptable performance rating for a variety of funding purposes, including for lease or purchase payments for instructional facilities. Since State funding for charter facilities is limited, charter schools generally issue revenue bonds to fund facility construction and acquisition, or fund facilities from cash flows of the school. Some charter districts have issued non-guaranteed debt in addition to debt guaranteed under the Charter District Bond Guarantee Program, and such non-guaranteed debt is likely to be secured by a deed of trust covering all or part of the charter district's facilities. In March 2017, the TEA began requiring charter districts to provide the TEA with a lien against charter district property as a condition to receiving a guarantee under the Charter District Bond Guarantee Program. However, charter district bonds issued and guaranteed under the Charter District Bond Guarantee Program prior to the implementation of the new requirement did not have the benefit of a security interest in real property, although other existing debts of such charter districts that are not guaranteed under the Charter District Bond Guarantee Program may be secured by real property that could be foreclosed on in the event of a bond default.

As a general rule, the operation of a charter school involves fewer State requirements and regulations for charter holders as compared to other public schools, but the maintenance of a State-granted charter is dependent upon on-going compliance with State law and regulations, which are monitored by TEA. TEA has a broad range of enforcement and remedial actions that it can take as corrective measures, and such actions may include the loss of the State charter, the appointment of a new board of directors to govern a charter district, the assignment of operations to another charter operator, or, as a last resort, the dissolution of an open-enrollment charter school. Charter holders are governed by a private board of directors, as compared to the elected boards of trustees that govern school districts.

As described above, the Act includes a funding "intercept" function that applies to both the School District Bond Guarantee Program and the Charter District Bond Guarantee Program. However, school districts are viewed as the "educator of last resort" for students residing in the geographical territory of the district, which makes it unlikely that State funding for those school districts would be discontinued, although the TEA can require the dissolution and merger into another school district if necessary to ensure sound education and financial management of a school district. That is not the case with a charter district, however, and open-enrollment charter schools in the State have been dissolved by TEA from time to time. If a charter district that has bonds outstanding that are guaranteed by the Charter District Bond Guarantee Program should be dissolved, debt service on guaranteed bonds of the district would continue to be paid to bondholders in accordance with the Charter District Bond Guarantee Program, but there would be no funding available for reimbursement of the PSF by the Comptroller for such payments. As described under "The Charter District Bond Guarantee Program," the Act established the Charter District Reserve Fund, which could in the future be a significant reimbursement resource for the PSF.

Infectious Disease Outbreak

Since the onset of the COVID-19 pandemic in March 2020, TEA and TEA investment management for the PSF have continued to operate and function pursuant to the TEA continuity of operations plan developed as mandated in accordance with Texas Labor Code Section 412.054. That plan was designed to ensure performance of the Agency's essential missions and functions under such threats and conditions in the event of, among other emergencies, a pandemic event.

Results of the PSF operations through the fiscal year ended August 31, 2021 and at other periodic points in time are set forth herein or incorporated herein by reference. Fund management is of the view that since the onset of the pandemic the Fund has performed generally in accordance with its portfolio benchmarks and with returns generally seen in the national and international investment markets in which the Fund is invested (see "Discussion and Analysis Pertaining to Fiscal Year Ended August 31, 2021").

Circumstances regarding the COVID-19 pandemic continue to evolve; for additional information on these events in the State, reference is made to the website of the Governor, https://gov.texas.gov/, and, with respect to public school events, the website of TEA, https://tea.texas.gov/texas-schools/safe-and-healthy-schools/coronavirus-covid-19-support-and-guidance.

TEA cannot predict whether any school or charter district may experience short- or longer-term cash flow emergencies as a direct or indirect effect of COVID-19 that would require a payment from the PSF to be made to a paying agent for a guaranteed bond. However, through the end of December 2021, no school district or charter district had failed to perform with respect to making required payments on their guaranteed bonds. Information regarding the respective financial operations of the issuer of bonds guaranteed, or to be guaranteed, by the PSF is provided by such issuers in their respective bond offering documents and the TEA takes no responsibility for the respective information, as it is provided by the respective issuers.

For information on the September 2020 special, one-time transfer of $300 million from the portion of the PSF managed by the SBOE to the portion of the PSF managed by the SLB, that was made in light of the public health and economic circumstances resulting from the COVID-19 pandemic and its impact on the school children of Texas, see "The Total Return Constitutional Amendment."

Ratings of Bonds Guaranteed Under the Guarantee Program

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

Valuation of the PSF and Guaranteed Bonds

Permanent School Fund Valuations

Fiscal Year Ended 8/31	Book Value[(1)]	Market Value[(1)]
2017	$31,870,581,428	$41,438,672,573
2018	33,860,358,647	44,074,197,940
2019	35,288,344,219	46,464,447,981
2020	36,642,000,738	46,764,059,745
2021[(2)]	38,699,045,012	55,581,401,632

[(1)] SLB managed assets are included in the market value and book value of the Fund. In determining the market value of the PSF from time to time during a fiscal year, the TEA uses current, unaudited values for TEA managed investment portfolios and cash held by the SLB. With respect to SLB managed assets shown in the table above, market values of land and mineral interests, internally managed real estate, investments in externally managed real estate funds and cash are based upon information reported to the PSF by the SLB. The SLB reports that information to the PSF on a quarterly basis. The valuation of such assets at any point in time is dependent upon a variety of factors, including economic conditions in the State and nation in general, and the values of these assets, and, in particular, the valuation of mineral holdings administered by the SLB, can be volatile and subject to material changes from period to period.

Permanent School Fund Guaranteed Bonds by Category[(1)]

	School District Bonds		Charter District Bonds		Totals	
Fiscal Year Ended 8/31	No. of Issues	Principal Amount	No. of Issues	Principal Amount	No. of Issues	Principal Amount
2017	3,253	$72,884,480,023	40	$1,381,610,000	3,293	$74,266,090,023
2018	3,249	77,647,966,069	44	1,432,935,000	3,293	79,080,901,069
2019	3,297	82,537,755,203	49	1,860,145,000	3,346	84,397,900,203
2020	3,296	87,800,478,245	64	2,536,202,000	3,360	90,336,680,245
2021[(2)]	3,346	91,951,175,922	83	3,307,986,000	3,429	95,259,161,922

[(1)] Represents original principal amount; does not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities). The amount shown excludes bonds that have been refunded and released from the Guarantee Program.

[(2)] At June 30, 2022 (based on unaudited data, which is subject to adjustment), there were $100,155,117,640 of bonds guaranteed under the Guarantee Program, representing 3,366 school district issues, aggregating $96,400,426,640 in principal amount and 96 charter district issues, aggregating $3,754,691,000 in principal amount. At June 30, 2022, the CDBGP Capacity was $7,779,399,883 (based on unaudited data, which is subject to adjustment).

Discussion and Analysis Pertaining to Fiscal Year Ended August 31, 2021

The following discussion is derived from the Annual Report for the year ended August 31, 2021, including the Message of the Executive Administrator of the Fund and the Management's Discussion and Analysis contained therein. Reference is made to the Annual Report, as filed with the MSRB, for the complete Message and MD&A. Investment assets managed by the fifteen member SBOE are referred to throughout this MD&A as the PSF(SBOE) and, with respect to the Liquid Account, Liquid(SBOE) assets. As of August 31, 2021, the Fund's land, mineral rights and certain real assets are managed by the five-member SLB and these assets are referred to throughout as the PSF(SLB) assets. The current PSF(SBOE) asset allocation policy includes an allocation for real estate investments, and as such investments are made, and become a part of the PSF(SBOE) investment portfolio, those investments will be managed by the SBOE and not the SLB.

At the end of fiscal 2021, the Fund balance was $55.6 billion, an increase of $8.9 billion from the prior year. This increase is primarily due to overall net increases in value of the asset classes in which the Fund is invested. During the year, the SBOE continued implementing the long-term strategic asset allocation, diversifying the PSF(SBOE) to strengthen the Fund. The asset allocation is projected to increase returns over the long run while reducing risk and portfolio return volatility. The PSF(SBOE) annual rates of return for the one-year, five-year, and ten-year periods ending August 31, 2021, net of fees, were 22.97%, 10.49% and 9.05%, respectively, and the Liquid(SBOE) annual rate of return for the one-year period ending August 31, 2021, net of fees, was 4.90% (total return takes into consideration the change in the market value of the Fund during the year as well as the interest and dividend income generated by the Fund's investments). In addition, the SLB continued its shift into externally managed real asset investment funds, and the one-year, five-year, and ten-year annualized total returns for the PSF(SLB) externally managed real assets, net of fees and including cash, were 12.81%, 1.56%, and 4.18%, respectively.

The market value of the Fund's assets is directly impacted by the performance of the various financial markets in which the assets are invested. The most important factors affecting investment performance are the asset allocation decisions made by the SBOE and SLB. The current SBOE long term asset allocation policy allows for diversification of the PSF(SBOE) portfolio into alternative asset classes whose returns are not as positively correlated as traditional asset classes. The implementation of the long term asset allocation will occur over several fiscal years and is expected to provide incremental total return at reduced risk. See "Comparative Investment Schedule - PSF(SBOE)" for the PSF(SBOE) holdings as of August 31, 2021.

As of August 31, 2021, the SBOE has approved, and the Fund made capital commitments to, externally managed real estate investment funds in a total amount of $5.7 billion and capital commitments to private equity limited partnerships for a total of $7.5 billion. Unfunded commitments at August 31, 2021, totaled $2.0 billion in real estate investments and $2.4 billion in private equity investments.

PSF Returns Fiscal Year Ended 8-31-2021[1]

Portfolio	Return	Benchmark Return[2]
Total PSF(SBOE) Portfolio	22.97%	20.73%
Domestic Large Cap Equities(SBOE)	31.26	31.17
Domestic Small/Mid Cap Equities(SBOE)	47.88	47.40
International Equities(SBOE)	25.27	24.87
Emerging Market Equity(SBOE)	19.33	21.12
Fixed Income(SBOE)	1.64	-0.08
Treasuries	-7.02	-7.27
Absolute Return(SBOE)	13.84	13.05
Real Estate(SBOE)	12.06	9.34
Private Equity(SBOE)	53.88	43.38
Real Return(SBOE)	16.06	18.08
Emerging Market Debt(SBOE)	5.92	4.14
Liquid Large Cap Equity(SBOE)	43.24	38.19
Liquid Small Cap Equity(SBOE)	61.97	52.07
Liquid International Equity(SBOE)	12.20	12.18
Liquid Short-Term Fixed Income(SBOE)	0.91	0.37
Liquid Core Bonds(SBOE)	-0.07	-0.18
Liquid TIPS(SBOE)	6.09	6.20
Liquid Transition Cash Reserves(SBOE)	0.44	0.08
Liquid Combined(SBOE)	4.90	4.27
PSF(SLB)	12.81	N/A

[1] Time weighted rates of return adjusted for cash flows for the PSF(SBOE) investment assets. Does not include GLO managed real estate or real assets. Returns are net of fees. Source: PSF Annual Report for year ended August 31, 2021.

[2] Benchmarks are as set forth in the PSF Annual Report for year ended August 31, 2021.

The PSF(SLB) portfolio is generally characterized by three broad categories: (1) discretionary real assets investments, (2) sovereign and other lands, and (3) mineral interests. Discretionary real assets investments consist of externally managed real estate, infrastructure, and energy/minerals investment funds; internally managed direct real estate investments, and cash. Sovereign and other lands consist primarily of the lands set aside to the PSF when it was created. Mineral interests consist of all of the minerals that are associated with PSF lands. The investment focus of PSF(SLB) discretionary real assets investments has shifted from internally managed direct real estate investments to externally managed real assets investment funds. The PSF(SLB) makes investments in certain limited partnerships that legally commit it to possible future capital contributions. At August 31, 2021, the remaining commitments totaled approximately $2.24 billion.

For fiscal year 2021, total revenues, inclusive of unrealized gains and losses and net of security lending rebates and fees, totaled $10.8 billion, an increase of $8.8 billion from fiscal year 2020 earnings of $2.0 billion. This increase reflects the performance of the securities markets in which the Fund was invested in fiscal year 2021. In fiscal year 2021, revenues earned by the Fund included lease payments, bonuses and royalty income received from oil, gas and mineral leases; lease payments from commercial real estate; surface lease and easement revenues; revenues from the resale of natural and liquid gas supplies; dividends, interest, and securities lending revenues; the net change in the fair value of the investment portfolio; and, other miscellaneous fees and income.

Expenditures are paid from the Fund before distributions are made under the total return formula. Such expenditures include the costs incurred by the SLB to manage the land endowment, as well as operational costs of the Fund, including external management fees paid from appropriated funds. Total operating expenditures, net of security lending rebates and fees, increased 42.5% for the fiscal year ending August 31, 2021. This increase is primarily attributable to an increase in PSF(SLB) quantities of purchased gas for resale in the State Energy Management Program, which is administered by the SLB as part of the Fund.

The Fund directly supports the public school system in the State by distributing a predetermined percentage of its asset value to the ASF. For fiscal years 2020 and 2021, the distribution from the SBOE to the ASF totaled $1.1 billion and $1.1 billion, respectively. Distributions from the SLB to the ASF for fiscal years 2020 and 2021 totaled $600 and $600 million, respectively.

At the end of the 2021 fiscal year, PSF assets guaranteed $95.3 billion in bonds issued by 880 local school districts and charter districts, the latter of which entered into the Guarantee Program during the 2014 fiscal year. Since its inception in 1983, the Fund has guaranteed 8,203 school district and charter district bond issues totaling $220.2 billion in principal amount. During the 2021 fiscal year, the number of outstanding issues guaranteed under the Guarantee Program totaled 3,429. The dollar amount of guaranteed school and charter bond issues outstanding increased by $4.9 billion or 5.4%. The State Capacity Limit increased by $7.2 billion, or 5.6%, during fiscal year 2021 due to continued growth in the cost basis of the Fund used to calculate that Program capacity limit. The effective capacity of the Guarantee Program did not increase during fiscal year 2021 as the IRS Limit was reached in a prior fiscal year, and it is the lower of the two State and federal capacity limits for the Guarantee Program.

Other Events and Disclosures

The State Investment Ethics Code governs the ethics and disclosure requirements for financial advisors and other service providers who advise certain State governmental entities, including the PSF. In accordance with the provisions of the State Investment Ethics Code, the SBOE periodically modifies its code of ethics, which occurred most recently in April 2018. The SBOE code of ethics includes prohibitions on sharing confidential information, avoiding conflict of interests and requiring disclosure filings with respect to contributions made or received in connection with the operation or management of the Fund. The code of ethics applies to members of the SBOE as well as to persons who are responsible by contract or by virtue of being a TEA PSF staff member for managing, investing, executing brokerage transactions, providing consultant services, or acting as a custodian of the PSF, and persons who provide investment and management advice to a member of the SBOE, with or without compensation under certain circumstances. The code of ethics is codified in the Texas Administrative Code at 19 TAC sections 33.5 et seq. and is available on the TEA web site at https://tea.texas.gov/sites/default/files/ch033a.pdf.

In addition, the GLO has established processes and controls over its administration of real estate transactions and is subject to provisions of the Texas Natural Resources Code and its own internal procedures in administering real estate transactions for assets it manages for the Fund.

The TEA received an appropriation of $30.4 million for each of the fiscal years 2020, and 2021.

As of August 31, 2021, certain lawsuits were pending against the State and/or the GLO, which challenge the Fund's title to certain real property and/or past or future mineral income from that property, and other litigation arising in the normal course of the investment activities of the PSF. Reference is made to the Annual Report, when filed, for a description of such lawsuits that are pending, which may represent contingent liabilities of the Fund.

PSF Continuing Disclosure Undertaking

The SBOE has adopted an investment policy rule (the "TEA Rule") pertaining to the PSF and the Guarantee Program. The TEA Rule is codified in Section I of the TEA Investment Procedure Manual, which relates to the Guarantee Program and is posted to the TEA web site at http://tea.texas.gov/Finance_and_Grants/Texas_Permanent_School_Fund/Texas_Permanent_School_Fund_Disclosure_Statement_-_Bond_Guarantee_Program/. The most recent amendment to the TEA Rule was adopted by the SBOE on February 1, 2019 and is summarized below. Through the adoption of the TEA Rule and its commitment to guarantee bonds, the SBOE has made the following agreement for the benefit of the issuers, holders and beneficial owners of guaranteed bonds. The TEA (or its successor with respect to the management of the Guarantee Program) is required to observe the agreement for so long as it remains an "obligated person," within the meaning of Rule 15c2-12, with respect to guaranteed bonds. Nothing in the TEA Rule obligates the TEA to make any filings or disclosures with respect to guaranteed bonds, as the obligations of the TEA under the TEA Rule pertain solely to the Guarantee Program. The issuer or an "obligated person" of the guaranteed bonds has assumed the applicable obligation under Rule 15c2-12 to make all disclosures and filings relating directly to guaranteed bonds, and the TEA takes no responsibility with respect to such undertakings. Under the TEA agreement, the TEA will be obligated to provide annually certain updated financial information and operating data, and timely notice of specified material events, to the MSRB.

Annual Reports

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

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

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

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

Event Notices

The TEA will also provide timely notices of certain events to the MSRB. Such notices will be provided not more than ten business days after the occurrence of the event. The TEA will provide notice of any of the following events with respect to the Guarantee Program: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if such event is material within the meaning of the federal securities laws; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Guarantee Program, or other material events affecting the tax status of the Guarantee Program; (7) modifications to rights of holders of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (8) bond calls, if such event is material within the meaning of the federal securities laws, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (11) rating changes of the Guarantee Program; (12) bankruptcy, insolvency, receivership, or similar event of the Guarantee Program (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Guarantee Program in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Guarantee Program, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Guarantee Program); (13) the consummation of a merger, consolidation, or acquisition involving the Guarantee Program or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if such event is material within the meaning of the federal securities laws; (14) the appointment of a successor or additional trustee with respect to the Guarantee Program or the change of name of a trustee, if such event is material within the meaning of the federal securities laws; (15) the incurrence of a financial obligation of the Guarantee Program, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Guarantee Program, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Guarantee Program, any of which reflect financial difficulties. (Neither the Act nor any other law, regulation or instrument pertaining to the Guarantee Program make any provision with respect to the Guarantee Program for bond calls, debt service reserves, credit enhancement, liquidity enhancement, early redemption or the appointment of a trustee with respect to the Guarantee Program.) In addition, the TEA will provide timely notice of any failure by the TEA to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information

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

Limitations and Amendments

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

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

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

Compliance with Prior Undertakings

Except as stated below, during the last five years, the TEA has not failed to substantially comply with its previous continuing disclosure agreements in accordance with Rule 15c2-12. On April 28, 2022 TEA became aware that it had not timely filed its 2021 Annual Report with EMMA due to an administrative oversight. TEA took corrective action and filed the 2021 Annual Report with EMMA on April 28, 2022, followed by a notice of late filing made with EMMA on April 29, 2022. TEA notes that the 2021 Annual Report was timely filed on the TEA website by the required filing date and that website posting has been incorporated by reference into TEA's Bond Guarantee Program disclosures that are included in school district and charter district offering documents.

SEC Exemptive Relief

On February 9, 1996, the TEA received a letter from the Chief Counsel of the SEC that pertains to the availability of the "small issuer exemption" set forth in paragraph (d)(2) of Rule 15c2-12. The letter provides that Texas school districts which offer municipal securities that are guaranteed under the Guarantee Program may undertake to comply with the provisions of paragraph (d)(2) of Rule 15c2-12 if their offerings otherwise qualify for such exemption, notwithstanding the guarantee of the school district securities under the Guarantee Program. Among other requirements established by Rule 15c2-12, a school district offering may qualify for the small issuer exemption if, upon issuance of the proposed series of securities, the school district will have no more than $10 million of outstanding municipal securities.

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Litigation Relating to the Texas Public School Finance System

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

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

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

Possible Effects of Changes in Law on District Bonds

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

Overview

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

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

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

2023 Legislative Session

On January 10, 2023, the 88th Texas Legislature convened in general session which is scheduled to adjourn on May 29, 2023. Thereafter, the Texas Governor may call one or more additional special sessions. During this time, the Texas Legislature may enact laws that materially change current law as it relates to funding public schools, including the District. The District makes no representation regarding any actions the Texas Legislature may take but intends to monitor proposed legislation for any developments applicable to the District.

2021 Regular and Special Legislative Sessions

The Texas Legislature meets in regular session in odd-numbered years, for 140 days. The 87th Texas Legislature convened on January 12, 2021 and concluded on May 31, 2021 ("87th Regular Session"). During the 87th Regular Session, the Legislature did not make significant changes to the school finance system, State funding of school districts, nor ad valorem taxation procedures affecting school districts.

When the regular Legislature is not in session, the Governor of Texas may call one or more special sessions, at the Governor's direction, each lasting no more than 30 days, and for which the Governor sets the agenda. Following the conclusion of the 87th Regular Session, the Texas Governor has called three special sessions of the Legislature. No significant changes were made to the Texas school finance system or property tax systems during the First and Second Special Sessions. Senate Joint Resolution 2, passed during the Third Special Session, proposed a constitutional amendment increasing the mandatory homestead exemption for school districts from $25,000 to $40,000, which was approved by voters at an election held May 7, 2022. The amendment to the Constitution is effective beginning January 1, 2022. As a result of the increased exemption, additional changes to the education finance system will be implemented, including “hold harmless” allotments, to provide funding to school districts who have less revenue (including revenues specifically for debt service and maintenance and operations) due to the implementation of the increased homestead exemption. At this time, the District cannot ascertain the financial impact, if any, the change in homestead exemption will have on the District’s finances.

The District can make no representations or predictions regarding any actions the Legislature may take during future legislative sessions concerning the substance or the effect of any legislation that previously passed, or may be passed.

Local Funding for School Districts

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

State Compression Percentage

The State Compression Percentage is a statutorily-defined percentage of the rate of $1.00 per $100 that is used to determine a school district’s Maximum Compressed Tax Rate (described below). The State Compression Percentage is the lesser of three alternative calculations: (1) 93% or a lower percentage set by appropriation for a school year; (2) a percentage determined by formula if the estimated total taxable property value of the State (as submitted annually to the State Legislature by the State Comptroller) has increased by at least 2.5% over the prior year; and (3) the prior year State Compression Percentage. For any year, the maximum State Compression Percentage is 93%. For the State fiscal year ending in 2022, the State Compression Percentage is set at 91.34%.

Maximum Compressed Tax Rate

The Maximum Compressed Tax Rate (the “MCR”) is the tax rate per $100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of three alternative calculations: (1) the school district’s prior year MCR; (2) a percentage determined by formula if the school district experienced a year-over-year increase in property value of at least 2.5%; or (3) the product of the State Compression Percentage for the current year multiplied by $1.00. However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district’s MCR is calculated to be less than 90% of any other school district’s MCR for the current year, then the school district’s MCR is instead equal to the school district’s prior year MCR, until TEA determines that the difference between the school district’s MCR and any other school district’s MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase. During the 2021 Legislative Session, a provision of the general appropriations act reduced the maximum MCR for the 2021-2022 school year. It established $0.9134 as the maximum rate and $0.8220 as the floor.

Tier One Tax Rate

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

Enrichment Tax Rate

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

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

State Funding for School Districts

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

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

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

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

Tier One

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

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

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

Tier Two

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

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

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

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

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

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

Tax Rate and Funding Equity

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

Furthermore, "property-wealthy" school districts that received additional State funds under the public school finance system prior to the enactment of the 2019 Legislation are entitled to an equalized wealth transition grant on an annual basis through the 2023-2024 school year in an amount equal to the amount of additional revenue such school district would have received under former Texas Education Code Sections 41.002(e) through (g), as those sections existed on January 1, 2019. This grant is phased out through the 2023-2024 school year as follows: (1) 20% reduction for the 2020-2021 school year, (2) 40% reduction for the 2021-2022 school year, (3) 60% reduction for the 2022-2023 school year, and (4) 80% reduction for the 2023-2024 school year. Additionally, school districts (through the fiscal year ending in 2025) and open-enrollment charter schools (through the fiscal year ending in 2024) are entitled to receive an allotment in the form of a formula transition grant meant to ensure a smooth transition into the funding formulas enacted by the 86th State Legislature. Beginning with the 2021-2022 school year, if the total amount of allotments to which school districts and open enrollment charter schools are entitled for a school year exceeds $400 million, the Commissioner shall proportionately reduce each district's or school's allotment. The reduction in the amount to which a district or school is entitled may not result in an amount that is less than zero.

Local Revenue Level in Excess of Entitlement

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

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

Options for Local Revenue Levels in Excess of Entitlement

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

For the 2022-2023 school year, the District was not designated as an "excess local revenue" Chapter 49 school district by TEA. Accordingly, the District has not been required to exercise one of the wealth equalization options permitted under applicable State law. As a district with local revenue less than the maximum permitted level, the District may benefit in the future by agreeing to accept taxable property or funding assistance from or agreeing to consolidate with, a property-rich district to enable such district to reduce its wealth per student to the permitted level.

A district's "excess local revenues" must be tested for each future school year and, if it exceeds the maximum permitted level, the District must reduce its wealth per student by the exercise of one of the permitted wealth equalization options. Accordingly, if the District's wealth per student should exceed the maximum permitted value in future school years, it will be required to exercise one or more of the permitted wealth equalization 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 ration of taxable property to debt could become diluted. If the District were to detach property voluntarily, a portion of its outstanding debt (including the Bonds) could be assumed by the district to which the property is annexed, in which case timely payment of the Bonds could become dependent in part on the financial performance of an annexing district.

For a detailed discussion of State funding for school district see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts."

AD VALOREM TAX PROCEDURES

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

Valuation of Taxable Property

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

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

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

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

Local Option Homestead Exemptions

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than $5,000) and (2) an additional exemption of at least $3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit. See "Appendix A – Financial Information of the District – Assessed Valuation" for the reduction in taxable valuation, if any, attributable to local option homestead exemptions.

State Mandated Homestead Exemptions

State law grants, with respect to each school district in the State, (1) a $40,000 exemption (as described below) of the appraised value of all homesteads, (2) a $10,000 exemption of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled, and (3) various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty. On November 2, 2021, the Texas Constitution was amended to provide that the surviving spouse of an individual who received a limitation on the school district property taxes on the person's residence homestead on the basis of disability continued to receive that limitation while the property remained the spouse's residence homestead if the spouse was at least 55 years old. See "Appendix A – Financial Information of the District – Assessed Valuation" for the reduction in taxable valuation attributable to state-mandated homestead exemptions. Senate Joint Resolution 2, passed during the Third Special Session of the 87th Texas Legislature and approved by voters on May 7, 2022 authorized a constitutional amendment increasing the mandatory homestead exemption for school districts from $25,000 to $40,000 beginning January 1, 2022. Senate Bill 1, which was also passed during the Third Special Session of the 87th Texas Legislature makes provisions for additional state aid to hold school districts harmless for tax revenue losses resulting from the increased homestead exemption.

State Mandated Freeze on School District Taxes

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

Personal Property

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

Freeport and Goods-in-Transit Exemptions

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

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

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property. See "Appendix A – Financial Information of the District – Assessed Valuation" for the reduction in taxable valuation, if any, attributable to Goods-in-Transit or Freeport Property exemptions.

Other Exempt Property

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

Temporary Exemption for Qualified Property Damaged by a Disaster

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

Tax Increment Reinvestment Zones

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

Until September 1, 1999, school districts were able to reduce the value of taxable property reported to the State to reflect any taxable value lost due to TIRZ participation by the school district. The ability of the school district to deduct the taxable value of the tax increment that it contributed prevented the school district from being negatively affected in terms of state school funding. However, due to a change in law, local M&O tax rate revenue contributed to a TIRZ created on or after May 31, 1999 will count toward a school district's Tier One entitlement (reducing Tier One State funds for eligible school districts) and will not be considered in calculating any school district's Tier Two entitlement (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts"). The 87th Texas Legislature did not vote to extend this program, which expired by its terms effective December 31, 2022.

Tax Limitation Agreements

The Texas Economic Development Act (Chapter 313, Texas Tax Code, as amended), allowed school districts to grant limitations on appraised property values to certain corporations and limited liability companies to encourage economic development within the school district. Generally, during the last eight (8) years of the ten-year term of a tax limitation agreement, a school district could only levy and collect M&O taxes on the agreed-to limited appraised property value. For the purposes of calculating its Tier One and Tier Two entitlements, the portion of a school district's property that is not fully taxable is excluded from the school district's taxable property values. Therefore, a school district will not be subject to a reduction in Tier One or Tier Two State funds as a result of lost M&O tax revenues due to entering into a tax limitation agreement (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts"). The 87th Texas Legislature did not vote to extend this program, which expired by its terms effective December 31, 2022.

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

District and Taxpayer Remedies

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

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at $50 million for the 2020 tax year, $50.6 million for the 2021 tax year, $52,978,200 for the 2022 tax year and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

Levy and Collection of Taxes

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

District's Rights in the Event of Tax Delinquencies

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

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

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

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

TAX RATE LIMITATIONS

M&O Tax Rate Limitations

The District is authorized to levy an M&O tax rate pursuant to the approval of the voters of the District at an election held on October 20, 1959 pursuant to Article 2784e-1, Texas Revised Civil Statutes Annotated, as amended ("Article 2784e-1").

The maximum maintenance tax rate per $100 of taxable value that may be adopted by an independent school district is the sum of $0.17 and the school district's MCR. The District's MCR is, generally, inversely proportional to the change in taxable property values both within the District and the State, and is subject to recalculation annually. For any year, highest possible MCR for an independent school district is $0.93.

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

I&S Tax Rate Limitations

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

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

Public Hearing and Voter-Approval Tax Rate

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

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

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

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

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

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

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

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 Bowie County, Texas (the "County"). The Appraisal District is governed by a board of directors appointed by members of the governing bodies of various political subdivisions within the County.

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

The District does not grant a local option, additional exemption to disabled veterans above the State-mandated exemption.

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

The District does 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 granted a tax abatement.

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

The District has not grated a local option, additional exemption for persons who are 65 years of age or older or disabled above the State-mandated exemption.

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

The District has entered into a tax value limitation agreement under the provisions of Chapter 313, Texas Tax Code ("Chapter 313"), known as the Texas Economic Development Act, as described below:

Company	First Year of Abatement	Total Investment [1]	Capped Value for M&O Taxation	Type of Project
TCI Texarkana, Inc.	2023/24	$241,700,000	$30,000,000	Aluminum Manufacturing

[1] Investment amount as set forth in the company's application to the District for tax abatement.

In accordance with Chapter 313, the agreement provides that the full value of the project is subject to taxation during the first two years of the agreement, and thereafter the District may levy its M&O Tax against a capped value (in this case, $30 million) for ten years. The agreement does not limit the tax value with respect to the District's debt service tax rate during any year. After year ten, the full tax value of the project is subject to taxation by the District for both operating and debt service purposes. See "AD VALOREM TAX PROCEDURES – Property Subject to Taxation by the District" for a description of tax limitation agreements.

EMPLOYEES' RETIREMENT PLAN AND OTHER POST-EMPLOYMENT BENEFITS

The District's employees participate in a retirement plan (the "Plan") with the State of Texas. The Plan is administered by the Teacher Retirement System of Texas ("TRS"). State contributions are made to cover costs of the TRS retirement plan up to certain statutory limits. The District is obligated for a portion of 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, 2022, 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 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 Teacher Retirement System of Texas. 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 H. – Pension Plan Obligations" in the audited financial statements of the District that are attached hereto as Appendix D (the "Financial Statements").

During the year ended June 30, 2022, 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 Bonds are rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") based upon the Texas Permanent School Fund Guarantee Program. (See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein). The District's underlying, unenhanced rating, including the Bonds, is "Aa3" by Moody's. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

An explanation of the significance of such rating may be obtained from Moody's. The rating of the Bonds 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 any rating. The rating of the Bonds is not a recommendation to buy, sell or hold the Bonds, and there is no assurance that any rating will continue for any given period of time, or that a 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 a rating may have an adverse effect on the market price and marketability of the Bonds.

LEGAL MATTERS

The delivery of the Bonds is subject to the approval of the Attorney General of Texas, who will deliver its opinion, to the effect that the Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property in the District, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, which will deliver its opinion to the effect that the Bonds are valid and legally binding obligations of the District and, subject to the qualifications set forth herein under "TAX MATTERS," the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under existing statutes, published rulings, regulations, and court decisions. The form of Bond Counsel's opinion is attached hereto as Appendix C. Certain legal matters will be passed upon for the Underwriters by their counsel, Norton Rose Fulbright US LLP, Dallas, Texas. The legal fee to be paid to counsel to the Underwriters for services rendered in connection with the issuance of the Bonds is contingent upon the sale of the delivery of the Bonds.

Though it represents the Financial Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the District in connection with the issuance of the Bonds. McCall, Parkhurst & Horton L.L.P. also advises the TEA in connection with its disclosure obligations under the federal securities laws, but such firm has not passed upon any TEA disclosures contained in this Official Statement. 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 BONDS" (except under the subcaptions "Permanent School Fund Guarantee", "Payment Record", "Sources and Uses of Funds", and the third paragraph under "Notice of Redemption and DTC Notices", as to which no opinion will be expressed), "REGISTRATION, TRANSFER AND EXCHANGE", "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS", "CURRENT PUBLIC SCHOOL FINANCE SYSTEM","TAX RATE LIMITATIONS – M&O Tax Rate Limitations" (first paragraph only), "LEGAL MATTERS" (except for the last two sentences of the first paragraph thereof, as to which no opinion will be expressed), "TAX MATTERS", "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS", "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE" and "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance with Prior Undertakings," as to which no opinion will be expressed) and such firm is of the opinion that the information relating to the Bonds and the Bond Order contained under such captions is a fair and accurate summary of the information purported to be shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law.

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

TAX MATTERS

Opinion

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

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

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

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

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

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

Collateral Federal Income Tax Consequences

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

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

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

Interest on the Bonds may be includable in certain corporations' "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

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

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

State, Local and Foreign Taxes

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

Information Reporting and Backup Withholding

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

Future and Proposed Legislation

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

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

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

Available District funds are invested as authorized by State law and in accordance with investment policies approved by the Board of Trustees. Both State law and the District's investment policies are subject to change. Under Texas law, the District is authorized to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the District in compliance with the Public Funds Investment Act (Chapter 2256, Government Code) as amended (the "PFIA"), (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the District's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the District appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for District deposits, or (ii) where (a) the funds are invested by the District through a broker or institution that has a main office or branch office in the State and selected by the District in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds 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, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the District with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clause (1) above, clause (12) below, or, if applicable, which are pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least "A-1" or "P-1" or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the District is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent, or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral 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 designated by the District, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service.

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

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

Investment Policies

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

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

Additional Provisions

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

As a school district that qualifies as an "issuer" under Chapter 1371, the District is also authorized to purchase, sell, and invest its funds in corporate bonds. State law defines "corporate bonds" as senior secured debt obligations issued by a domestic business entity and rated not lower than "AA-" or the equivalent by a nationally recognized investment rating firm. The term does not include a bond that is convertible into stocks or shares in the entity issuing the bond (or an affiliate or subsidy thereof) or any unsecured debt. Corporate bonds must finally mature not later than 3 years from their date of purchase by the school district. A school district may not (1) invest more than 15% of its monthly average fund balance (excluding bond proceeds, reserves, and other funds held for the payment of debt service) in corporate bonds; or (2) invest more than 25% of the funds invested in corporate bonds in any one domestic business entity (including subsidiaries and affiliates thereof). Corporate bonds held by a school district must be sold if they are at any time downgraded below "AA-" (or the equivalent thereof) or, with respect to a corporate bond rated "AA-" (or the equivalent thereof), such corporate bond is placed on negative credit watch. Corporate bonds are not an eligible investment for a public funds investment pool. To invest in corporate bonds, an eligible school district must first (i) amend its investment policy to authorize corporate bonds as an eligible investment, (ii) adopt procedures for monitoring rating changes in corporate bonds and liquidating an investment in corporate bonds, and (iii) identify funds eligible to be invested in corporate bonds. As of the date of this Official Statement, the District has not taken the steps necessary to allow for investing in corporate bonds or made investments in that type of instrument.

Current Investments

As of October 31, 2022, the District had approximately $19,580,592 (unaudited) invested in First Public (a government investment pool that generally has the characteristics of a money market mutual fund) and approximately $17,761,497 (unaudited) 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 BONDS FOR SALE

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

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

CYBERSECURITY RISK MANAGEMENT

The District's operations are increasingly dependent on information technologies and services, which are exposed to cybersecurity risks and cyber incidents or attacks. While the District continually assesses and monitors its cybersecurity risks, the District has been (and may be in the future) subject to cyber-attacks from time to time. In response to such assessments and monitoring, the

District takes actions it deems appropriate in response to cybersecurity risks, including, but not limited to, implementing cybersecurity training programs, obtaining technology improvements to mitigate cybersecurity risks, and taking other similar measures. To date, the District has not been the victim of any cyber-attack that has had a material adverse effect on its operations or financial condition. However, no assurance can be given that the District will fully prevent or successfully remediate the operational and/or financial impact of any cybersecurity incursions or incidents arising from events wholly or partially beyond the District's control, including electrical telecommunications outages, natural disasters or cyber-attacks initiated by criminal activities of individuals or organizations. Any such occurrence could materially and adversely affect the District's operations and/or financial condition.

FINANCIAL ADVISOR

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

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data annually to the MSRB. The information to be updated includes financial information and operating data with respect to the District of the general type included in this Official Statement in Appendix A (such information being the "Annual Operating Report"). The District will additionally provide financial statements of the District (the "Financial Statements"), that will be (i) prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in Appendix D and (ii) audited, if the District commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The District will update and provide the Annual Operating Report within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2023. The District may provide the Financial Statements earlier, including at the time it provides its Annual Operating Report, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the District shall file unaudited Financial Statements within such 12-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

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

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

Notice of Certain Events

The District will also provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties. In the Order, the District will adopt policies and procedures to ensure timely compliance of its continuing disclosure undertakings. In addition, the District will provide timely notice of any failure by the District to provide annual financial information in accordance with their agreement described above under "Annual Reports". Neither the Bonds nor the Bond Order make any provision for a bond trustee, debt service reserves, credit enhancement (except for the Permanent School Fund guarantee), or liquidity enhancement. The District will provide each notice described in this paragraph to the MSRB.

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

Availability of Information

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

Limitations and Amendments

The District has agreed to update information and to provide notices of 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 Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

Compliance with Prior Undertakings

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

LITIGATION

In the opinion of District officials, 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 Bonds, the District will provide the Underwriters with a certificate to the effect that except as disclosed in the Official Statement, no litigation of any nature has been filed or is then pending challenging the issuance of the Bonds or that affects the payment and security of the Bonds or in any other manner questioning the issuance, sale or delivery of the Bonds.

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 Underwriters have agreed, subject to certain customary conditions, to purchase the Bonds at a price equal to the initial offering prices to the public, as shown on the inside cover page hereof, less an Underwriters' discount of $_______. The Underwriters' obligations are subject to certain conditions precedent, and the Underwriters will be obligated to purchase all of the Bonds, if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

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

One of the Underwriters of the Bonds is BOK Financial Securities, Inc., which is not a bank, and the Bonds are not deposits of any bank and are not insured by the Federal Deposit Insurance Corporation.

On February 28, 2022, First Horizon Corporation and TD Bank Group announced that First Horizon Corporation entered into a definitive agreement to be acquired by TD Bank Group. FHN Financial Capital Markets is the municipal underwriting business line of FHN Financial, the fixed income division of First Horizon Bank, whose parent company is First Horizon Corporation. The acquisition is expected to be completed in early 2023 pending regulatory approvals. This transaction should not have any material effect on this underwriting transaction.

Huntington Capital Markets is a trade name under which securities and investment banking products and services of Huntington Bancshares Incorporated and its subsidiaries, including Huntington Securities, Inc. ("HSI"), are marketed. Municipal sales, trading and underwriting services are provided through HSI, which is a broker-dealer registered with the Securities and Exchange Commission.

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

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

CONCLUDING STATEMENT

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

The information set forth herein has been obtained from the District's records, audited financial statements and other sources which the District considers to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and the Bond Order contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and the Bond 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.

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

The Bond Order will authorize the issuance of the Bonds and approve the form and content of this Official Statement and any addenda, supplement or amendment thereto and will authorize its further use in the re-offering of the Bonds by the Underwriters. The Board in the Bond Order, will approve the distribution of the Official Statement in accordance with the provisions of Rule 15c2-12.

/s/

President, Board of Trustees

ATTEST:

/s/

Secretary, Board of Trustees

APPENDIX A

FINANCIAL INFORMATION OF THE DISTRICT

TEXARKANA INDEPENDENT SCHOOL DISTRICT

Financial Information

ASSESSED VALUATION [1]

2022/23 Total Valuation……………………………………………………………………………		$ 3,003,016,985
Less Exemptions & Deductions [2]:		
State Homestead Exemption	$ 185,044,114	
State Over-65 Exemption	20,303,386	
Disabled Exemption	22,848,738	
Pollution Control Exemption Loss	3,370,229	
Productivity Loss	40,206,545	
Prorations & Other Partial Exemptions	1,902,557	
Homestead Cap Loss	56,691,935	
	$ 330,367,504	
2022/23 Net Taxable Valuation ……………………………………………………………………		$ 2,672,649,481

(1) Source: Certified Value from the Bowie Central Appraisal District as of October 2022. The passage of a Texas Constitutional Amendment on May 7, 2022 election increased the homestead exemption from $25,000 to $40,000. See "AD VALOREM TAX PROCEDURES -- Residential Homestead Exemptions" in this Official Statement.
(2) Excludes the values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers which totaled $70,591,490 in 2021/22.

VOTED GENERAL OBLIGATION DEBT

Unlimited Tax Bonds Outstanding [1]		$ 29,380,000
Plus: The Bonds [2]		144,000,000
Total Unlimited Tax Bonds [1] [2]		$ 173,380,000
Less: Interest & Sinking Fund Balance (As of June 30, 2022) [3]		(3,628,392)
Net General Obligation Debt		$ 169,751,608
Ratio of Net G.O. Debt to Net Taxable Valuation [4]	6.35%	
2023 Population Estimate [5]	34,425	
Per Capita Net Taxable Valuation	$77,637	
Per Capita Net G.O. Debt	$4,931	

(1) Excludes interest accreted on outstanding capital appreciation bonds and outstanding maintenance tax obligations, which are not voted unlimited tax bonds, and excludes principal payments due February 15, 2023.
(2) Preliminary, subject to change.
(3) Source: Texarkana ISD Audited Financial Statement.
(4) The ratio of Net G.O. Debt to Net Taxable Valuation above does not include Time Warrants or Maintenance Tax Notes which are payable solely from the limited maintenance and operations tax or other lawfully available funds of the District 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. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in this Official Statement and "DEBT SERVICE REQUIREMENTS" in this appendix and see the "Audited Financial Report Fiscal Year Ended June 30, 2022" in Appendix D for more information relative to the District's outstanding obligations.
(5) Source: Municipal Advisory Council of Texas.

PROPERTY TAX RATES AND COLLECTIONS

Fiscal Year	Net Taxable Valuation	Tax Rate	% Collections [5] Current [6]	Total [6]
2006/07	$ 1,639,586,040 [1]	$ 1.5716 [7]	95.07%	99.41%
2007/08	1,799,974,040 [1]	1.2990 [7]	93.50%	98.24%
2008/09	1,893,135,937 [1]	1.3390	94.14%	100.42%
2009/10	1,920,748,650 [1]	1.3390	95.21%	100.43%
2010/11	1,871,496,945 [1]	1.3390	95.36%	100.55%
2011/12	1,884,356,982 [1]	1.3390	96.26%	100.93%
2012/13	1,896,041,854 [1]	1.3390	96.31%	99.99%
2013/14	1,929,217,013 [1]	1.3390	95.57%	99.93%
2014/15	1,935,889,272 [1]	1.3390	95.96%	100.61%
2015/16	1,904,777,367 [1] [3]	1.4250	96.00%	99.88%
2016/17	1,985,932,504 [1] [3]	1.4250	95.49%	99.41%
2017/18	2,007,028,831 [1] [3]	1.4250	96.07%	100.19%
2018/19	2,072,418,609 [1] [3]	1.4250	96.28%	99.80%
2019/20	2,211,984,010 [1] [3]	1.3233 [8]	94.13%	97.94%
2020/21	2,276,577,831 [1] [3]	1.3097	96.95%	102.84%
2021/22	2,277,738,638 [1] [3]	1.3067	96.95%	100.33%
2022/23	2,672,649,481 [2] [4]	1.1979		

(1) Source: Comptroller of Public Accounts - Property Tax Division.
(2) Source: Certified Value from the Bowie Central Appraisal District as of October 2022.
(3) The passage of a Texas Constitutional Amendment on November 3, 2015 increased the homestead exemption from $15,000 to $25,000.
(4) The passage of a Texas Constitutional Amendment on May 7, 2022 increased the homestead exemption from $25,000 to $40,000.
(5) Source: Texarkana ISD Audited Financial Statements.
(6) Excludes penalties and interest.
(7) 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 this Official Statement.
(8) The decline in the District's Maintenance & Operation Tax from the 2018/19 fiscal year to the 2019/20 fiscal year is a function of House Bill 3 adopted by the Texas Legislature in June 2019. See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in this Official Statement.

TAX RATE DISTRIBUTION [1]

	2018/19	2019/20 [2]	2020/21	2021/22	2022/23
Maintenance & Operations	$1.1700	$1.0683	$1.0547	$1.0517	$0.9429
Debt Service	$0.2550	$0.2550	$0.2550	$0.2550	$0.2550
Total Tax Rate	$1.4250	$1.3233	$1.3097	$1.3067	$1.1979

(1) The District held a tax ratification election on September 27, 2008 in which a majority of the qualified voters of the District approved the Maintenance and Operations tax rate of $1.17.
(2) The decline in the District's Maintenance & Operations Tax from the 2018/19 fiscal year to the 2019/20 fiscal year is a function of House Bill 3 adopted by the Texas Legislature in June 2019.

VALUATION AND FUNDED DEBT HISTORY

Fiscal Year	Net Taxable Valuation	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	2,072,418,609	42,952,461	2.07%
2019/20	2,211,984,010	39,032,461	1.76%
2020/21	2,276,577,831	34,725,000	1.53%
2021/22	2,277,738,638	31,990,000	1.40%
2022/23	2,672,649,481 [3]	173,380,000 [4]	6.49%

(1) Illustrated on the State of Texas fiscal year end of August 31st, although the District's fiscal year ends June 30th. Excludes interest accreted on outstanding capital appreciation bonds and outstanding maintenance tax obligations, which are not voted unlimited tax bonds.
(2) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in this Official Statement, "DEBT SERVICE REQUIREMENTS" and "OTHER OBLIGATIONS" in this Appendix and see the "Audited Financial Report Fiscal Year Ended June 30, 2022" in Appendix D for more information.
(3) Source: Certified Value from the Bowie Central Appraisal District as of October 2022. The passage of a Texas Constitutional Amendement on May 7, 2022 increased the homestead exemption from $25,000 to $40,000.
(4) Includes the Bonds. Preliminary, subject to change.

ESTIMATED OVERLAPPING DEBT STATEMENT

Taxing Body	Amount	Percent Overlapping	Amount Overlapping
Bowie County	$ 16,020,000	37.97%	$ 6,082,794
Nash, City of	5,350,000	100.00%	5,350,000
Texarkana College	13,326,155	37.97%	5,059,941
Texarkana, City of	56,940,000	57.14%	32,535,516
Total Overlapping Debt [1]			$ 49,028,251
Texarkana Independent School District [2]			169,751,608
Total Direct & Overlapping Debt [2]			$218,779,859
Ratio of Net Direct & Overlapping Debt to Net Taxable Valuation		8.19%	
Per Capita Direct & Overlapping Debt		$6,355	

(1) Equals gross debt less self-supporting debt.
(2) Includes the Bonds. Excludes interest accreted on outstanding capital appreciation bonds and outstanding maintenance tax obligations, which are not voted unlimited tax bonds. Preliminary, subject to change.

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

PRINCIPAL TAXPAYERS

2022/23 Top Ten Taxpayers (1)

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
TCI Texarkana Inc.	Industrial Manufacturing	$ 275,853,604	10.32% (3)
First American Commercial Bancorp	Bank	28,068,046	1.05%
AEP Southwestern Elec Power Co	Electric Utility	25,643,818	0.96%
Rancho Texarkana Investors LLC	Commercial	17,854,184	0.67%
Walmart Stores #01-2123	Commercial Retail	16,753,659	0.63%
MCN Texarkana LLC	Apartments	13,550,000	0.51%
Central Mall Texar Realty Holdings LLC	Real Estate	12,379,833	0.46%
JCM Industries Inc.	Industrial Manufacturing	11,723,582	0.44%
Humco Holding Group	Pharmacy	11,570,511	0.43%
William Gregg Orr	Residential	11,514,198	0.43%
		$ 424,911,435	15.90% (3)

2021/22 Top Ten Taxpayers (2)

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
TCI Texarkana Inc.	Industrial Manufacturing	$ 113,980,928	5.00%
AEP Southwestern Elec Power Co	Electric Utility	23,086,732	1.01%
Rancho Texarkana Investors LLC	Commercial	17,728,468	0.78%
Walmart Stores #01-2123	Commercial Retail	16,219,941	0.71%
Central Mall Texar Realty Holdings LLC	Real Estate	11,979,833	0.53%
Dillard Texas Four-Point LLC	Retail	11,665,591	0.51%
Valor Telecom of Texas LP	Telecommunications	11,486,704	0.50%
MCN Texarkana LLC	Apartments	11,200,000	0.49%
Humco Holding Group	Pharmacy	11,160,738	0.49%
William Gregg Orr	Residential	11,113,535	0.49%
		$ 239,622,470	10.52%

2020/21 Top Ten Taxpayers (2)

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
TCI Texarkana Inc.	Industrial Manufacturing	$ 141,919,756	6.23%
Arconic Inc.	Commercial	27,035,939	1.19%
AEP Southwestern Elec Power Co	Electric Utility	22,384,502	0.98%
Central Mall Texar Realty Holdings LLC	Real Estate	18,400,941	0.81%
Rancho Texarkana Investors LLC	Commercial	17,829,026	0.78%
Walmart Stores #01-2123	Commercial Retail	16,956,382	0.74%
Dillard Texas Four-Point LLC	Retail	13,412,057	0.59%
Arklatex Real Estate LP	Real Estate	12,126,545	0.53%
William Gregg Orr	Residential	11,923,038	0.52%
Valor Telecom of Texas LP	Telecommunications	11,486,694	0.50%
		$ 293,474,880	12.89%

(1) Source: Bowie Central Appraisal District.
(2) Source: Comptroller of Public Accounts - Property Tax Division.
(3) As shown in the table above, the total combined top ten taxpayers in the District currently account for over 15% of the District's tax base. In addition, the top taxpayer in the District currently accounts for over 10% of the District's tax base, thereby creating a concentration risk for the District. Any adverse development related to TCI Texarkana Inc. or its subsidiaries ("TCI") affecting its ability to continue to conduct business at its location within the District's boundaries may result in significantly less local tax revenue, thereby severely affecting the District's finances and its ability to repay its outstanding indebtedness. The District also previously entered into a multi-year economic development agreement with TCI, limiting the taxable appraised value thereof for maintenance and operations taxes only. See "THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT". If any major taxpayer (or a combination of taxpayers) were to default in the payment of taxes due to economic conditions resulting difficulty, the ability of the District to timely pay debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax lien (which, in the event of bankruptcy, certain laws may preclude until the automatic stay is lifted). Such process is time-consuming and can only occur annually; in the alternative, the District may sell tax anticipation notes until such amounts could be collected, if ever. See "REGISTERED OWNERS' REMEDIES" and "THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT".

CLASSIFICATION OF ASSESSED VALUATION BY USE CATEGORY

Category	2022/23 (1)	% of Total	2021/22 (2)	% of Total	2020/21 (2)	% of Total
Real, Residential, Single-Family	$ 1,142,677,531	38.05%	$ 965,847,592	38.95%	$ 921,799,449	37.22%
Real, Residential, Multi-Family	179,309,408	5.97%	146,973,561	5.93%	129,296,096	5.22%
Real, Vacant Lots/Tracts	79,835,008	2.66%	62,164,284	2.51%	62,025,420	2.50%
Real, Qualified Land & Improvements	59,236,780	1.97%	41,819,264	1.69%	41,502,891	1.68%
Real, Non-Qualified Land & Improvements	33,121,464	1.10%	48,578,641	1.96%	48,625,469	1.96%
Real, Commercial & Industrial	818,917,416	27.27%	740,061,010	29.84%	740,650,787	29.90%
Oil & Gas	-	0.00%	-	0.00%	-	0.00%
Utilities	63,363,901	2.11%	60,435,712	2.44%	57,963,873	2.34%
Tangible Personal, Commercial	252,103,383	8.40%	220,243,225	8.88%	236,974,592	9.57%
Tangible Personal, Industrial	318,059,368	10.59%	147,332,404	5.94%	193,577,827	7.82%
Tangible Personal, Mobile Homes & Other	8,577,174	0.29%	6,710,888	0.27%	6,339,690	0.26%
Tangible Personal, Residential Inventory	1,921,387	0.06%	1,857,657	0.07%	1,909,127	0.08%
Tangible Personal, Special Inventory	45,894,165	1.53%	37,981,001	1.53%	36,219,288	1.46%
Total Appraised Value	$ 3,003,016,985	100.00%	$ 2,480,005,239	100.00%	$ 2,476,884,509	100.00%
Less:						
Homestead Cap Adjustment	$ 56,691,935		$ 3,239,956		$ 2,130,946	
Productivity Loss	40,206,545		39,467,215		39,276,140	
Exemptions	233,469,024 (3)		159,559,430 (4)		158,899,592 (4)	
Total Exemptions/Deductions (5)	$ 330,367,504		$ 202,266,601		$ 200,306,678	
Net Taxable Assessed Valuation	$ 2,672,649,481		$ 2,277,738,638		$ 2,276,577,831	

Category	2019/20 (2)	% of Total	2018/19 (2)	% of Total	2017/18 (2)	% of Total
Real, Residential, Single-Family	$ 884,941,810	36.67%	$ 849,656,823	37.35%	$ 829,839,265	37.60%
Real, Residential, Multi-Family	106,895,054	4.43%	102,940,607	4.53%	99,137,477	4.49%
Real, Vacant Lots/Tracts	62,123,204	2.57%	64,385,513	2.83%	63,877,162	2.89%
Real, Qualified Land & Improvements	43,550,861	1.80%	43,883,283	1.93%	43,346,703	1.96%
Real, Non-Qualified Land & Improvements	50,173,760	2.08%	49,229,277	2.16%	46,467,252	2.11%
Real, Commercial & Industrial	735,253,597	30.47%	728,780,245	32.04%	700,557,323	31.74%
Oil & Gas	-	0.00%	-	0.00%	-	0.00%
Utilities	57,505,151	2.38%	59,104,594	2.60%	58,753,004	2.66%
Tangible Personal, Commercial	241,454,163	10.01%	234,575,821	10.31%	242,839,406	11.00%
Tangible Personal, Industrial	188,008,118	7.79%	99,553,338	4.38%	82,484,397	3.74%
Tangible Personal, Mobile Homes & Other	6,374,439	0.26%	6,399,413	0.28%	6,469,419	0.29%
Tangible Personal, Residential Inventory	2,018,517	0.08%	2,692,114	0.12%	2,526,118	0.11%
Tangible Personal, Special Inventory	34,848,892	1.44%	33,529,547	1.47%	31,010,423	1.40%
Total Appraised Value	$ 2,413,147,566	100.00%	$ 2,274,730,575	100.00%	$ 2,207,307,949	100.00%
Less:						
Homestead Cap Adjustment	$ 2,062,739		$ 2,983,969		$ 1,944,518	
Productivity Loss	40,752,801		42,103,828		41,641,652	
Exemptions	158,348,016 (4)		157,224,169 (4)		156,692,948 (4)	
Total Exemptions/Deductions (5)	$ 201,163,556		$ 202,311,966		$ 200,279,118	
Net Taxable Assessed Valuation	$ 2,211,984,010		$ 2,072,418,609		$ 2,007,028,831	

(1) Source: Certified Value from the Bowie Central Appraisal District as of October 2022.
(2) Source: Comptroller of Public Accounts - Property Tax Division.
(3) The passage of a Texas Constitutional Amendment on May 7, 2022 increased the homestead exemption from $25,000 to $40,000.
(4) The passage of a Texas Constitutional Amendment on November 3, 2015 increased the homestead exemption from $15,000 to $25,000.
(5) Excludes values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers.

PRINCIPAL REPAYMENT SCHEDULE [1]

Fiscal Year Ending 8/31	Outstanding Bonds [2]	Plus: The Bonds [3]	Total [2] [3]	Bonds Unpaid At Year End	Percent of Principal Retired
2023	$ 2,610,000.00	$ -	$ 2,610,000.00	$ 173,380,000.00	1.48%
2024	2,510,000.00	-	2,510,000.00	170,870,000.00	2.91%
2025	2,420,000.00	-	2,420,000.00	168,450,000.00	4.28%
2026	2,335,000.00	795,000.00	3,130,000.00	165,320,000.00	6.06%
2027	1,860,000.00	795,000.00	2,655,000.00	162,665,000.00	7.57%
2028	1,755,000.00	595,000.00	2,350,000.00	160,315,000.00	8.91%
2029	720,000.00	3,185,000.00	3,905,000.00	156,410,000.00	11.13%
2030	1,420,000.00	2,850,000.00	4,270,000.00	152,140,000.00	13.55%
2031	1,475,000.00	2,965,000.00	4,440,000.00	147,700,000.00	16.07%
2032	1,550,000.00	3,085,000.00	4,635,000.00	143,065,000.00	18.71%
2033	1,630,000.00	3,230,000.00	4,860,000.00	138,205,000.00	21.47%
2034	1,715,000.00	3,365,000.00	5,080,000.00	133,125,000.00	24.36%
2035	1,805,000.00	3,500,000.00	5,305,000.00	127,820,000.00	27.37%
2036	1,895,000.00	3,650,000.00	5,545,000.00	122,275,000.00	30.52%
2037	1,995,000.00	3,805,000.00	5,800,000.00	116,475,000.00	33.82%
2038	2,095,000.00	3,975,000.00	6,070,000.00	110,405,000.00	37.27%
2039	2,200,000.00	4,150,000.00	6,350,000.00	104,055,000.00	40.87%
2040		5,470,000.00	5,470,000.00	98,585,000.00	43.98%
2041		5,720,000.00	5,720,000.00	92,865,000.00	47.23%
2042		6,010,000.00	6,010,000.00	86,855,000.00	50.65%
2043		6,320,000.00	6,320,000.00	80,535,000.00	54.24%
2044		6,645,000.00	6,645,000.00	73,890,000.00	58.01%
2045		6,955,000.00	6,955,000.00	66,935,000.00	61.97%
2046		7,220,000.00	7,220,000.00	59,715,000.00	66.07%
2047		7,515,000.00	7,515,000.00	52,200,000.00	70.34%
2048		7,820,000.00	7,820,000.00	44,380,000.00	74.78%
2049		8,140,000.00	8,140,000.00	36,240,000.00	79.41%
2050		8,485,000.00	8,485,000.00	27,755,000.00	84.23%
2051		8,850,000.00	8,850,000.00	18,905,000.00	89.26%
2052		9,235,000.00	9,235,000.00	9,670,000.00	94.51%
2053		9,670,000.00	9,670,000.00	-	100.00%
Total	$ 31,990,000.00	$ 144,000,000.00	$ 175,990,000.00		

(1) Illustrated on the State of Texas fiscal year end of August 31st, although the District's fiscal year ends June 30th.
(2) Excludes the accreted value of outstanding capital appreciation bonds.
(3) Preliminary, subject to change.

OTHER OBLIGATIONS - MAINTENANCE TAX NOTES & TIME WARRANTS [1] [2]

Fiscal Year Ending 6/30	Maintenance Tax Notes & Time Warrants Principal	Interest	Total
2023	$ 1,300,501.48	$ 338,894.14	$ 1,639,395.62
2024	1,342,493.40	296,978.00	1,639,471.40
2025	1,384,995.19	253,235.68	1,638,230.87
2026	1,427,986.98	209,283.59	1,637,270.57
2027	1,467,921.85	168,678.58	1,636,600.43
2028	1,505,000.00	132,331.26	1,637,331.26
2029	1,555,000.00	85,981.26	1,640,981.26
2030	130,000.00	36,250.00	166,250.00
2031	135,000.00	31,050.00	166,050.00
2032	140,000.00	25,650.00	165,650.00
2033	145,000.00	19,775.00	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
	$ 10,868,898.90	$ 1,640,007.51	$ 12,508,906.41

(1) See the "Audited Financial Report Fiscal Year Ended June 30, 2022" in Appendix D for more information relative to the District's outstanding obligations.
(2) Maintenance obligations are payable from the limited maintenance and operations tax or other lawfully available funds of the District.

DEBT SERVICE REQUIREMENTS [1]

Fiscal Year Ending 8/31	Outstanding Debt Service [2]	Plus: The Bonds [3] Principal	Interest	Total	Combined Total [2] [3] [4]
2023	$ 5,276,687.50	$ -	$ 3,569,721.25	$ 3,569,721.25	$ 8,846,408.75
2024	5,274,987.50	-	6,624,225.00	6,624,225.00	11,899,212.50
2025	5,277,343.75	-	6,624,225.00	6,624,225.00	11,901,568.75
2026	5,278,300.00	795,000.00	6,604,350.00	7,399,350.00	12,677,650.00
2027	5,275,100.00	795,000.00	6,564,600.00	7,359,600.00	12,634,700.00
2028	5,275,700.00	595,000.00	6,529,850.00	7,124,850.00	12,400,550.00
2029	1,595,000.00	3,185,000.00	6,435,350.00	9,620,350.00	11,215,350.00
2030	2,259,300.00	2,850,000.00	6,284,475.00	9,134,475.00	11,393,775.00
2031	2,256,125.00	2,965,000.00	6,139,100.00	9,104,100.00	11,360,225.00
2032	2,255,500.00	3,085,000.00	5,987,850.00	9,072,850.00	11,328,350.00
2033	2,256,000.00	3,230,000.00	5,829,975.00	9,059,975.00	11,315,975.00
2034	2,257,375.00	3,365,000.00	5,665,100.00	9,030,100.00	11,287,475.00
2035	2,259,375.00	3,500,000.00	5,493,475.00	8,993,475.00	11,252,850.00
2036	2,256,875.00	3,650,000.00	5,314,725.00	8,964,725.00	11,221,600.00
2037	2,259,625.00	3,805,000.00	5,128,350.00	8,933,350.00	11,192,975.00
2038	2,257,375.00	3,975,000.00	4,933,850.00	8,908,850.00	11,166,225.00
2039	2,255,000.00	4,150,000.00	4,730,725.00	8,880,725.00	11,135,725.00
2040		5,470,000.00	4,490,225.00	9,960,225.00	9,960,225.00
2041		5,720,000.00	4,210,475.00	9,930,475.00	9,930,475.00
2042		6,010,000.00	3,917,225.00	9,927,225.00	9,927,225.00
2043		6,320,000.00	3,608,975.00	9,928,975.00	9,928,975.00
2044		6,645,000.00	3,284,850.00	9,929,850.00	9,929,850.00
2045		6,955,000.00	2,979,625.00	9,934,625.00	9,934,625.00
2046		7,220,000.00	2,696,125.00	9,916,125.00	9,916,125.00
2047		7,515,000.00	2,401,425.00	9,916,425.00	9,916,425.00
2048		7,820,000.00	2,094,725.00	9,914,725.00	9,914,725.00
2049		8,140,000.00	1,775,525.00	9,915,525.00	9,915,525.00
2050		8,485,000.00	1,432,418.75	9,917,418.75	9,917,418.75
2051		8,850,000.00	1,064,050.00	9,914,050.00	9,914,050.00
2052		9,235,000.00	679,743.75	9,914,743.75	9,914,743.75
2053		9,670,000.00	241,750.00	9,911,750.00	9,911,750.00
	$ 55,825,668.75	$ 144,000,000.00	$ 133,337,083.75	$ 277,337,083.75	$ 333,162,752.50

(1) Illustrated on the State of Texas fiscal year end of August 31st, although the District's fiscal year ends June 30th.
(2) Excludes outstanding maintenance tax obligations, which are not voted unlimited tax bonds.
(3) Preliminary, subject to change.
(4) Based on its wealth per student, the District does not expect to receive Instructional Facilities Allotment nor Existing Debt Allotment state financial assistance for the payment of debt service for the fiscal year 2022/23. 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 this Official Statement.

TAX ADEQUACY WITH RESPECT TO THE DISTRICT'S BONDS

Projected Maximum Debt Service Requirement [1]	$ 12,677,650.00
Projected State Financial Assistance for Debt Service in 2022/23 [2]	-
Projected Net Debt Service Requirement [1] [2]	$ 12,677,650.00
$0.48403 Tax Rate @ 98% Collections Produces	$ 12,677,650.00
2022/23 Net Taxable Assessed Valuation [3]	$ 2,672,649,481

(1) Includes the Bonds. Preliminary, subject to change.
(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 this Official Statement. The District will not receive any Instructional Facilities Allotment nor Existing Debt Allotment state aid in 2022/23, but should receive additional state aid for the increase in the homestead exemption which took effect in 2015/16 and increased again in 2021/22.
(3) Source: Certified Value from the Bowie Central Appraisal District as of October 2022. The passage of a Texas Constitutional Amendment on May 7, 2022 increased the homestead exemption from $25,000 to $40,000.

AUTHORIZED BUT UNISSUED BONDS

Following the issuance of the Bonds, the District will have $45,000,000 ($23,000,000 in Proposition A, and $22,000,000 in Proposition B) (preliminary, subject to change) authorized but unisused ad valorem tax bonds from the November 8, 2022 election. 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 Ended June 30				
	2018	2019	2020	2021	2022
Beginning Fund Balance	**$ 16,211,939**	**$ 16,577,792**	**$ 16,719,728**	**$ 17,268,213**	**$ 17,262,637**
Revenues:					
Local and Intermediate Sources	$ 24,591,120	$ 24,891,167	$ 24,232,385	$ 24,709,956	$ 24,616,132
State Sources	34,260,920	34,982,486	55,727,004	48,827,838	47,145,501
Federal Sources & Other	874,269	725,402	1,768,095	1,546,116	2,062,304
Total Revenues	**$ 59,726,309**	**$ 60,599,055**	**$ 81,727,484**	**$ 75,083,910**	**$ 73,823,937**
Expenditures:					
Instruction	$ 32,865,002	$ 33,458,686	$ 47,818,537	$ 44,997,823	$ 43,164,732
Instructional Resources & Media Services	414,784	364,173	386,006	380,305	382,293
Curriculum & Instructional Staff Development	2,441,656	2,473,043	2,222,838	2,044,640	2,119,900
Instructional Leadership	123,210	126,231	132,839	136,118	149,910
School Leadership	4,869,414	4,897,270	5,342,986	5,543,751	5,719,096
Guidance, Counseling & Evaluation Services	1,306,698	1,390,324	1,653,953	1,683,782	1,698,531
Social Work Services	-	-	-	77,072	79,096
Health Services	364,472	378,615	415,430	546,858	450,388
Student (Pupil) Transportation	154,502	189,148	327,935	221,452	289,325
Cocurricular/Extracurricular Activities	2,945,574	3,086,407	3,363,480	2,637,203	2,871,184
General Administration	3,130,558	3,360,339	3,495,341	3,530,019	4,393,293
Plant Maintenance and Operations	7,264,742	7,552,529	8,409,963	8,269,517	9,220,903
Security and Monitoring Services	808,745	851,057	698,528	747,956	1,068,950
Data Processing Services	136,988	137,862	122,936	122,061	134,930
Community Services	50,160	59,276	58,508	39,089	35,496
Debt Service - Principal on Long Term Debt	-	-	-	-	106,197
Debt Service - Interest on Long Term Debt	-	-	-	-	4,815
Capital Outlay	-	-	53,486	-	-
Payments to Fiscal Agent/Member Districts of SSA	560,714	607,450	630,813	641,329	688,955
Other Intergovernmental Charges	388,690	393,385	411,091	416,234	433,223
Total Expenditures	**$ 57,825,909**	**$ 59,325,795**	**$ 75,544,670**	**$ 72,035,209**	**$ 73,011,217**
Excess (Deficiency) of Revenues over Expenditures	$ 1,900,400	$ 1,273,260	$ 6,182,814	$ 3,048,701	$ 812,720
Other Resources and (Uses):					
Sale of Real or Personal Property	$ 2,756	$ 4,690	$ 13,030	$ 11,104	$ 18,543
Right-to-Use Leases	-	-	-	-	48,428
Operating Transfers In	-	591,750	-	-	408,250
Operating Transfers Out	(1,537,303)	(1,727,768)	(5,647,359)	(2,642,560)	(1,680,862)
Total Other Resources (Uses)	**$ (1,534,547)**	**$ (1,131,328)**	**$ (5,634,329)**	**$ (2,631,456)**	**$ (1,205,641)**
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	$ 365,853	$ 141,932	$ 548,485	$ 417,245	$ (392,921)
Prior Period Adjustment	$ -	$ -	$ -	$ (422,822)	$ -
Ending Fund Balance	**$ 16,577,792**	**$ 16,719,724**	**$ 17,268,213**	**$ 17,262,636**	**$ 16,869,716**

(1) See "MANAGEMENT'S DISCUSSION AND ANALYSIS" in Appendix D and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in this Official Statement.

CHANGE IN NET ASSETS [(1)]

	Fiscal Year Ended June 30				
	2018	2019	2020	2021	2022
Revenues:					
Program Revenues:					
Charges for Services	$ 2,527,108	$ 2,398,215	$ 2,222,308	$ 1,408,386	$ 1,524,738
Operating Grants and Contributions	2,655,504	16,619,876	21,723,394	19,061,657	24,389,076
General Revenues:					
Property Taxes Levied for General Purposes	22,701,315	23,363,799	22,773,727	22,829,194	23,174,221
Property Taxes Levied for Debt Service	4,936,365	5,083,456	5,426,488	5,506,848	5,609,173
State Aid - Formula Grants	33,371,717	33,962,041	49,910,271	41,418,708	39,144,339
Grants and Contributions Not Restricted	-	-	5,795,850	6,051,350	7,008,855
Investment Earnings	332,376	480,431	388,283	63,904	108,439
Miscellaneous	715,474	609,499	680,144	787,092	879,440
	$ 67,239,859	$ 82,517,317	$ 108,920,466	$ 97,127,139	$ 101,838,281
Expenses:					
Instruction	$ 31,187,236	$ 45,072,376	$ 64,228,084	$ 56,608,422	$ 53,044,637
Instruction Resources & Media Services	331,160	454,387	502,022	495,098	444,420
Curriculum & Staff Development	1,866,918	2,799,820	2,641,676	2,331,868	2,372,936
Instructional Leadership	139,528	156,895	347,005	148,405	545,869
School Leadership	3,203,647	5,189,237	6,017,039	5,834,979	5,246,491
Guidance, Counseling & Evaluation Services	1,124,793	2,083,871	2,586,880	2,522,308	2,622,945
Social Work Services	70,075	75,306	89,969	80,079	70,818
Health Service	611,198	636,584	700,413	948,468	909,024
Student Transportation	229,913	270,139	313,887	300,292	382,959
Food Service	5,957,051	6,639,300	6,645,988	6,617,625	6,616,009
Cocurricular/Extracurricular Activities	2,315,697	3,036,950	3,509,281	2,995,901	3,203,570
General Administration	2,495,006	3,671,912	4,039,988	3,853,595	4,305,399
Plant Maintenance & Operations	5,824,222	7,728,583	8,535,073	8,230,655	8,750,354
Security and Monitoring Services	501,702	948,144	752,163	777,365	947,475
Data Processing Services	136,988	137,862	122,936	122,061	134,930
Community Services	656,845	849,323	898,572	875,866	837,659
Interest on Long-term Debt	4,444,872	3,253,447	3,147,828	3,364,039	2,572,499
Bond Issuance Costs and Fees	74,750	62,625	3,549	10,300	5,000
Payments to Fiscal Agent/Member Districts of SSA	560,714	607,450	630,813	641,329	688,955
Other Intergovernmental Charges	388,690	393,385	411,091	416,234	433,223
Total Expenditures	$ 62,121,004	$ 84,067,596	$ 106,124,257	$ 97,174,889	$ 94,135,172
Business Type Activities:					
Food Service Catering Fund	$ 220,704	$ 227,440	$ 175,353	$ 102,209	$ 112,679
Print Shop Activity Fund	131,915	99,811	70,553	69,306	105,128
Public Relations Activity Fund	6,934	5,697	5,703	19,679	7,312
TC Food Service Activity	-	-	-	2,108	108
St. James Food Service Activity	-	-	-	2,880	-
Total Business Type Activities	$ 359,553	$ 332,948	$ 251,609	$ 196,182	$ 225,227
Change in Net Assets	$ 4,759,302	$ (1,883,227)	$ 2,544,600	$ (243,932)	$ 7,477,882
Beginning Net Assets	$ 45,018,002	$ 5,585,434	$ 3,702,214	$ 6,246,812	$ 6,002,882
Prior Period Adjustment	$ (44,191,870) [(2)]	$ -	$ -	$ -	$ 35,409 [(3)]
Ending Net Assets	$ 5,585,434	$ 3,702,207	$ 6,246,814	$ 6,002,880	$ 13,516,173

(1) The foregoing information represents government-wide financial information provided in accordance with GASB 34, which the District adopted in the 2002 fiscal year.
(2) The prior period adjustment is from the District implementing GASB Statement No. 75 for Other Post-Employment Benefits.
(3) The prior period adjustment is from the District implementing GASB Statement No. 84 for Fiduciary Activities.

APPENDIX B

GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

TEXARKANA INDEPENDENT SCHOOL DISTRICT

General and Economic Information

Texarkana Independent School District (the "District") 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 34,425.

Bowie County (the "County") was created in 1840 from Red River County. The county is bordered by both Oklahoma and Arkansas, and traversed by U.S. Route 30 and the Red River. The county seat is New Boston.

Source: Texarkana ISD and Bowie County Texas Municipal Reports

Enrollment Statistics

School Year	Physical Campus Enrollment [1]	Virtual/Online Enrollment [1]
2011	6,937	-
2012	7,091	-
2013	7,129	-
2014	7,243	-
2015	7,100	-
2016	7,061	-
2017	7,169	-
2018	7,152	-
2019	7,174	-
2020	7,097	1,160
2021	6,755	899
2022	6,843	313
Current	6,953	232

[1] *Enrollment figures provided are for the end of the year.*

District Staff

Teachers	544
Auxiliary Personnel	224
Teachers' Aides	251
Administrators	65
Professional Support	213
Total	1,297

Facilities

Campus	Grades	Current Enrollment	Capacity	Year Built	Year of Addition/ Renovation
Paul Laurence Dunbar Early Education Center	PK	296	310	1953	1984
Theron Jones Early Literacy Center	K-2	386	460	1949	2003
Highland Park Elementary	PK-5	364	426	1961	1982
Martha and Josh Morriss Mathematics & Engineering Elementary	K-5	358	396	2007	N/A
Nash Elementary	PK-5	677	732	1967	2001/2002/2013
Spring Lake Park Elementary	PK-5	408	440	1961	2002
Waggoner Creek Elementary	K-5	338	408	2016	N/A
Wake Village Elementary	PK-5	579	767	1987	2002
Westlawn Elementary	3-5	346	360	1963	2005
Texas Middle School w/ 6th Grade Center	6-8	1,413	1,993	2002	6th grade center-2016
Texas High School	9-12	1,719	1,985	1967	2006/2009
OPTIONS Academic Alternative High School	9-12	69	140	1961	2006
Digital Academy of Texas	5-12	232	-	-	N/A

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	1,297
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	Manufacturer of Truck Bodies	380

Unemployment Rates

	November 2020	November 2021	November 2022
Bowie County	6.4%	5.0%	4.2%
State of Texas	6.8%	4.5%	3.7%

Source: Texas Workforce Commission

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

February 22, 2023

**TEXARKANA INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2023
DATED AS OF FEBRUARY 1, 2023
IN THE AGGREGATE PRINCIPAL AMOUNT OF $_______**

AS BOND COUNSEL FOR THE TEXARKANA INDEPENDENT SCHOOL DISTRICT (the *District*) in connection with the issuance of the bonds described above (the *Bonds*), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds until maturity or prior redemption at the rates and are payable on the dates as stated in the text of the Bonds, all in accordance with the terms and conditions stated in the text of the Bonds.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and general laws of the State of Texas and a transcript of certified proceedings of the District, and other pertinent instruments authorizing and relating to the issuance of the Bonds including (i) the order authorizing the issuance of the Bonds (the *Order*), (ii) one of the executed Bonds (*Bond No. T-1*), and (iii) the District's Federal Tax Certificate of even date herewith.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been authorized, issued and delivered in accordance with law; that the Bonds constitute valid and legally binding general obligations of the District in accordance with their terms except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditors' rights generally; that the District has the legal authority to issue the Bonds and to repay the Bonds; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Bonds, as such interest comes due, and as such principal matures, have been levied and ordered to be levied against all taxable property in the District, and have been pledged for such payment, without limit as to rate or amount.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the *Code*). In expressing the aforementioned opinions, we have relied on and assume continuing compliance with, certain representations contained in the Federal Tax Certificate of the District and covenants set forth in the order adopted by the District to authorize the issuance of the Bonds, relating to, among other matters, the use of the project and the investment and expenditure of the proceeds and certain other amounts used to pay or to secure the payment of debt service on the Bonds, and the certificate with respect to arbitrage by the Commissioner of Education regarding the allocation and investment of certain investments in the Permanent School Fund, the accuracy of which we have not independently verified. We call your attention to the fact that if such representations are determined to be inaccurate or if the District fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

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

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

Respectfully,

APPENDIX D

AUDITED FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2022

TEXARKANA INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2022

TEXARKANA INDEPENDENT SCHOOL DISTRICT

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TEXARKANA INDEPENDENT SCHOOL DISTRICT

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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 (Check One) for the year ended June 30, 2022, at a meeting of the board of school trustees of such school district on the 16th day of November, 2022.

Bill Kimbro

Signature of Board Secretary

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

THOMAS & THOMAS
PLLC
CERTIFIED PUBLIC ACCOUNTANTS

Members American Institute Certified Public Accountants
Center for Audit Quality and PCPS

INDEPENDENT AUDITOR'S REPORT

To the Board of School Trustees
Texarkana Independent School District
Texarkana, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

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Board of School Trustees
Texarkana Independent School District

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages v through xiv, budgetary comparison schedule – general fund on page 50, budgetary comparison schedule – child nutrition on page 51, Schedule of the District's Proportionate Share of the Net Pension Liability (TRS) on pages 52-53, Schedule of the District's Contributions for Pensions (TRS) on pages 54-55, Schedule of the District's Proportionate Share of the Net OPEB Liability (TRS) on pages 56-57, and Schedule of the District's Contributions for Other Postemployment Benefits (OPEB) (TRS) on pages 58-59 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Board of School Trustees
Texarkana Independent School District

Required Supplementary Information (*Continued*)

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying nonmajor governmental, nonmajor enterprise, custodial funds, private purpose trust funds, and TEA required schedules are presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Thomas & Thomas PLLC

CERTIFIED PUBLIC ACCOUNTANTS

Texarkana, Texas
November 4, 2022

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, 2022. Please read it in conjunction with the independent auditors' report on page ii and iv, 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.

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/deferred outflows of resources and liabilities/deferred inflows of resources) 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 Every Student Succeeds Act (ESSA) 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 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 2022 and 2021, the ending net position of our governmental activities was $12,193,209 and $4,706,014 respectively.

In 2022 and 2021, the ending net position of our business-type activities was $1,322,964 and $1,296,868 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		
	2021	2022	2021	2022	2021	2022	% Change
Current and other assets	$ 48,670	$ 54,217	$ 1,288	$ 1,322	$ 49,958	$ 55,539	11.17%
Capital assets	95,530	96,310	13	5	95,543	96,315	0.81%
Total assets	144,200	150,527	1,301	1,327	145,501	151,854	4.37%
Deferred Outflows of Resources	16,072	14,025	-	-	16,072	14,025	-12.74%
Long-term liabilities	113,356	95,847	-	-	113,356	95,847	-15.45%
Other liabilities	20,507	26,117	4	4	20,511	26,121	27.35%
Total liabilities	133,863	121,964	4	4	133,867	121,968	-8.89%
Deferred Inflows of Resources	21,703	30,396	-	-	21,703	30,396	40.05%
Net Position:							
Invested in capital assets net of related debt	30,099	35,031	-	-	30,099	35,031	16.39%
Restricted	11,036	11,409	-	-	11,036	11,409	3.38%
Unrestricted	(36,429)	(34,247)	1,297	1,323	(35,132)	(32,924)	-6.28%
Total net position	$ 4,706	$ 12,193	$ 1,297	$ 1,323	$ 6,003	$ 13,516	125.15%

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

Changes In Net Position
(In Thousands)

	Governmental Activities		Business-type Activities		Totals		
	2021	2022	2021	2022	2021	2022	% Change
Revenues :							
Program Revenues:							
Charges for Services	$ 1,199	1,273	$ 210	$ 251	$ 1,409	$ 1,524	8.16%
Operating grants and contributions	19,062	24,389			19,062	24,389	27.95%
General Revenues:							
Maintenance and operations taxes	22,829	23,174			22,829	23,174	1.51%
Debt service taxes	5,507	5,609			5,507	5,609	1.85%
State aid – formula grants	41,419	39,144			41,419	39,144	-5.49%
Grants not Restricted	6,051	7,009			6,051	7,009	
Investment Earnings	64	108			64	108	68.75%
Miscellaneous	787	879			787	879	11.69%
Total Revenue	96,918	101,585	210	251	97,128	101,836	4.85%
Expenses:							
Instruction, curriculum and media services	59,435	55,862			59,435	55,862	-6.01%
Instructional and school leadership	5,984	5,792			5,984	5,792	-3.21%
Student support services	3,851	3,986			3,851	3,986	3.51%
Child nutrition	6,618	6,616			6,618	6,616	-0.03%
Co-curricular activities	2,996	3,203			2,996	3,203	6.91%
General administration	3,854	4,305			3,854	4,305	11.70%
Plant maintenance, security & data processing	9,130	9,833			9,130	9,833	7.70%
Community services	876	838			876	838	-4.34%
Debt services	3,374	2,578			3,374	2,578	-23.59%
Payments to Fiscal Agent and Intergovernmental Charges	641	689			641	689	7.49%
Other business-type activities	416	433	196	225	612	658	7.52%
Total Expenses	97,175	94,135	196	225	97,371	94,360	-3.09%
Increase (decrease) in net position	(257)	7,452	14	26	(243)	7,478	-3177.37%
Net position at beginning of year	4,963	4,706	1,283	1,297	6,246	6,003	-3.89%
Prior Period Adjustment	-	35			-	35	100.00%
Net position at end of year	$ 4,706	$ 12,193	$ 1,297	$ 1,323	$ 6,003	$ 13,516	125.15%

Some of the major highlights of the 2021-22 school year included the following:

- The District's General Fund Balance remained relatively consistent at $16,869,716 as a result of financial operations for the 2021-22 school year. The District has been diligently working to level out after the COVID-19 pandemic. Texarkana ISD normally runs at a 94% attendance rate, but during the 2021-2022 school year it saw an average of 91% attendance. The District also saw an increase in various necessary expenditures such as electricity, cleaning supplies, food costs and etc. due to an economic shift nationwide.

- On November 11, 2021 the Texas Education Agency announced Notification of the 2021-2022 Operational Minutes Adjustment. This provided a reduction in the number of required 75,600 minutes of operation. Texas Education Code (TEC), §25.081(b), provides that the commissioner may approve the operation of schools for fewer than 75,600 minutes if a disaster, flood, extreme weather condition, fuel curtailment, or other calamity causes the closing of schools. During the 2021–2022 school year, many LEAs experienced losses in average daily attendance (ADA) due to low rates of attendance caused by the ongoing COVID-19 pandemic. The commissioner of education exercised his authority under TEC, §25.081(b), and approved a reduction in the minimum number of required 75,600 minutes of operation for all LEAs during the first six-week attendance reporting period of the 2021–2022 school year. This adjustment provided Texarkana ISD with an additional $1,869,893 of lost state revenue due to low attendance.

- During the 2021-2022 school year the district continued its agreement with eSchool Texas, LLC. This agreement allows the district to offer a virtual environment for learning to students across the state of Texas. Enrollment for the district decreased for the 2021-2022 school year to 334 students. State Funding for the majority of these students has been remitted to eSchool Texas, LLC to operate the campus. The 2021-2022 school year is the last year in which Texarkana ISD's virtual school will be operated by eSchool Texas, LLC. The District will be operating its virtual school in-house starting with the 2022-2023 school year utilizing K-12.

- During 2021-22, the District spent approximately $2,590,000 on deferred maintenance projects. Several of these projects consisted of HVAC repair/replacement, playground equipment, painting of campuses, major roofing repairs, renovation of the new Welcome Center and parking lot renovations. Some of these projects were still in progress on June 30, 2022.

- The state's school financial accountability rating system, known as the School Financial Integrity Rating System of Texas (FIRST), ensures that Texas public schools are held accountable for the quality of their financial management practices and that they improve those practices. The system is designed to encourage Texas public schools to better manage their financial resources to provide the maximum allocation possible for direct instructional purposes. Texarkana ISD received an "A-Superior Rating" rating and status for the fiscal year ending 2020-2021.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

- Texarkana ISD was awarded a total of $29,825,801 in ESSER funds from the CRRSA and ARP acts approved by the United States Congress. During the 2021-2022 school year, the district was able to use these funds for necessary staffing due to learning loss, substantial HVAC repairs and replacement, implementation of the 1:1 Chromebook Initiative, Anatomage Tables for THS and the purchase of Solution Tree and Kagan Structures to improve educational experiences district wide. The remaining funds are to be expended in the following grant years, which date up to 2024. As of June 30, 2022, a total of $9,287,674 of these funds have been expended. The district has a Use of Funds Plan that addresses the costs that these grant monies will purposefully be used for.

- On May 23, 2022, Texarkana ISD was awarded the Innovative Services Students with Autism Grant in the amount of $3,201,275. The Autism and Dyslexia Grant Award Programs, authorized by House Bill 1525, Section 10, 87th Texas Legislature, allocated $50,000,000 across the biennium for LEAs. Senate Bill 1, Rider 69, allocated an additional $10,000,000 across the biennium specifically for autism grants to LEAs. The purpose of these grants is to increase local capacity of LEAs to appropriately serve students with autism by providing innovative services that improve functional and/or academic outcomes for students with autism. The project will result in effective, scalable models that can be replicated in other areas of the state. During the application process, Texarkana ISD created an SSA to include Liberty Eylau ISD, New Boston ISD, Queen City ISD and Atlanta ISD.

- Texarkana ISD was awarded a total of $3,286,566 in Texas COVID Learning Acceleration Supports (TCLAS) funds. These funds are a set of funding and targeted supports available to LEAs to accelerate student learning in the wake of COVID-19, utilizing state and federal funds. This consisted of one streamlined application, but is divided into 9 decision sets. These grants allowed the district to strategically plan performance management, acquire innovative instructional materials, create stronger teacher pipelines, create more time in the classroom for students the experience the COVID-19 slide and explore different innovative school models for years to come. In 2021-2022, Texarkana ISD expended $676,532 with the remaining funds to be spread across the next two school years.

- Texarkana ISD was awarded the 21st Century Century Community Learning Centers (CCLC) Grant on July 1, 2021 totaling $1,699,395. The purpose of the 21st CCLC program is to provide extended learning opportunities outside of the regular school day to students in need of academic assistance. The program is aimed at students who attend high-need, high-poverty and low-performing schools. The overall program is inclusive of specific core elements based on recommended principles and effective strategies to ensure successful programs that will assist students in meeting academic standards in core subjects (math, reading, science, social studies) so they can graduate from high school prepared for college and/or the workforce. Texarkana ISD utilized all funds to operate the ACE program, which was implemented in the 2021-2022 school year. The ACE program provides no-cost activities after school and during the summer for K-12 students in our Title I campuses.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 5) reported a combined fund balance of $28.3 million. Fund Balance in the General Fund remained consistent at $16.9 million. Other significant changes in fund balances should also be noted. Capital Projects Fund-Fund Balance as of June 30, 2022, was $1,758,880. This fund balance decreased for projects that were completed during the year. Projects that were not completed during the fiscal year are properly reflected in Construction in Progress. 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 $16.9 million reported on page 4 differs from the General Fund's budgeted fund balance of $16.3 million reported in the budgetary comparison schedule on page 50.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2022, the District had $192 million invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance.

Debt

At the end of 2021-2022 school year, the District had $61.3 million in bonds and notes outstanding, versus $66 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.

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

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
	2021	2022	2021	2022	2021	2022	2021-22
Land	$ 5,838	$ 5,838	$ -		$ 5,838	$ 5,838	0.00%
Buildings and improvements	166,794	169,340	9	9	166,803	169,349	1.53%
Furniture and equipment	12,408	14,595	269	269	12,677	14,864	17.25%
Construction in progress	643	2,310	-		643	2,310	259.25%
Intangible Right-to-Use Lease Asset	318	366	-			366	
Totals at historical cost	186,001	192,449	278	278	185,961	192,727	3.64%
Less accumulated depreciation for:							
Buildings and improvements	(79,493)	(84,649)	(8)	(9)	(79,501)	(84,658)	6.49%
Furniture and equipment	(10,661)	(11,227)	(257)	(264)	(10,918)	(11,491)	5.25%
Intangible Right-to-Use Lease Asset	(155)	(264)	-	-	(155)	(264)	
Total accumulated depreciation	(90,309)	(96,140)	(265)	(273)	(90,574)	(96,413)	6.45%
Net capital assets	$ 95,692	$ 96,309	$ 13	$ 5	$ 95,387	$ 96,314	0.97%

NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal-year 2022-2023 budget and tax rate. During the preparation of the 2022-23 budget addressing the learning loss of the children during the pandemic was top priority. Leaders knew that the prolonged period of remote learning and the time the children have missed in the classroom has widened the gap of learning loss among students. The 2022-23 budget was built with priorities given to targeting learning loss, along with addressing the social emotional needs of these students all the while ensuring that staff and students have proper safety equipment and supplies to minimize exposure to COVID-19.

The Texarkana ISD Board of Trustees voted to reduce the tax rate for the 4th year in a row. The no-new revenue tax rate of $1.1979 per $100 valuation for the district was approved. This rate consists of an M&O tax rate of $0.9429 and I&S tax rate of $0.2550.

Changes in the state funding formula continue to affect district operations. These factors were taken into account when adopting the General Fund budget for 2022-2023 school year. Amounts available for appropriation in the General Fund budget are $76 million. The revenue from local sources, majority property taxes, account for approximately 37.29% of available General fund revenues. State Foundation Revenue accounts for approximately 61.46% 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 2023.

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 EXHIBIT A-1

STATEMENT OF NET POSITION

JUNE 30, 2022

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	$ 8,712,763	$ 1,302,978	$ 10,015,741	$ 216,764
1120	Current Investments	29,744,236	-	29,744,236	369,512
1210	Property Taxes - Current	1,923,741	-	1,923,741	-
1230	Allowance for Uncollectible Taxes	(605,733)	-	(605,733)	-
1240	Due from Other Governments	13,808,405	-	13,808,405	-
1250	Accrued Interest	1,560	-	1,560	-
1270	Due from Component Unit	-	-	-	6,000
1300	Inventories	586,310	18,696	605,006	-
1490	Other Current Assets	46,732	-	46,732	-
	Capital Assets:				
1510	Land	5,838,168	-	5,838,168	-
1520	Buildings, Net	84,690,694	445	84,691,139	-
1530	Furniture and Equipment, Net	3,368,017	4,889	3,372,906	-
1550	Right-to-Use Leased Assets, Net	102,940	-	102,940	-
1580	Construction in Progress	2,309,955	-	2,309,955	-
1800	Restricted Assets	-	-	-	158,762
1910	Long Term Investments	-	-	-	91,779
1000	Total Assets	150,527,788	1,327,008	151,854,796	842,817
	DEFERRED OUTFLOWS OF RESOURCES				
1701	Deferred Charge for Refunding	1,215,783	-	1,215,783	-
1705	Deferred Outflow Related to TRS Pension	6,239,150	-	6,239,150	-
1706	Deferred Outflow Related to TRS OPEB	6,569,985	-	6,569,985	-
1700	Total Deferred Outflows of Resources	14,024,918	-	14,024,918	-
	LIABILITIES				
2110	Accounts Payable	2,489,547	3,919	2,493,466	136,298
2140	Interest Payable	1,026,195	-	1,026,195	-
2150	Payroll Deductions and Withholdings	979,371	-	979,371	-
2160	Accrued Wages Payable	6,448,698	-	6,448,698	-
2178	Due to Component Unit	-	-	-	15,000
2180	Due to Other Governments	14,332,188	125	14,332,313	-
2300	Unearned Revenue	840,852	-	840,852	-
	Noncurrent Liabilities:				
2501	Due Within One Year: Loans, Note, Leases, etc.	4,367,458	-	4,367,458	-
	Due in More than One Year:				
2502	Bonds, Notes, Loans, Leases, etc.	56,950,498	-	56,950,498	-
2540	Net Pension Liability (District's Share)	10,740,917	-	10,740,917	-
2545	Net OPEB Liability (District's Share)	23,788,195	-	23,788,195	-
2000	Total Liabilities	121,963,919	4,044	121,967,963	151,298
	DEFERRED INFLOWS OF RESOURCES				
2605	Deferred Inflow Related to TRS Pension	12,673,040	-	12,673,040	-
2606	Deferred Inflow Related to TRS OPEB	17,722,538	-	17,722,538	-
2600	Total Deferred Inflows of Resources	30,395,578	-	30,395,578	-
	NET POSITION				
3200	Net Investment in Capital Assets and Right-to-Use	35,031,087	-	35,031,087	-
	Restricted:				
3820	Restricted for Federal and State Programs	5,470,926	-	5,470,926	-
3850	Restricted for Debt Service	3,628,392	-	3,628,392	-
3860	Restricted for Capital Projects	1,758,880	-	1,758,880	-
3870	Restricted for Campus Activities	550,882	-	550,882	-
3890	Restricted for Other Purposes	-	-	-	250,541
3900	Unrestricted	(34,246,958)	1,322,964	(32,923,994)	440,978
3000	Total Net Position	$ 12,193,209	$ 1,322,964	$ 13,516,173	$ 691,519

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

Data Control Codes		1 Expenses	Program Revenues 3 Charges for Services	4 Operating Grants and Contributions
Primary Government:				
	GOVERNMENTAL ACTIVITIES:			
11	Instruction	$ 53,044,637	$ 191,957	$ 10,036,044
12	Instructional Resources and Media Services	444,420	-	49,889
13	Curriculum and Instructional Staff Development	2,372,936	-	408,589
21	Instructional Leadership	545,869	-	460,353
23	School Leadership	5,246,491	-	12,352
31	Guidance, Counseling, and Evaluation Services	2,622,945	-	1,185,266
32	Social Work Services	70,818	-	(1,319)
33	Health Services	909,024	-	272,680
34	Student (Pupil) Transportation	382,959	-	19,832
35	Food Services	6,616,009	150,021	8,801,228
36	Extracurricular Activities	3,203,570	805,764	(30,521)
41	General Administration	4,305,399	-	1,817
51	Facilities Maintenance and Operations	8,750,354	63,384	386,082
52	Security and Monitoring Services	947,475	-	(16,462)
53	Data Processing Services	134,930	-	-
61	Community Services	837,659	62,289	859,950
72	Debt Service - Interest on Long-Term Debt	2,572,499	-	3,273
73	Debt Service - Bond Issuance Cost and Fees	5,000	-	-
81	Capital Outlay	-	-	1,940,023
93	Payments Related to Shared Services Arrangements	688,955	-	-
99	Other Intergovernmental Charges	433,223	-	-
	[TG] Total Governmental Activities:	94,135,172	1,273,415	24,389,076
	BUSINESS-TYPE ACTIVITIES:			
01	Food Service Catering	112,679	103,061	-
02	Print Shop Activity	105,128	131,928	-
03	Public Relations Activity Fund	7,312	16,334	-
04	Texarkana College Food Service	108	-	-
	[TB] Total Business-Type Activities:	225,227	251,323	-
	[TP] TOTAL PRIMARY GOVERNMENT:	$ 94,360,399	$ 1,524,738	$ 24,389,076
Component Unit:				
1C	Nonmajor Component Unit	242,399	-	-
	[TC] TOTAL COMPONENT UNITS:	$ 242,399	$ -	$ -

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
GC	Grants and Contributions not Restricted
IE	Investment Earnings
MI	Miscellaneous Local and Intermediate Revenue
TR	Total General Revenues
CN	Change in Net Position
NB	Net Position - Beginning
PA	Prior Period Adjustment
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
$ (42,816,636)	$ -	$ (42,816,636)	$ -
(394,531)	-	(394,531)	-
(1,964,347)	-	(1,964,347)	-
(85,516)	-	(85,516)	-
(5,234,139)	-	(5,234,139)	-
(1,437,679)	-	(1,437,679)	-
(72,137)	-	(72,137)	-
(636,344)	-	(636,344)	-
(363,127)	-	(363,127)	-
2,335,240	-	2,335,240	-
(2,428,327)	-	(2,428,327)	-
(4,303,582)	-	(4,303,582)	-
(8,300,888)	-	(8,300,888)	-
(963,937)	-	(963,937)	-
(134,930)	-	(134,930)	-
84,580	-	84,580	-
(2,569,226)	-	(2,569,226)	-
(5,000)	-	(5,000)	-
1,940,023	-	1,940,023	-
(688,955)	-	(688,955)	-
(433,223)	-	(433,223)	-
(68,472,681)	-	(68,472,681)	-
-	(9,618)	(9,618)	-
-	26,800	26,800	-
-	9,022	9,022	-
-	(108)	(108)	-
-	26,096	26,096	-
(68,472,681)	26,096	(68,446,585)	-
-	-	-	(242,399)
-	-	-	(242,399)
23,174,221	-	23,174,221	-
5,609,173	-	5,609,173	-
39,144,339	-	39,144,339	-
7,008,855	-	7,008,855	-
108,439	-	108,439	(7,895)
879,440	-	879,440	280,232
75,924,467	-	75,924,467	272,337
7,451,786	26,096	7,477,882	29,938
4,706,014	1,296,868	6,002,882	661,581
35,409	-	35,409	-
$ 12,193,209	$ 1,322,964	$ 13,516,173	$ 691,519

Governmental Fund Financial Statements

TEXARKANA INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

Data Control Codes		10 General Fund	20 Child Nutrition	50 Debt Service Fund
	ASSETS			
1110	Cash and Cash Equivalents	$ 171,564	$ 4,980,831	$ 364,338
1120	Investments - Current	26,151,218	-	3,563,803
1210	Property Taxes - Current	1,579,095	-	344,646
1230	Allowance for Uncollectible Taxes	(509,275)	-	(96,458)
1240	Due from Other Governments	8,912,251	125,052	86,606
1250	Accrued Interest	1,560	-	-
1260	Due from Other Funds	3,178,787	-	307,427
1300	Inventories	28,290	558,020	-
1490	Other Current Assets	46,731	-	-
1000	Total Assets	$ 39,560,221	$ 5,663,903	$ 4,570,362
	LIABILITIES			
2110	Accounts Payable	$ 929,068	$ 42,492	$ -
2150	Payroll Deductions and Withholdings Payable	908,408	13,068	-
2160	Accrued Wages Payable	5,027,726	137,417	-
2170	Due to Other Funds	1,558,817	-	-
2180	Due to Other Governments	13,547,281	-	784,907
2300	Unearned Revenue	719,205	-	157,063
2000	Total Liabilities	22,690,505	192,977	941,970
	FUND BALANCES			
	Nonspendable Fund Balance:			
3410	Inventories	28,290	558,020	-
	Restricted Fund Balance:			
3450	Federal or State Funds Grant Restriction	-	2,412,906	-
3480	Retirement of Long-Term Debt	-	-	3,628,392
	Committed Fund Balance:			
3510	Construction	8,000,000	2,500,000	-
	Assigned Fund Balance:			
3590	Other Assigned Fund Balance	-	-	-
3600	Unassigned Fund Balance	8,841,426	-	-
3000	Total Fund Balances	16,869,716	5,470,926	3,628,392
4000	Total Liabilities and Fund Balances	$ 39,560,221	$ 5,663,903	$ 4,570,362

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

60 Capital Projects	Other Funds	Total Governmental Funds
$ 1,872,568	$ 1,323,462	$ 8,712,763
29,215	-	29,744,236
-	-	1,923,741
-	-	(605,733)
-	4,684,496	13,808,405
-	-	1,560
-	-	3,486,214
-	-	586,310
-	-	46,731
$ 1,901,783	$ 6,007,958	$ 57,704,227
$ 142,903	$ 1,375,084	$ 2,489,547
-	57,895	979,371
-	1,283,555	6,448,698
-	1,927,397	3,486,214
-	-	14,332,188
-	813,145	1,689,413
142,903	5,457,076	29,425,431
-	-	586,310
-	-	2,412,906
-	-	3,628,392
1,758,880	-	12,258,880
-	550,882	550,882
-	-	8,841,426
1,758,880	550,882	28,278,796
$ 1,901,783	$ 6,007,958	$ 57,704,227

Total Fund Balances - Governmental Funds	$	28,278,796
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was $186,001,304 and the accumulated depreciation was ($90,308,450). 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.		30,098,556
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2022 capital outlays and debt principal payments is to increase net position.		11,110,163
3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. At the beginning of the year, the net position related to TRS was a Deferred Resource Outflow in the amount of $8,647,528, a Deferred Resource Inflow in the amount of $3,938,711 and a net pension liability in the amount of $23,224,192. The impact of this on Net Position is (18,515,375). Changes from the current year reporting of the TRS plan resulted in a increase in net position in the amount of $1,340,568. 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 ($17,174,807) .		(17,174,807)
4 The District participates in the TRS-Care plan for retirees through TRS. The District's share of the TRS plan resulted in a net OPEB liability of $23,788,195, a deferred outflow of $6,569,985 and a deferred inflow of $17,722,538. This resulted in a difference between the ending fund balance and the ending net position of ($34,940,748).		(34,940,748)
5 The 2022 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(6,027,312)
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, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		848,561
19 **Net Position of Governmental Activities**	$	12,193,209

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 BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

Data Control Codes		10 General Fund	20 Child Nutrition	50 Debt Service Fund
	REVENUES:			
5700	Total Local and Intermediate Sources	$ 24,616,132	$ 415,722	$ 5,673,147
5800	State Program Revenues	47,145,501	43,679	636,463
5900	Federal Program Revenues	2,062,304	8,664,183	-
5020	Total Revenues	73,823,937	9,123,584	6,309,610
	EXPENDITURES:			
	Current:			
0011	Instruction	43,164,732	-	-
0012	Instructional Resources and Media Services	382,293	-	-
0013	Curriculum and Instructional Staff Development	2,119,900	-	-
0021	Instructional Leadership	149,910	-	-
0023	School Leadership	5,719,096	-	-
0031	Guidance, Counseling, and Evaluation Services	1,698,531	-	-
0032	Social Work Services	79,096	-	-
0033	Health Services	450,388	-	-
0034	Student (Pupil) Transportation	289,325	-	-
0035	Food Services	-	6,587,451	-
0036	Extracurricular Activities	2,871,184	-	-
0041	General Administration	4,393,293	-	-
0051	Facilities Maintenance and Operations	9,220,903	310,943	-
0052	Security and Monitoring Services	1,068,950	-	-
0053	Data Processing Services	134,930	-	-
0061	Community Services	35,496	-	-
	Debt Service:			
0071	Principal on Long-Term Liabilities	106,197	3,207	4,027,971
0072	Interest on Long-Term Liabilities	4,815	66	2,944,604
0073	Bond Issuance Cost and Fees	-	-	5,000
	Capital Outlay:			
0081	Facilities Acquisition and Construction	-	-	-
	Intergovernmental:			
0093	Payments to Fiscal Agent/Member Districts of SSA	688,955	-	-
0099	Other Intergovernmental Charges	433,223	-	-
6030	Total Expenditures	73,011,217	6,901,667	6,977,575
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	812,720	2,221,917	(667,965)
	OTHER FINANCING SOURCES (USES):			
7912	Sale of Real and Personal Property	18,543	-	-
7913	Right-to-Use Leases	48,428	-	-
7915	Transfers In	408,250	-	1,680,862
8911	Transfers Out (Use)	(1,680,862)	-	-
7080	Total Other Financing Sources (Uses)	(1,205,641)	-	1,680,862
1200	Net Change in Fund Balances	(392,921)	2,221,917	1,012,897
0100	Fund Balance - July 1 (Beginning)	17,262,637	3,249,009	2,615,495
1300	Prior Period Adjustment	-	-	-
3000	Fund Balance - June 30 (Ending)	$ 16,869,716	$ 5,470,926	$ 3,628,392

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

60 Capital Projects	Other Funds	Total Governmental Funds
$ 7,881	$ 820,465	$ 31,533,347
-	829,710	48,655,353
-	15,452,463	26,178,950
7,881	17,102,638	106,367,650
-	10,744,386	53,909,118
-	54,861	437,154
-	437,005	2,556,905
-	462,606	612,516
-	115,415	5,834,511
-	1,216,854	2,915,385
-	-	79,096
-	282,365	732,753
-	24,005	313,330
-	-	6,587,451
-	634,350	3,505,534
-	54,113	4,447,406
-	169,565	9,701,411
-	-	1,068,950
-	-	134,930
-	870,512	906,008
-	-	4,137,375
-	-	2,949,485
-	-	5,000
2,593,639	1,940,023	4,533,662
-	-	688,955
-	-	433,223
2,593,639	17,006,060	106,490,158
(2,585,758)	96,578	(122,508)
-	-	18,543
-	-	48,428
-	-	2,089,112
(408,250)	-	(2,089,112)
(408,250)	-	66,971
(2,994,008)	96,578	(55,537)
4,752,888	418,895	28,298,924
-	35,409	35,409
$ 1,758,880	$ 550,882	$ 28,278,796

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, 2022

Total Net Change in Fund Balances - Governmental Funds	$	(55,537)
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 2022 capital outlays and debt principal payments is to increase net position.		11,110,163
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.		(6,027,312)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		2,280
Current year changes due to GASB 68 decreased revenues in the amount of ($3,008,764) but also increased expenditures in the amount of $4,349,332. The net effect on the change in the ending net position was an increase in the amount of $1,340,568.		1,340,568
Current year changes due to GASB 75 increased revenues in the amount of ($1,788,528) but also increased expenditures in the amount of $2,870,152. The net effect on the change in the ending net position was an increase in the amount of $1,081,624.		1,081,624
Change in Net Position of Governmental Activities	$	7,451,786

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

Proprietary Fund Financial Statements

TEXARKANA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022

	Business-Type Activities
	Total Enterprise Funds
ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 1,302,978
Inventories	18,696
Total Current Assets	1,321,674
Noncurrent Assets:	
Capital Assets:	
Buildings and Improvements	9,200
Depreciation on Buildings	(8,755)
Furniture and Equipment	269,005
Depreciation on Furniture and Equipment	(264,116)
Total Noncurrent Assets	5,334
Total Assets	1,327,008
LIABILITIES	
Current Liabilities:	
Accounts Payable	3,919
Due to Other Governments	125
Total Liabilities	4,044
NET POSITION	
Unrestricted Net Position	1,322,964
Total Net Position	$ 1,322,964

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

TEXARKANA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Business-Type Activities Total Enterprise Funds
OPERATING REVENUES:	
Local and Intermediate Sources	$ 248,686
State Program Revenues	2,637
Total Operating Revenues	251,323
OPERATING EXPENSES:	
Payroll Costs	35,029
Professional and Contracted Services	56,729
Supplies and Materials	123,011
Other Operating Costs	2,881
Depreciation Expense	7,577
Total Operating Expenses	225,227
Operating Income	26,096
Total Net Position - July 1 (Beginning)	1,296,868
Total Net Position - June 30 (Ending)	$ 1,322,964

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, 2022

EXHIBIT D-3

	Business-Type Activities Total Enterprise Funds
Cash Flows from Operating Activities:	
Cash Received from User Charges	$ 245,282
Cash Payments to Employees for Services	(28,154)
Cash Payments for Suppliers	(189,676)
Net Cash Provided by Operating Activities	27,452
Net Increase in Cash and Cash Equivalents	27,452
Cash and Cash Equivalents at Beginning of Year	1,275,526
Cash and Cash Equivalents at End of Year	$ 1,302,978
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income:	$ 26,096
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	7,577
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Inventories	(6,041)
Increase (decrease) in Accounts Payable	(180)
Net Cash Provided by Operating Activities	$ 27,452

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

Fiduciary Fund Financial Statements

EXHIBIT E-1

TEXARKANA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2022

	Private Purpose Trust Funds	Total Custodial Funds
ASSETS		
Cash and Cash Equivalents	$ 463,111	$ 605,157
Total Assets	463,111	$ 605,157
LIABILITIES		
Accounts Payable	-	655
Total Liabilities	-	655
NET POSITION		
Restricted for Other Purposes	463,111	-
Unrestricted Net Position	-	604,502
Total Net Position	$ 463,111	$ 604,502

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

TEXARKANA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Private Purpose Trust Funds	Total Custodial Funds
ADDITIONS:		
Enterprising Services Revenue	$ 185,099	$ 493,442
Earnings from Temporary Deposits	718	-
Contributions, Gifts and Donations	7,520	-
Total Additions	193,337	493,442
DEDUCTIONS:		
Payroll Costs	-	200,000
Professional and Contracted Services	-	28,010
Supplies and Materials	113,988	156,425
Other Deductions	10,879	99,289
Total Deductions	124,867	483,724
Change in Fiduciary Net Position	68,470	9,718
Total Net Position - July 1 (Beginning)	394,641	630,193
Prior Period Adjustment	-	(35,409)
Total Net Position - June 30 (Ending)	$ 463,111	$ 604,502

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 the Texas Education Agency's *Financial Accountability System Resource Guide* (FASRG) and the requirements of contracts and grants of agencies from whom it receives funds.

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.

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 Every Student Succeeds Act (ESSA). If revenue is not program revenue, it is general revenue used to support all of the District's functions. Taxes are always general revenues.

A. Summary of Significant Accounting Policies (Continued)

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

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).

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.

A. Summary of Significant Accounting Policies (Continued)

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

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. **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.

d. **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. **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, and Texarkana College 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. **Custodial Funds –** The District accounts for resources held for others in a custodial capacity in custodial funds. The District's Custodial Funds are student activity funds.

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.

A. Summary of Significant Accounting Policies (Continued)

5. Other Accounting Policies (Continued)

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.

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 ensure 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 the FASRG, 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 30, 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 Management System (PEIMS).

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 reconciliation of fund balances at June 30, 2022, for both budgeted and unbudgeted special revenue funds is as follows:

Budgeted Funds - Child Nutrition Special Revenue Fund	$	5,470,926
Unbudgeted Funds		-
All Special Revenue Funds	$	5,470,926

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, 2022, 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, 2022, the nonspendable fund balance include $28,290 for inventories in the general fund and $558,020 for inventories in the child nutrition program in the Special Revenue Fund. The Debt Service Fund has restricted a total of $3,628,392 for retirement of funded indebtedness as of June 30, 2022. Amounts totaling $8,000,000, $1,758,880, and $2,500,000 have been committed for authorized construction programs in the General Fund, Capital Projects Fund, and Food Service Fund, respectively. The remaining non-major funds have other assigned fund balance of $550,882 for the campus activity funds.

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 2022, 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.

11. TRS-Care Plan

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

12. 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.

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	$ 5,838,168	$ -	$ 5,838,168	
Buildings	166,793,906	79,492,651	87,301,255	
Furniture and Equipment	12,408,479	10,660,810	1,747,669	
Right-to-Use Lease Asset	318,043	154,989	163,054	
Construction in Progress	642,708	-	642,708	
Change in Net Assets				$ 95,692,854

Long-term Liabilities At the Beginning of the Year	Payable at the Beginning of the Year	
Bonds Payable and Accretion on Capital Appreciation Bonds	$ (42,236,030)	
Notes Payable	(12,154,928)	
Accrued Interest on Notes and Bonds	(982,320)	
Premium and Discount on Issuance of Bonds	(11,482,146)	
Right-to-Use Lease Liability	(163,057)	
Deferred Gain/Loss on Refunding	1,424,183	
Change in Net Position		$ (65,594,298)
Net Adjustment to Net Position		$ 30,098,556

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.

Two elements of that reconciliation explain that the District's proportionate share of the net pension liability, net OPEB liability, deferred outflows, and deferred inflows of resources as required by GASB 68 and GASB 75 were as follows:

	Adjustment to Net Position	Adjustment to Changes in Net Position	Ending Impact on Net Position
Net Pension Liability	$ (23,224,192)	$ 12,483,275	$ (10,740,917)
Deferred Inflow	(3,938,711)	(8,734,329)	(12,673,040)
Deferred Outflow	8,647,528	(2,408,378)	6,239,150
Net Adjustment to Net Position	$ (18,515,375)	$ 1,340,568	$ (17,174,807)

	Adjustment to Net Position	Adjustment to Changes in Net Position	Ending Impact on Net Position
Net OPEB Liability	$ (24,259,134)	$ 470,939	$ (23,788,195)
Deferred Inflow	(17,763,904)	41,366	(17,722,538)
Deferred Outflow	6,000,666	569,319	6,569,985
Net Adjustment to Net Position	$ (36,022,372)	$ 1,081,624	$ (34,940,748)

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:

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)

Current Year Capital Outlay	Amount	Adjustments to Changes in Net Position	Adjustments to Net Position
Land	$ -		
Buildings & Improvements	2,557,874		
Furniture & Equipment	2,366,458		
Right-to-Use Lease Asset	48,428		
Construction in Progress (Net Change)	1,667,247		
Total Capital Outlay	$ 6,640,007	$ 6,640,007	$ 6,640,007
Debt and Principal Activity			
Bond Principal Payments	$ 2,735,000		
Loan Principal Payments	1,294,361		
Total Principal Activity	$ 4,029,361	$ 4,029,361	$ 4,029,361
Other Items			
Disposal of Assets	$ 4,223		
Change in Accrued Interest Payable	(43,875)		
Change in Right-to-Use Lease Liability	56,309		
Change in Bond Premium and Accretion:			
Deferred Amount on Refunding Bonds	(208,400)		
Accretion on Cap Appreciation (Net)	(18,190)		
Amortization of Premium on Bonds (Net)	650,727		
Total Other Items	$ 440,794	$ 440,794	$ 440,794
Total Adjustment to Net Position		$ 11,110,163	$ 11,110,163

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	(891,945)	$ (891,945)	$ -
Uncollected Taxes (assumed collectible)	364,948	364,948	364,948
PY Uncollected Taxes (assumed collectible)	483,613	483,613	483,613
PY Tax Collections	45,664	45,664	-
Total Changes		$ 2,280	$ 848,561

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 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, 2022, $510,000 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, 2022, $31,480,000 of the bonds are outstanding.

A summary of changes in general long-term debt for the year ended June 30, 2022, is as follows:

Description	Interest Rate Payable	Original Issued	Outstanding 6/30/2021	Issued	Retired	Outstanding 6/30/2022
Unlimited Tax Refunding Bonds - Series 2010	2.00% - 4.00%	$ 5,070,000	$ 995,000	$ -	$ 485,000	$ 510,000
Unlimited Tax Refunding Bonds - Series 2015	2.00% - 5.00%	27,150,000	23,010,000	-	385,000	22,625,000
Unlimited Tax School Building & Refunding Bonds - Series 2015	2.00% - 5.00%	15,780,000	10,720,000	-	1,865,000	8,855,000
Totals			$ 34,725,000	$ -	$ 2,735,000	$ 31,990,000

Debt Service requirements are as follows:

Years Ending June 30,	Principal	Interest	Total
2023	$ 2,610,000	$ 2,684,688	$ 5,294,688
2024	2,510,000	2,783,688	5,293,688
2025	2,420,000	2,871,288	5,291,288
2026	2,335,000	2,963,400	5,298,400
2027	1,860,000	3,423,200	5,283,200
2028-2032	6,920,000	6,839,250	13,759,250
2033-2037	9,040,000	2,475,250	11,515,250
2038-2039	4,295,000	324,750	4,619,750
Total Bonded Debt	$ 31,990,000	$ 24,365,514	$ 56,355,514

There was $2,558,713 in bond interest expense paid for during the year.

D. Capital Asset Activity

Capital Asset Activity for the District for the year ended June 30, 2022, was as follows:

	Primary Government			
	Balance 6/30/2021	Additions	Reductions	Balance 6/30/2022
Governmental Activities:				
Land	$ 5,838,168	$ -	$ -	$ 5,838,168
Building and Improvements	166,793,906	2,565,242	(18,868)	169,340,280
Furniture and Equipment	12,408,479	2,367,536	(181,432)	14,594,583
Construction in Progress	642,708	2,309,955	(642,708)	2,309,955
Intangible Right-to-Use Lease Asset	318,043	48,428	-	366,471
Totals at Historical Cost	186,001,304	7,291,161	(843,008)	192,449,457
Less Accumulated Depreciation				
Buildings and Improvements	79,492,651	5,172,657	(15,723)	84,649,585
Furniture and Equipment	10,660,810	746,110	(180,354)	11,226,566
Less Accumulated Amortization for				
Intangible Right-to-Use Lease Asset	154,989	108,545	-	263,534
Total Accumulated Depreciation	90,308,450	6,027,312	(196,077)	96,139,685
Governmental Activities Capital Assets, Net	$ 95,692,854	$ 1,263,849	$ (646,931)	$ 96,309,774

	Balance 6/30/2021	Additions	Reductions	Balance 6/30/2022
Business-type Activities:				
Building and Improvements	$ 9,200	$ -	$ -	$ 9,200
Furniture and Equipment	269,005	-	-	269,005
Totals at Historical Cost	278,205	-	-	278,205
Less Accumulated Depreciation				
Buildings and Improvements	8,458	297	-	8,755
Furniture and Equipment	256,836	7,280	-	264,116
Total Accumulated Depreciation	265,294	7,577	-	272,871
Business-type Activities Capital Assets, Net	$ 12,911	$ (7,577)	$ -	$ 5,334

Depreciation expense was charged to governmental and business-type functions as follows:

	Governmental ROU Leases	Governmental Fixed Assets	Business-Type
Instruction	$ 93,861	$ 4,794,684	$ -
Instructional Resource & Media Services	-	40,414	-
Curriculum & Instructional Staff Development	5,065	4,352	-
Health Services	-	258,633	-
Student Transportation	-	90,155	-
Food Services	3,087	444,158	7,577
Cocurricular/Extracurricular Activities	937	-	-
General Administration	2,729	223,573	-
Plant Maintenance and Operations	2,866	43,523	-
Security and Monitoring Services	-	19,275	-
Total Governmental Depreciation	$ 108,545	$ 5,918,767	$ 7,577

E. Changes in Long-term Liabilities

Long-term activity for the year ending June 30, 2022 was as follows:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds	$ 34,725,000	$ -	$ 2,735,000	$ 31,990,000	$ 2,610,000
Accretion on Capital Appreciation Bonds	7,511,029	1,488,190	1,470,000	7,529,219	(299,235)
Bond Premium	11,482,146	-	650,727	10,831,419	725,929
Loans	12,154,928	-	1,294,361	10,860,567	1,263,467
Leases	163,057	48,428	104,740	106,745	67,298
Total Governmental Activities Long-term Liabilities	$ 66,036,160	$ 1,536,618	$ 6,254,828	$ 61,317,950	$ 4,367,459

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	Federal Assistance Listing Number	Amount	Total Grant or Entitlement
Medicaid - School Health and Related Services (SHARS)	N/A	$ 871,488	$ 871,488
Medicaid Administrative Claims	93.778	30,362	30,362
E-Rate	N/A	127,542	127,542
Indirect Costs:			
ESSA, Title I, Part A	84.010A	104,459	104,459
IDEA-B, Formula	84.027A	48,749	48,749
IDEA-B, Preschool	84.173A	558	558
IDEA-B, Preschool	84.173X	365	365
ESSA, Title II Part A	84.367A	5,450	5,450
Title III, Part A, Immigrant, ELA	84.365A	3,027	3,027
Perkins V: Strengthening CTE For 21st Century	84.048A	3,000	3,000
Title IV, Part A, Subpart I	84.424A	7,997	7,997
21st Century Community Learning Center	84.287C	64,296	64,296
COVID- 19 ESSER II	84.425D	472,048	472,048
COVID- 19 CRRSA ESSER II	84.425U	46,052	46,052
COVID- 19 ESSER III	84.425D	245,655	245,655
COVID- 19 CRRSA ESSER III	84.425U	20,138	20,138
COVID- 19 School Health Support Grant	93.323	11,118	11,118
Total		$ 2,062,304	$ 2,062,304

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, 2021, upon which the levy for the 2021-2022 fiscal year was based, was $2,276,650,848. 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, 2022, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were $1.0517 and $.2550 per $100 valuation, for a total of $1.3067 per $100 valuation.

Total tax collections for the year ended June 30, 2022, 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, 2022, property taxes receivable, net of estimated uncollectible taxes, totaled $1,069,820 and $248,188 for the General and Debt Service Funds, respectively.

H. Pension Plan Obligations

Plan Description – The District participates in a public employee retirement system (PERS) that is 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.

H. Pension Plan Obligations (Continued)

Pension Plan Fiduciary Net Position – Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report is available at https://www.trs.texas.gov/Pages/about_publications.aspx or write to TRS at 1000 Red River Street, Austin, TX 78701-2698. The information provided in the Notes to the Financial Statements in the 2021 ACFR for TRS provides the following information regarding the Pension Plan Fiduciary net position as of August 31, 2021.

Net Pension Liability		Total
Total Pension Liability	$	227,273,463,630
Less: Plan Fiduciary Net Position		(201,807,002,496)
Net Pension Liability	$	25,466,461,134
Net Position as percentage of Total Pension Liability		88.79%

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

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

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

H. Pension Plan Obligations (Continued)

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025.

Contribution Rates

	2021	2022
Member	7.70%	7.70%
Non-Employer Contributing Entity (State)	7.50%	7.50%
Employers	7.50%	7.50%

Texarkana 2022 Employer Contributions	$	2,242,397
Texarkana 2022 Member Contributions	$	4,515,677
Texarkana 2021 NECE On-Behalf Contributions	$	2,936,642

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

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

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

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

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

H. Pension Plan Obligations (Continued)

Actuarial Assumptions – The total pension liability in the August 31, 2021, actuarial valuation was determined using the following actuarial assumption:

Valuation Date	August 31, 2020 rolled forward to August 31, 2021
Actuarial Cost method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.25%
Long-term Expected Rate	7.25%
Municipal Bond Rate	1.95%
Last year ending August 31 in Projection Period (100 years)	2120
Inflation	2.30%
Salary Increases Including Inflation	3.05% to 9.05% including inflation
Ad hoc Post Employment Benefit Changes	None

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

Discount Rate – The single discount rate used to measure the total pension liability was 7.25%. The single discount rate was based on the expected rate of return on plan investments of 7.25%. The projection of cash flows used to determine the single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

H. Pension Plan Obligations (Continued)

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

Asset Class	Target Allocation* %	Long-Term Expected Geometric Real Rate of Return**	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.0 %	3.6 %	0.94 %
Non-U.S. Developed	13.0	4.4	0.83
Emerging Markets	9.0	4.6	0.74
Private Equity	14.0	6.3	1.36
Stable Value			
Government Bonds	16.0 %	(0.2)%	0.01 %
Absolute Return	0.0	1.1	0.00
Stable Value Hedge Funds	5.0	2.2	0.12
Real Return			
Real Estate	15.0 %	4.5 %	1.00 %
Energy, Natural Resources and Infrastructure	6.0	4.7	0.35
Commodities	0.0	1.7	0.00
Risk Parity			
Risk Parity	8.0 %	2.8 %	0.28 %
Asset Allocation Leverage			
Cash	2.0 %	(0.7)%	(0.01) %
Asset Allocation Leverage	(6.0)	(0.5)	0.03
Inflation Expectation			2.20 %
Volatility Drag***			(0.95) %
Expected Return	100.0 %		6.90%

**Absolute Return includes Credit Sensative Investments.*
***Target allocations are based on the FY2021 policy model.*
****Capital Market Assumptions come from Aon Hewitt (as of 8/31/2021).*
*****The volatility drag results from the conversion between arithmetic and geometric mean returns.*

H. Pension Plan Obligations (Continued)

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 (7.25%) in measuring the 2021 Net Pension Liability.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
TISD's proportionate share of the net pension liability:	$23,470,608	$10,740,917	$413,273

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2022, the District reported a liability of $10,740,917 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	$	10,740,917
State's proportionate share that is associated with the District		17,524,618
Total	$	28,265,535

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

At August 31, 2021, the employer's proportion of the collective net pension liability was 0.042176716% which was a decrease of 0.001186012% from its proportion measured as of August 31, 2020.

Changes Since the Prior Actuarial Valuation – There have been no changes in the actuarial assumptions and methods since the prior valuation.

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

For the year ended June 30, 2022, the District recognized pension expense of $1,457,636 and revenue of $70,061 for support provided by the State.

H. Pension Plan Obligations (Continued)

At June 30, 2022, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	$ 17,975	$ 756,169
Changes in actuarial assumptions	3,796,704	1,655,037
Difference between projected and actual investment earnings	-	9,006,119
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	539,164	1,255,715
Contributions paid to TRS subsequent to the measurement date	1,885,307	-
Total	$ 6,239,150	$ 12,673,040

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
2022	$ -1,420,342
2023	-1,456,161
2024	-2,255,464
2025	-2,926,441
2026	-213,073
Thereafter	-47,716

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, 2022, 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.

I. Deposits and Investments (Continued)

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.

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, 2022, Texarkana Independent School District and its component unit had the following investments:

	Governmental & Agency Funds		Component Unit	
Level II Investments	**Fair Value**	**Carrying Value**	**Fair Value**	**Carrying Value**
First Public Investment Pool	$ 24,913,181	$ 24,913,181	$ -	$ -
Bank Held Investments	4,831,056	4,831,056	369,512	369,512
Total Level II Investments	29,744,236	29,744,236	369,512	369,512
Investments measured at NAV	-	-	91,779	91,779
Total Investments	$ 29,744,236	$ 29,744,236	$ 461,291	$ 461,291

I. Deposits and Investments (Continued)

The bank held investments listed above include the following:

	District	Component Unit
Certificates of Deposit	$ 4,831,056	$ 369,512
Money Market Accounts	-	-
Total Bank Held Investments	$ 4,831,056	$ 369,512

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.

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, 2022:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Arkansas Community Foundation	$ 91,779	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, 2022, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts) was $15,603,456 and the bank balance was $17,453,109. 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, 2022, are summarized on the following page.

L. Due from Other Governments (Continued)

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	$ 6,949,565	$ 776,577	$ 1,186,109	$ 8,912,251
Special Revenue Fund	-	4,809,548	-	4,809,548
Debt Service	86,606	-	-	86,606
Total	$ 7,036,171	$ 5,586,125	$ 1,186,109	$ 13,808,405

M. Interfund Receivables and Payables

Interfund balances at June 30, 2022, 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	$ 1,251,390	$ 1,251,390
Debt Service Fund	-	307,427
Special Revenue Funds	1,927,398	-
Total General Fund	3,178,787	1,558,817
Special Revenue Funds		
General Fund	-	1,927,397
Total Special Revenue Funds	-	1,927,397
Debt Service Fund		
General Fund	307,427	-
Total Debt Service Fund	307,427	-
Grand Totals	$ 3,486,214	$ 3,486,214

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 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.

In 2018, the District obtained a loan for $4,925,000 under the Texas Education Code, Section 45.108 which is payable from maintenance tax collections.

In 2019, the District obtained two loans for $1,000,000 each under the Texas Education Code, Section 45.108 which is payable from maintenance tax collections.

A summary of the long-term loan activity for the year ended June 30, 2022, is as follows:

Year Approved	Loan Purpose	Interest Rate	Total Loans Authorized	Amt Outstanding 6/30/2021	Borrowed	Retired	Amt Outstanding 6/30/2022
Payable from Debt Service Fund							
2019	Maintenance	2.50%	$ 1,000,000	$ 910,000	$ -	$ 40,000	870,000
2019	Maintenance	2.00%	1,000,000	865,000	-	55,000	810,000
2018	Maintenance	2.84%	4,925,000	4,665,000	-	180,000	4,485,000
2011	Maintenance	2.96%	7,797,730	3,543,983	-	548,982	2,995,000
2010	Maintenance	2.95%	6,512,905	2,170,945	-	470,379	1,700,566
				$ 12,154,928	$ -	$ 1,294,361	$ 10,860,567

Interest expense for 2022 was $385,891.

Q. Loans (Continued)

Debt service requirements are as follows:

Year Ended June 30,	Debt Service Principal	Debt Service Interest	Total
2023	$ 1,263,467	$ 335,468	$ 1,598,935
2024	1,341,450	298,022	1,639,472
2025	1,384,088	254,144	1,638,232
2026	1,427,052	210,236	1,637,288
2027	1,499,510	169,642	1,669,152
2028-2032	3,465,000	311,263	3,776,263
2033-2037	405,000	58,675	463,675
2038	75,000	3,000	78,000
	$ 10,860,567	$ 1,640,450	$ 12,501,017

R. Right-to-Use Lease Obligations

A summary of the right-to-use lease activity for the year ended June 30, 2022, is as follows:

Asset Type	Right-to-Use Lease Asset 6/30/2021	Additions	Deductions	Lease Asset 6/30/2022
Copier/Printer	$ 302,339	$ 35,251	$ -	$ 337,590
Postage Machine	15,704	13,178	-	28,882
	$ 318,043	$ 48,428	$ -	$ 366,472

Asset Type	Accumulated Amortization 6/30/2021	Additions	Deductions	Accumulated Amortization 6/30/2022
Copier/Printer	$ (145,067)	$ (104,526)	$ -	$ (249,593)
Postage Machine	(9,919)	(4,019)	-	(13,938)
	$ (154,983)	$ (108,547)	$ -	$ (263,528)
ROU Leased Asset (net)	$ 163,060	$ (60,119)	$ -	$ 102,940

Asset Type	Right-to-Use Lease Liability 6/30/2021	Additions	Deductions	Amt Outstanding 6/30/2022
Copier/Printer	$ 157,272	$ 35,251	$ 100,838	$ 91,685
Postage Machine	5,785	13,177	3,899	15,063
	$ 163,060	$ 48,428	$ 104,740	$ 106,748

R. Right-to-Use Lease Obligations (Continued)

Amounts due for the right-to-use lease obligations are as follows:

Year Ended June 30,	Principal Due
2023	$ 67,298
2024	27,146
2025	9,448
2026	2,857
	$ 106,748

S. Litigation

At June 30, 2022, the District is not a defendant in any lawsuit. Accordingly, no liability has been reported in the financial statements.

T. 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 TASB Risk Management Fund for a fixed rate of $256,162 from July 1, 2021 thru July 1, 2022. The District is still responsible for past liabilities with Claims Administrative Services. The accrued liability for Claims Administrative Services self-insurance of $12,531 includes incurred but not reported claims. This liability reported in the fund as of June 30, 2022 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.

Changes in the workers' compensation claims liability in fiscal years ended June 30, 2022 and 2021 are represented below:

	2022	2021
Beginning of Fiscal Year Liability	$ 15,761	$ 23,532
Current Year Claims and Changes	(1,499)	(7,042)
Claims Payments	(1,729)	(729)
End of Fiscal Year Liability	$ 12,531	$ 15,761

U. Deferred Inflows of Resources and Unearned Revenues

Deferred revenue of the individual funds of the District at June 30, 2022, consisted of the following:

	General Fund	Special Revenue	Debt Service	Total
Net Tax Revenue	$ 719,205	$ -	$ 157,063	$ 876,268
Textbook Allotment (IMA)	-	109,379	-	109,379
Advanced Placement Allotment	-	87	-	87
Tigers Children's Clinic	-	43,206	-	43,206
Public School CCS	-	656,824	-	656,824
Head Start	-	3,649	-	3,649
	$ 719,205	$ 813,145	$ 157,063	$ 1,689,413

V. 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 $230,286, $229,430, and $219,124 for 2022, 2021, and 2020, respectively.

W. 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	$ 23,168,193	-	$ 5,572,275	-	$ 28,740,468
Investment Income	93,164	16,494	7,394	7,881	124,932
Penalties & Interest	233,173	-	93,478	-	326,651
Tuition & Fees	69,007	60,239	-	-	129,246
Virtual School	177,347	-	-	-	177,347
Rent	63,384	-	-	-	63,384
Food Service	-	150,021	-	-	150,021
Gifts and Bequests	53,775	84,500	-	-	138,275
Athletic	150,133	-	-	-	150,133
Student Activity	9,203	646,428	-	-	655,631
Intermediate	46,639	-	-	-	46,639
Insurance Recovery	6,401	-	-	-	6,401
Other	545,713	278,505	-	-	824,218
	$ 24,616,132	$ 1,236,187	$ 5,673,147	$ 7,881	$ 31,533,347

X. Defined Other Post-Employment Benefit Plans

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

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

OPEB Plan Fiduciary Net Position. Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS ACFR that includes financial statements and required supplementary information. That report is available at https://www.trs.texas.gov/Pages/about_publications.aspx or write to TRS at 1000 Red River Street, Austin, TX 78701-2698.

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2021, are as follows:

Net OPEB Liability		Total
Total OPEB Liability	$	41,113,711,083
Less: Plan Fiduciary Net Position		(2,539,242,470)
Net OPEB Liability	$	38,574,468,613
Net Position as percentage of Total OPEB Liability		6.18%

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

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

The new premium rates for retirees are reflected in the following table.

TRS-Care Monthly Premium Rates

	Medicare	Non-Medicare
Retiree or Surviving Spouse	$ 135	$ 200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

X. Defined Other Post-Employment Benefit Plans (Continued)

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate, which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public or charter school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The table on the following page shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates

	2021	2022
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%

District's 2022 FY Employer Contributions	$	545,383
District's 2022 FY Member Contributions	$	4,515,677
District's 2021 NECE On-Behalf Contributions	$	645,463

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

A supplemental appropriation was authorized by Senate Bill 1264 of the 86th Texas Legislature to provide $2,208,137 for fiscal year 2020 and $3,312,206 for fiscal year 2021, for consumer protections against medical and health care billing by certain out-of-network providers. Funding will be in fiscal year 2021.

X. Defined Other Post-Employment Benefit Plans (Continued)

Actuarial Assumptions. The actuarial valuation was performed as of August 31, 2020. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2021. The actuarial valuation was determined using the following actuarial assumptions:

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

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

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	1.95% as of August 31, 2021
Aging Factors	Based on Plan Specific Experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Salary Increases	3.05% - 9.05%, including inflation
Ad-hoc Post Employment Benefit Changes	None

Discount Rate. A single discount rate of 1.95% was used to measure the total OPEB liability. This was a decrease of 0.38% in the discount rate since the previous year. The Discount Rate can be found in the 2021 TRS ACFR on page 77. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non- employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to ***not be able*** *to* make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

X. Defined Other Post-Employment Benefit Plans (Continued)

Sensitivity of the Net OPEB Liability:

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

	1% Decrease (0.95%)	Current Single Discount Rate (1.95%)	1% Increase (2.95%)
District's proportionate share of the net OPEB liability	$ 28,694,045	$ 23,788,195	$ 19,927,132

Healthcare Cost Trend Rates Sensitivity Analysis - The following schedule shows the impact of the net OPEB liability of a healthcare trend rate that is 1% less than and 1% greater than the health trend rates assumed.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	$ 19,267,650	$ 23,788,195	$ 29,853,644

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

At June 30, 2022, the District reported a liability of $23,788,195 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's Proportionate share of the collective net OPEB liability	$ 23,788,195
State's proportionate share that is associated with the District	31,870,880
Total	$ 55,659,075

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

At August 31, 2021, the employer's proportion of the collective net OPEB liability was 0.061668239%, which is a decrease of 0.002147211% from its proportion measured as of August 31, 2020.

X. Defined Other Post-Employment Benefit Plans (Continued)

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

- The discount rate changed from 2.33% as of August 31, 2020, to 1.95%, as of August 31, 2021. This change increased the total OBEP liability.

Changes of Benefit Terms:
There were no changes of benefit terms since the prior measurement date.

For the year ended June 30, 2022, the District recognized OPEB expense of $470,241; in addition, the District recorded a reduction of $1,176,279 in on-behalf revenues for its share of the net negative OPEB expense recorded by the State of Texas as the non-employer contributing entity.

At June 30, 2022, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	$ 1,024,194	$ 11,515,151
Changes in actuarial assumptions	2,634,822	5,030,763
Difference between projected and actual investment earnings	25,826	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,427,665	1,176,624
Contributions paid to TRS subsequent to the measurement date	457,478	-
Total	$ 6,569,985	$ 17,722,538

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

Year ended June 30:	Pension Expense Amount
2023	$ -2,246,312
2024	-2,246,895
2025	-2,246,735
2026	-1,620,571
2027	-772,844
Thereafter	-2,476,674

Y. Interfund Transfers

Interfund transfers for the year ended June 30, 2022 are as follows:

Fund	Transfer In	Transfer Out
General Fund:	$ 408,250	$ 1,680,862
General Fund	408,250	1,680,862
Capital Project Funds:	-	408,250
Capital Project Funds	-	408,250
Debt Service Fund:	1,680,862	-
Debt Service Fund	1,680,862	-
	$ 2,089,112	$ 2,089,112

Z. Virtual School

During the 2021-2022 school year the district continued its agreement with eSchool Texas, LLC. This agreement allows the district to offer a virtual environment for learning to students across the state of Texas. Enrollment for the district decreased for the 2021-2022 school year to 334 students. State Funding for the majority of these students has been remitted to eSchool Texas, LLC to operate the campus. The 2021-2022 school year is the last year in which Texarkana ISD's virtual school will be operated by eSchool Texas, LLC. The District will be operating its virtual school in-house starting with the 2022-2023 school year utilizing K-12.

AA. Elementary and Secondary School Emergency Relief Fund (ESSER)

In response to the COVID-19 pandemic, the United States Congress passed a Coronavirus Aid, Relief, and Economic Security Act (CARES Act), an aids package designed to help the economy as it suffers from the effects of the COVID-19 pandemic. Part of the CARES Act was the Elementary and Secondary School Emergency Relief (ESSER) funding which could be used by school districts to cover expenses incurred on or after March 13, 2020. The District was able to apply for this grant through TEA starting in June of 2020. Entitlement for this grant was determined by the District's proportionate share of the state's Title I, Part A grant received for the year ended June 30, 2020. The District was able to apply for the second round of funding, ESSER II, beginning in 2020. TISD was awarded total federal funding of $9,188,881. Of this amount, $4,829,210 was expended in the current year. The remainder will be used for future years.

The district was also awarded ESSER III funding in August 2021 in the amount of $13,757,947. Of this award amount, the district spent $4,486,481 during the 2021-22 year. The remaining funds will be spent by the district before the grant end date.

BB. Implementation of New Accounting Standard and Restatement

In 2021, the District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities* accounting standard. This statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The implementation of this standard required that the School District present a Statement of Changes in Fiduciary Net Position for Custodial Funds for 2021 and subsequent years. The implementation of this standard required the District to reclassify previously reported agency funds as custodial funds.

The District restated fund balance and net position for the funds indicated below to appropriately reflect the July 1, 2021 balance as follows:

	Fund Balance June 30, 2021 As Previously Stated	Restatement Implementation of GASB 84	Fund Balance July 1, 2021 As Restated
Special Revenue Funds	$418,895	$35,409	$454,304

	Net Position June 30, 2021 As Previously Stated	Restatement Implementation of GASB 84	Net Position July 1, 2021 As Restated
Custodial Funds	$630,193	($35,409)	$594,784

CC. Subsequent Events

Management has evaluated subsequent events through November 4, 2022, the date the financial statements were available for issue.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic, which continues to spread throughout the United States. The COVID-19 pandemic has negatively impacted the global economy and created significant volatility and disruption in people's lives. The pandemic has impacted the District both directly and indirectly. Although there is a presumption that there will be further effects on the financial performance of the District, there already has been an increase in federal funding (See Note AA). Any other effects on the operations of the school district are immeasurable at the date that the financial statements were available for distribution.

DD. 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
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 24,991,504	$ 25,196,279	$ 24,616,132	$ (580,147)
5800	State Program Revenues	44,967,773	47,897,932	47,145,501	(752,431)
5900	Federal Program Revenues	1,753,000	1,812,000	2,062,304	250,304
5020	Total Revenues	71,712,277	74,906,211	73,823,937	(1,082,274)
	EXPENDITURES:				
	Current:				
0011	Instruction	41,385,601	43,996,771	43,164,732	832,039
0012	Instructional Resources and Media Services	393,436	403,011	382,293	20,718
0013	Curriculum and Instructional Staff Development	2,349,938	2,341,415	2,119,900	221,515
0021	Instructional Leadership	235,602	235,602	149,910	85,692
0023	School Leadership	5,811,272	5,793,843	5,719,096	74,747
0031	Guidance, Counseling, and Evaluation Services	1,766,978	1,766,978	1,698,531	68,447
0032	Social Work Services	78,598	88,598	79,096	9,502
0033	Health Services	620,262	470,262	450,388	19,874
0034	Student (Pupil) Transportation	209,937	352,617	289,325	63,292
0036	Extracurricular Activities	2,838,438	2,935,720	2,871,184	64,536
0041	General Administration	3,953,012	4,484,810	4,393,293	91,517
0051	Facilities Maintenance and Operations	9,211,880	9,397,930	9,220,903	177,027
0052	Security and Monitoring Services	959,633	1,084,533	1,068,950	15,583
0053	Data Processing Services	151,170	151,170	134,930	16,240
0061	Community Services	55,500	55,225	35,496	19,729
	Debt Service:				
0071	Principal on Long-Term Liabilities	-	15,185	106,197	(91,012)
0072	Interest on Long-Term Liabilities	-	4,815	4,815	-
	Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	680,000	689,956	688,955	1,001
0099	Other Intergovernmental Charges	400,000	435,000	433,223	1,777
6030	Total Expenditures	71,101,257	74,703,441	73,011,217	1,692,224
1100	Excess of Revenues Over Expenditures	611,020	202,770	812,720	609,950
	OTHER FINANCING SOURCES (USES):				
7912	Sale of Real and Personal Property	-	-	18,543	18,543
7913	Right-to-Use Leases	-	-	48,428	48,428
7915	Transfers In	-	464,250	408,250	(56,000)
8911	Transfers Out (Use)	(940,677)	(1,640,403)	(1,680,862)	(40,459)
7080	Total Other Financing Sources (Uses)	(940,677)	(1,176,153)	(1,205,641)	(29,488)
1200	Net Change in Fund Balances	(329,657)	(973,383)	(392,921)	580,462
0100	Fund Balance - July 1 (Beginning)	17,262,636	17,262,637	17,262,637	-
3000	Fund Balance - June 30 (Ending)	$ 16,932,979	$ 16,289,254	$ 16,869,716	$ 580,462

EXHIBIT G-2

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, 2022

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 1,000,000	$ 1,000,000	$ 415,722	$ (584,278)
5800	State Program Revenues	200,000	200,000	43,679	(156,321)
5900	Federal Program Revenues	5,650,000	5,650,000	8,664,183	3,014,183
5020	Total Revenues	6,850,000	6,850,000	9,123,584	2,273,584
	EXPENDITURES:				
	Current:				
0035	Food Services	6,351,382	6,475,537	6,587,451	(111,914)
0051	Facilities Maintenance and Operations	460,300	460,300	310,943	149,357
	Debt Service:				
0071	Principal on Long-Term Liabilities	-	-	3,273	(3,273)
6030	Total Expenditures	6,811,682	6,935,837	6,901,667	34,170
1200	Net Change in Fund Balances	38,318	(85,837)	2,221,917	2,307,754
0100	Fund Balance - July 1 (Beginning)	3,249,009	3,249,009	3,249,009	-
3000	Fund Balance - June 30 (Ending)	$ 3,287,327	$ 3,163,172	$ 5,470,926	$ 2,307,754

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, 2022

	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019
District's Proportion of the Net Pension Liability (Asset)	0.042176716%	0.043362728%	0.045942704%
District's Proportionate Share of Net Pension Liability (Asset)	$ 10,740,917	$ 23,224,192	$ 23,882,454
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	17,524,618	37,218,405	32,678,873
Total	$ 28,265,535	$ 60,442,597	$ 56,561,327
District's Covered Payroll	$ 53,028,070	$ 52,764,746	$ 47,700,440
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	20.26%	44.01%	50.07%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.79%	75.54%	75.24%

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

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

FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
0.043882251%	0.043607001%	0.042579704%	0.0451433%	0.0302714%
$ 24,153,856	$ 13,943,170	$ 16,090,237	$ 15,957,556	8,085,909
35,726,107	21,455,491	24,671,300	24,042,933	20,777,771
$ 59,879,963	$ 35,398,661	$ 40,761,537	$ 40,000,489	$ 28,863,680
$ 45,511,968	$ 44,631,358	$ 41,757,954	$ 41,337,593	39,650,152
53.07%	31.24%	38.53%	38.60%	20.39%
73.74%	82.17%	78.00%	78.43%	83.25%

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

	2022	2021	2020
Contractually Required Contribution	$ 2,242,397	$ 1,794,309	$ 1,877,521
Contribution in Relation to the Contractually Required Contribution	(2,242,397)	(1,794,309)	(1,877,521)
Contribution Deficiency (Excess)	$ -	$ -	$ -
District's Covered Payroll	$ 56,819,799	$ 52,060,707	$ 52,487,767
Contributions as a Percentage of Covered Payroll	3.95%	3.45%	3.58%

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

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

2019	2018	2017	2016	2015
$ 1,646,864	$ 1,501,629	$ 1,435,637	$ 1,353,476	$ 1,238,865
(1,646,864)	(1,501,629)	(1,435,637)	(1,353,476)	(1,238,865)
$ -	$ -	$ -	$ -	$ -
$ 47,132,909	$ 45,155,158	$ 44,394,809	$ 41,530,144	$ 40,954,566
3.49%	3.33%	3.23%	3.26%	3.02%

TEXARKANA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2022

	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.061668239%	0.063815449%	0.062106044%
District's Proportionate Share of Net OPEB Liability (Asset)	$ 23,788,195	$ 24,259,134	$ 29,370,707
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	31,870,880	32,598,461	39,027,103
Total	$ 55,659,075	$ 56,857,595	$ 68,397,810
District's Covered Payroll	$ 53,028,070	$ 52,764,746	$ 47,700,440
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	44.86%	45.98%	61.57%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	6.18%	4.99%	2.66%

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

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

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
	0.060147532%	0.057887354%
	$ 30,032,213	$ 25,173,039
	36,330,124	33,091,458
	$ 66,362,337	$ 58,264,497
	$ 45,511,968	$ 44,631,358
	65.99%	56.40%
	1.57%	0.91%

TEXARKANA INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)

TEACHER RETIREMENT SYSTEM OF TEXAS

FOR FISCAL YEAR 2022

	2022	2021	2020
Contractually Required Contribution	$ 545,383	$ 469,143	$ 486,354
Contribution in Relation to the Contractually Required Contribution	(545,383)	(469,143)	(486,354)
Contribution Deficiency (Excess)	$ -	$ -	$ -
District's Covered Payroll	$ 56,819,799	$ 52,060,707	$ 52,487,767
Contributions as a Percentage of Covered Payroll	0.96%	0.90%	0.93%

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

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

2019		2018	
$	441,526	$	392,108
	(441,526)		(392,108)
$	-	$	-
$	47,132,909	$	45,155,158
	0.94%		0.87%

Notes to Required Supplementary Information

A. Notes to Schedules for TRS Pension

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

Changes of Assumptions:
There were no changes in assumptions since the prior measurement date.

B. Notes to Schedules for the TRS OPEB Plan

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

Changes of Assumptions:

- The single discount rate changed from 2.33% as of August 31, 2020, to 1.95%, as of August 31, 2021. This change increased the total OPEB liability.

Other Supplementary Information

Non-major Governmental Funds

TEXARKANA INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2022

Data Control Codes		211 Title I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	244 Perkins V
	ASSETS				
1110	Cash and Cash Equivalents	$ -	$ -	$ -	$ -
1240	Due from Other Governments	737,108	202,223	-	-
1000	Total Assets	$ 737,108	$ 202,223	$ -	$ -
	LIABILITIES				
2110	Accounts Payable	$ 2,672	$ 4,801	$ -	$ -
2150	Payroll Deductions and Withholdings Payable	29,160	11,411	-	-
2160	Accrued Wages Payable	522,650	97,614	-	-
2170	Due to Other Funds	182,626	88,397	-	-
2300	Unearned Revenue	-	-	-	-
2000	Total Liabilities	737,108	202,223	-	-
	FUND BALANCES				
	Assigned Fund Balance:				
3590	Other Assigned Fund Balance	-	-	-	-
3000	Total Fund Balances	-	-	-	-
4000	Total Liabilities and Fund Balances	$ 737,108	$ 202,223	$ -	$ -

255 Title II, A Supporting Instruction	263 Title III, A English Lang. Acquisition	265 Title IV, B 21st CCLC	279 ESSER III TCLAS ARP Act	281 ESSER II	282 ESSER III	284 IDEA B Formula ARP Act	288 COVID-19 School Health Support Grant
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
164,116	12,933	609,736	146,327	399,777	2,149,137	1,359	-
$ 164,116	$ 12,933	$ 609,736	$ 146,327	$ 399,777	$ 2,149,137	$ 1,359	$ -
$ -	$ 6,288	$ 58,462	$ 24,227	$ -	$ 1,209,927	$ -	$ -
2,269	-	-	-	9,469	4,711	-	-
35,230	-	347,023	-	161,916	71,454	-	-
126,617	6,645	204,251	122,100	228,392	863,045	1,359	-
-	-	-	-	-	-	-	-
164,116	12,933	609,736	146,327	399,777	2,149,137	1,359	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
$ 164,116	$ 12,933	$ 609,736	$ 146,327	$ 399,777	$ 2,149,137	$ 1,359	$ -

TEXARKANA INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2022

Data Control Codes		289 Title IV Part A Subpart I	315 SSA IDEA, Part B Discretionary	397 Advanced Placement Incentives	410 State Instructional Materials
	ASSETS				
1110	Cash and Cash Equivalents	$ -	$ -	$ 87	$ 41,370
1240	Due from Other Governments	25,880	-	-	68,009
1000	Total Assets	$ 25,880	$ -	$ 87	$ 109,379
	LIABILITIES				
2110	Accounts Payable	$ -	$ -	$ -	$ -
2150	Payroll Deductions and Withholdings Payable	1,167	-	-	-
2160	Accrued Wages Payable	8,712	-	-	-
2170	Due to Other Funds	16,001	-	-	-
2300	Unearned Revenue	-	-	87	109,379
2000	Total Liabilities	25,880	-	87	109,379
	FUND BALANCES				
	Assigned Fund Balance:				
3590	Other Assigned Fund Balance	-	-	-	-
3000	Total Fund Balances	-	-	-	-
4000	Total Liabilities and Fund Balances	$ 25,880	$ -	$ 87	$ 109,379

412 Public School Child Care Services	419 Head Start Ready To Read	420 Temple Foundation Grant	426 SPED Fiscal Support Grant	427 Math Achievement	428 Tiger Children's Clinic	429 TCLAS - GR	435 SSA Regional Day School - Deaf
$ 667,439	$ 3,649	$ -	$ -	$ -	$ 43,206	$ -	$ -
-	-	-	-	-	-	56,743	51,759
$ 667,439	$ 3,649	$ -	$ -	$ -	$ 43,206	$ 56,743	$ 51,759
$ 1,731	$ -	$ -	$ -	$ -	$ -	$ -	$ -
208	-	-	-	-	-	-	(500)
8,676	-	-	-	-	-	-	30,280
-	-	-	-	-	-	56,743	21,979
656,824	3,649	-	-	-	43,206	-	-
667,439	3,649	-	-	-	43,206	56,743	51,759
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
$ 667,439	$ 3,649	$ -	$ -	$ -	$ 43,206	$ 56,743	$ 51,759

EXHIBIT H-1

TEXARKANA INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2022

Data Control Codes		461 Campus Activity Fund	459 Autism Grant	Total Nonmajor Governmental Funds
	ASSETS			
1110	Cash and Cash Equivalents	$ 567,711	$ -	$ 1,323,462
1240	Due from Other Governments	-	59,389	4,684,496
1000	Total Assets	$ 567,711	$ 59,389	$ 6,007,958
	LIABILITIES			
2110	Accounts Payable	$ 16,829	$ 50,147	$ 1,375,084
2150	Payroll Deductions and Withholdings Payable	-	-	57,895
2160	Accrued Wages Payable	-	-	1,283,555
2170	Due to Other Funds	-	9,242	1,927,397
2300	Unearned Revenue	-	-	813,145
2000	Total Liabilities	16,829	59,389	5,457,076
	FUND BALANCES			
	Assigned Fund Balance:			
3590	Other Assigned Fund Balance	550,882	-	550,882
3000	Total Fund Balances	550,882	-	550,882
4000	Total Liabilities and Fund Balances	$ 567,711	$ 59,389	$ 6,007,958

TEXARKANA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

Data Control Codes		211 Title I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	244 Perkins V
	REVENUES:				
5700	Total Local and Intermediate Sources	$ -	$ -	$ -	$ -
5800	State Program Revenues	-	-	-	-
5900	Federal Program Revenues	2,806,188	1,196,250	31,679	80,649
5020	Total Revenues	2,806,188	1,196,250	31,679	80,649
	EXPENDITURES:				
	Current:				
0011	Instruction	2,333,379	539,234	-	80,649
0012	Instructional Resources and Media Services	54,861	-	-	-
0013	Curriculum and Instructional Staff Development	160,012	-	-	-
0021	Instructional Leadership	-	-	-	-
0023	School Leadership	104,053	-	-	-
0031	Guidance, Counseling, and Evaluation Services	-	657,016	31,679	-
0033	Health Services	-	-	-	-
0034	Student (Pupil) Transportation	-	-	-	-
0036	Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	-
0061	Community Services	153,883	-	-	-
	Capital Outlay:				
0081	Facilities Acquisition and Construction	-	-	-	-
6030	Total Expenditures	2,806,188	1,196,250	31,679	80,649
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - July 1 (Beginning)	-	-	-	-
1300	Prior Period Adjustment	-	-	-	-
3000	Fund Balance - June 30 (Ending)	$ -	$ -	$ -	$ -

255 Title II, A Supporting Instruction	263 Title III, A English Lang. Acquisition	265 Title IV, B 21st CCLC	279 ESSER III TCLAS ARP Act	281 ESSER II	282 ESSER III	284 IDEA B Formula ARP Act	288 COVID-19 School Health Support Grant
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-
330,140	76,021	1,577,429	323,743	3,318,439	4,628,052	9,065	284,097
330,140	76,021	1,577,429	323,743	3,318,439	4,628,052	9,065	284,097
330,140	76,021	1,086,005	312,381	2,541,996	2,316,144	9,065	245,152
-	-	-	-	-	-	-	-
-	-	35,720	-	26,306	163,300	-	-
-	-	455,704	-	-	-	-	-
-	-	-	11,362	-	-	-	-
-	-	-	-	407,937	59,682	-	-
-	-	-	-	244,518	-	-	37,847
-	-	-	-	24,005	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	54,113	-	-	-
-	-	-	-	19,564	148,903	-	1,098
-	-	-	-	-	-	-	-
-	-	-	-	-	1,940,023	-	-
330,140	76,021	1,577,429	323,743	3,318,439	4,628,052	9,065	284,097
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

TEXARKANA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

Data Control Codes		289 Title IV Part A Subpart I	315 SSA IDEA, Part B Discretionary	397 Advanced Placement Incentives	410 State Instructional Materials
	REVENUES:				
5700	Total Local and Intermediate Sources	$ -	$ -	$ -	$ -
5800	State Program Revenues	-	-	3,035	417,818
5900	Federal Program Revenues	196,215	17,464	-	-
5020	Total Revenues	196,215	17,464	3,035	417,818
	EXPENDITURES:				
	Current:				
0011	Instruction	191,965	17,464	3,035	417,818
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	4,250	-	-	-
0021	Instructional Leadership	-	-	-	-
0023	School Leadership	-	-	-	-
0031	Guidance, Counseling, and Evaluation Services	-	-	-	-
0033	Health Services	-	-	-	-
0034	Student (Pupil) Transportation	-	-	-	-
0036	Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	-
0061	Community Services	-	-	-	-
	Capital Outlay:				
0081	Facilities Acquisition and Construction	-	-	-	-
6030	Total Expenditures	196,215	17,464	3,035	417,818
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - July 1 (Beginning)	-	-	-	-
1300	Prior Period Adjustment	-	-	-	-
3000	Fund Balance - June 30 (Ending)	$ -	$ -	$ -	$ -

	412 Public School Child Care Services		419 Head Start Ready To Read		420 Temple Foundation Grant		426 SPED Fiscal Support Grant		427 Math Achievement		428 Tiger Children's Clinic		429 TCLAS - GR		435 SSA Regional Day School - Deaf
$	56,036	$	-	$	29,298	$	-	$	-	$	4,203	$	-	$	-
	36,893		42,465		2,226		66,720		748		-		135,080		64,895
	577,032		-		-		-		-		-		-		-
	669,961		42,465		31,524		66,720		748		4,203		135,080		64,895
	-		-		31,524		6,180		748		-		135,080		64,895
	-		-		-		-		-		-		-		-
	-		-		-		-		-		-		-		-
	-		-		-		-		-		-		-		-
	-		-		-		-		-		-		-		-
	-		-		-		60,540		-		-		-		-
	-		-		-		-		-		-		-		-
	-		-		-		-		-		-		-		-
	-		-		-		-		-		-		-		-
	-		-		-		-		-		-		-		-
	-		-		-		-		-		-		-		-
	669,961		42,465		-		-		-		4,203		-		-
	-		-		-		-		-		-		-		-
	669,961		42,465		31,524		66,720		748		4,203		135,080		64,895
	-		-		-		-		-		-		-		-
	-		-		-		-		-		-		-		-
	-		-		-		-		-		-		-		-
$	-	$	-	$	-	$	-	$	-	$	-	$	-	$	-

TEXARKANA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

Data Control Codes		461 Campus Activity Fund	459 Autism Grant	Total Nonmajor Governmental Funds
	REVENUES:			
5700	Total Local and Intermediate Sources	$ 730,928	$ -	$ 820,465
5800	State Program Revenues	-	59,830	829,710
5900	Federal Program Revenues	-	-	15,452,463
5020	Total Revenues	730,928	59,830	17,102,638
	EXPENDITURES:			
	Current:			
0011	Instruction	-	5,511	10,744,386
0012	Instructional Resources and Media Services	-	-	54,861
0013	Curriculum and Instructional Staff Development	-	47,417	437,005
0021	Instructional Leadership	-	6,902	462,606
0023	School Leadership	-	-	115,415
0031	Guidance, Counseling, and Evaluation Services	-	-	1,216,854
0033	Health Services	-	-	282,365
0034	Student (Pupil) Transportation	-	-	24,005
0036	Extracurricular Activities	634,350	-	634,350
0041	General Administration	-	-	54,113
0051	Facilities Maintenance and Operations	-	-	169,565
0061	Community Services	-	-	870,512
	Capital Outlay:			
0081	Facilities Acquisition and Construction	-	-	1,940,023
6030	Total Expenditures	634,350	59,830	17,006,060
1200	Net Change in Fund Balance	96,578	-	96,578
0100	Fund Balance - July 1 (Beginning)	418,895	-	418,895
1300	Prior Period Adjustment	35,409	-	35,409
3000	Fund Balance - June 30 (Ending)	$ 550,882	$ -	$ 550,882

Non-major Enterprise Funds

TEXARKANA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2022

	711 Food Service Activity	713 Print Shop Activity
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 352,201	$ 638,035
Inventories	18,455	-
Total Current Assets	370,656	638,035
Noncurrent Assets:		
Capital Assets:		
Buildings and Improvements	9,200	-
Depreciation on Buildings	(8,755)	-
Furniture and Equipment	194,825	68,195
Depreciation on Furniture and Equipment	(194,825)	(63,306)
Total Noncurrent Assets	445	4,889
Total Assets	371,101	642,924
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,486	2,433
Due to Other Governments	-	-
Total Liabilities	1,486	2,433
NET POSITION		
Unrestricted Net Position	369,615	640,491
Total Net Position	$ 369,615	$ 640,491

714 Public Relations Activity	715 School Improvement Activity	716 Police Department Activity	720 Texas A&M Food Service Activity	730 TC Food Service Activity	Total Nonmajor Enterprise Funds
$ 11,030	$ 570	$ 464	$ 287,508	$ 13,170	$ 1,302,978
241	-	-	-	-	18,696
11,271	570	464	287,508	13,170	1,321,674
-	-	-	-	-	9,200
-	-	-	-	-	(8,755)
5,985	-	-	-	-	269,005
(5,985)	-	-	-	-	(264,116)
-	-	-	-	-	5,334
11,271	570	464	287,508	13,170	1,327,008
-	-	-	-	-	3,919
10	-	-	-	115	125
10	-	-	-	115	4,044
11,261	570	464	287,508	13,055	1,322,964
$ 11,261	$ 570	$ 464	$ 287,508	$ 13,055	$ 1,322,964

TEXARKANA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	711 Food Service Activity	713 Print Shop Activity
OPERATING REVENUES:		
Local and Intermediate Sources	$ 100,973	$ 131,379
State Program Revenues	2,088	549
Total Operating Revenues	103,061	131,928
OPERATING EXPENSES:		
Payroll Costs	28,154	6,875
Professional and Contracted Services	-	56,729
Supplies and Materials	81,478	34,113
Other Operating Costs	2,750	131
Depreciation Expense	297	7,280
Total Operating Expenses	112,679	105,128
Operating Income (Loss)	(9,618)	26,800
Total Net Position - July 1 (Beginning)	379,233	613,691
Total Net Position - June 30 (Ending)	$ 369,615	$ 640,491

EXHIBIT H-7

714 Public Relations Activity	715 School Improvement Activity	716 Police Department Activity	720 Texas A&M Food Service Activity	730 TC Food Service Activity	Total Nonmajor Enterprise Funds
$ 16,334	$ -	$ -	$ -	$ -	$ 248,686
-	-	-	-	-	2,637
16,334	-	-	-	-	251,323
-	-	-	-	-	35,029
-	-	-	-	-	56,729
7,312	-	-	-	108	123,011
-	-	-	-	-	2,881
-	-	-	-	-	7,577
7,312	-	-	-	108	225,227
9,022	-	-	-	(108)	26,096
2,239	570	464	287,508	13,163	1,296,868
$ 11,261	$ 570	$ 464	$ 287,508	$ 13,055	$ 1,322,964

TEXARKANA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	711 Food Service Activity	713 Print Shop Activity
Cash Flows from Operating Activities:		
Cash Received from User Charges	$ 97,020	$ 131,928
Cash Payments to Employees for Services	(28,154)	-
Cash Payments for Suppliers	(83,288)	(98,968)
Net Cash Provided by (Used for) Operating Activities	(14,422)	32,960
Net Increase (Decrease) in Cash and Cash Equivalents	(14,422)	32,960
Cash and Cash Equivalents at Beginning of Year	366,623	605,075
Cash and Cash Equivalents at End of Year	$ 352,201	$ 638,035
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:		
Operating Income (Loss):	$ (9,618)	$ 26,800
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:		
Depreciation	297	7,280
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (increase) in Inventories	(6,041)	-
Increase (decrease) in Accounts Payable	940	(1,120)
Net Cash Provided by (Used for) Operating Activities	$ (14,422)	$ 32,960

EXHIBIT H-8

714 Public Relations Activity	715 School Improvement Activity	716 Police Department Activity	720 Texas A&M Food Service Activity	730 TC Food Service Activity	Total Nonmajor Enterprise Funds
$ 16,334	$ -	$ -	$ -	$ -	$ 245,282
-	-	-	-	-	(28,154)
(7,312)	-	-	-	(108)	(189,676)
9,022	-	-	-	(108)	27,452
9,022	-	-	-	(108)	27,452
2,008	570	464	287,508	13,278	1,275,526
$ 11,030	$ 570	$ 464	$ 287,508	$ 13,170	$ 1,302,978
$ 9,022	$ -	$ -	$ -	$ (108)	$ 26,096
-	-	-	-	-	7,577
-	-	-	-	-	(6,041)
-	-	-	-	-	(180)
$ 9,022	$ -	$ -	$ -	$ (108)	$ 27,452

Custodial Funds

TEXARKANA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS
JUNE 30, 2022

	830 Dual Credit THS	874 Distinguished Alumni Fund	876 Texas High Club	877 TH New Horizon Scholarship
ASSETS				
Cash and Cash Equivalents	$ 273,726	$ 12,656	$ 288,470	$ -
Total Assets	273,726	12,656	288,470	-
LIABILITIES				
Accounts Payable	-	-	655	-
Total Liabilities	-	-	655	-
NET POSITION				
Unrestricted Net Position	273,726	12,656	287,815	-
Total Net Position	$ 273,726	$ 12,656	$ 287,815	$ -

879 Texas Middle School Club	Total Custodial Funds
$ 30,305	$ 605,157
30,305	605,157
-	655
-	655
30,305	604,502
$ 30,305	$ 604,502

TEXARKANA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
FOR FISCAL YEAR 2022

	830 Dual Credit THS	874 Distinguished Alumni Fund	876 Texas High Club	877 TH New Horizon Scholarship
ADDITIONS:				
Enterprising Services Revenue	$ 211,600	$ -	$ 261,037	$ -
Total Additions	211,600	-	261,037	-
DEDUCTIONS:				
Payroll Costs	200,000	-	-	-
Professional and Contracted Services	12,725	-	15,285	-
Supplies and Materials	25,551	-	107,661	-
Other Deductions	-	-	99,289	-
Total Deductions	238,276	-	222,235	-
Change in Net Position	(26,676)	-	38,802	-
Net Position - July 1 (Beginning)	300,402	12,656	249,013	-
Prior Period Adjustment	-	-	-	-
Net Position - June 30 (Ending)	$ 273,726	$ 12,656	$ 287,815	$ -

879 Texas Middle School Club	Total Total Custodial Funds
$ 20,805	$ 493,442
20,805	493,442
-	200,000
-	28,010
23,213	156,425
-	99,289
23,213	483,724
(2,408)	9,718
68,122	630,193
(35,409)	(35,409)
$ 30,305	$ 604,502

Private Purpose Trust Funds

TEXARKANA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2022

	802 Texas High School VIP Fund	804 Texas Middle School VIP Fund	805 Highland Park VIP Fund	807 Theron Jones VIP Fund
ASSETS				.
Cash and Cash Equivalents	$ 38,562	$ 21,581	$ 483	$ 6,250
Total Assets	38,562	21,581	483	6,250
NET POSITION				
Restricted for Other Purposes	38,562	21,581	483	6,250
Total Net Position	$ 38,562	$ 21,581	$ 483	$ 6,250

809 Nash VIP Fund	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	Total Private Purpose Trust Funds
$ 5,928	$ 2,670	$ 8,714	$ 1,094	$ 229,762	$ 7,363	$ 140,704	$ 463,111
5,928	2,670	8,714	1,094	229,762	7,363	140,704	463,111
5,928	2,670	8,714	1,094	229,762	7,363	140,704	463,111
$ 5,928	$ 2,670	$ 8,714	$ 1,094	$ 229,762	$ 7,363	$ 140,704	$ 463,111

TEXARKANA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	802 Texas High School VIP Fund	804 Texas Middle School VIP Fund	805 Highland Park VIP Fund	807 Theron Jones VIP Fund
ADDITIONS:				
Enterprising Services Revenue	$ 1,500	$ 21,324	$ -	$ -
Earnings from Temporary Deposits	-	-	-	-
Contributions, Gifts and Donations	-	-	-	-
Total Additions	1,500	21,324	-	-
DEDUCTIONS:				
Supplies and Materials	4,500	17,001	-	-
Other Deductions	9,379	-	-	-
Total Deductions	13,879	17,001	-	-
Change in Net Position	(12,379)	4,323	-	-
Net Position - July 1 (Beginning)	50,941	17,258	483	6,250
Net Position - June 30 (Ending)	$ 38,562	$ 21,581	$ 483	$ 6,250

809 Nash VIP Fund	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	Total Private Purpose Trust Funds
$ 17,618	$ 1,541	$ 16,177	$ -	$ 120,804	$ 6,135	$ -	$ 185,099
-	-	-	-	-	-	718	718
-	-	-	-	-	-	7,520	7,520
17,618	1,541	16,177	-	120,804	6,135	8,238	193,337
14,210	827	25,011	-	47,588	4,851	-	113,988
-	-	-	-	-	-	1,500	10,879
14,210	827	25,011	-	47,588	4,851	1,500	124,867
3,408	714	(8,834)	-	73,216	1,284	6,738	68,470
2,520	1,956	17,548	1,094	156,546	6,079	133,966	394,641
$ 5,928	$ 2,670	$ 8,714	$ 1,094	$ 229,762	$ 7,363	$ 140,704	$ 463,111

Required TEA Schedules

TEXARKANA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED JUNE 30, 2022

Last 10 Years		(1) Tax Rates Maintenance	(2) Tax Rates Debt Service	(3) Assessed/Appraised Value for School Tax Purposes
2013	and prior years	$ 1.170000	$ 0.169000	$ 1,881,877,414
2014		1.170000	0.169000	1,929,101,050
2015		1.170000	0.169000	1,948,780,352
2016		1.170000	0.255000	1,904,476,997
2017		1.170000	0.255000	1,974,870,987
2018		1.170000	0.255000	2,006,493,789
2019		1.170000	0.255000	2,063,870,404
2020		1.068300	0.255000	2,207,585,935
2021		1.054700	0.255000	2,272,157,652
2022	(School year under audit)	1.051700	0.255000	2,276,650,848
1000	TOTALS			

(10) Beginning Balance 7/1/2021	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2022
$ 318,407	$ -	$ 16,077	$ 2,322	$ (60,357)	$ 239,651
61,433	-	3,265	472	(3,841)	53,855
73,978	-	5,312	767	(3,349)	64,550
79,339	-	6,753	1,472	(3,222)	67,892
93,330	-	17,353	3,782	3,914	76,109
119,745	-	16,601	3,618	(4,366)	95,160
150,111	-	29,821	6,499	(4,415)	109,376
252,121	-	77,524	18,505	(11,994)	144,098
870,067	-	514,596	124,416	(37,564)	193,491
-	28,882,034	22,533,095	5,463,478	(5,902)	879,559
$ 2,018,531	$ 28,882,034	$ 23,220,397	$ 5,625,331	$ (131,096)	$ 1,923,741

EXHIBIT J-3

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, 2022

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 5,346,476	$ 5,346,476	$ 5,673,147	$ 326,671
5800	State Program Revenues	644,869	644,869	636,463	(8,406)
5020	Total Revenues	5,991,345	5,991,345	6,309,610	318,265
	EXPENDITURES:				
	Debt Service:				
0071	Principal on Long-Term Liabilities	6,932,022	3,992,418	4,027,971	(35,553)
0072	Interest on Long-Term Liabilities	-	2,944,604	2,944,604	-
0073	Bond Issuance Cost and Fees	-	5,000	5,000	-
6030	Total Expenditures	6,932,022	6,942,022	6,977,575	(35,553)
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(940,677)	(950,677)	(667,965)	282,712
	OTHER FINANCING SOURCES (USES):				
7915	Transfers In	940,677	1,640,403	1,680,862	40,459
1200	Net Change in Fund Balances	-	689,726	1,012,897	323,171
0100	Fund Balance - July 1 (Beginning)	2,615,494	2,615,495	2,615,495	-
3000	Fund Balance - June 30 (Ending)	$ 2,615,494	$ 3,305,221	$ 3,628,392	$ 323,171

TEXARKANA INDEPENDENT SCHOOL DISTRICT
USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2022

Section A: Compensatory Education Programs

AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	8,519,495
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	5,275,402

Section B: Bilingual Education Programs

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	392,008
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25,35)	796,389

Federal Awards Section

THOMAS & THOMAS
PLLC
CERTIFIED PUBLIC ACCOUNTANTS

Members American Institute Certified Public Accountants
Center for Audit Quality and PCPS

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

To the Board of School Trustees
Texarkana Independent School District
Texarkana, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining information of Texarkana Independent School District (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 4, 2022.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a significant deficiency.

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To the Board of School Trustees
Texarkana Independent School District

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2022-001.

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

Texarkana, Texas
November 4, 2022

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

To the Board of School Trustees
Texarkana Independent School District
Texarkana, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Texarkana Independent School District's (the District) compliance with the types of compliance requirements identified as subject to audit in the *(OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

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, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

To the Board of School Trustees
Texarkana Independent School District

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

To the Board of School Trustees
Texarkana Independent School District

Report on Internal Control over Compliance (*Continued*)

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

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

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

Thomas & Thomas PLLC

CERTIFIED PUBLIC ACCOUNTANTS

Texarkana, Texas
November 4, 2022

TEXARKANA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2022

Section I - Summary of Audit Results

Financial Statements

Type of Report the Auditor Issued on Whether the Financial Statements Were Prepared in Accordance with GAAP	Unmodified
Internal Control Over Financial Reporting:	
Material Weakness(es) Identified	None Reported
Significant Deficienc(ies) Identified	Yes
Noncompliance Material to the Financial Statements	None Reported

Federal Awards

Internal Control over Major Programs:	
Material Weakness(es) Identified	None Reported
Significant Deficienc(ies) Identified	None Reported
Type of Auditor's Report Issued on Compliance for Major Federal Programs	Unmodified
Findings Disclosed in the Audit which are Required to be Reported in Government Auditing Standards	Yes
Findings Disclosed in the Audit which are Required to be Reported in Accordance with 2 CFR 200.516(a)	None Reported
Identification of Major Programs:	
Title I, Part A – Improving Basic Programs	AL #84.010A
IDEA-B Cluster:	
Formula	AL #84.027A
Preschool	AL #84.173A
21st Century CCLC	AL #84.287C
Dollar Threshold Used to Distinguish between Type A and Type B Programs	$750,000
Texarkana Independent School District qualified as a low risk entity.	Yes

Section II - Financial Statement Findings

Details of findings relating to the financial statements which are required to be reported in accordance with *Government Auditing Standards* –

Finding Reference
2022-001

Significant Deficiency - Internal Controls and Compliance

Identification of Federal Program
Not Applicable

Criteria or specific requirement (including statutory, regulatory, or other citation)
The Education Code, Title 2 - Public Education, Subtitle I - School Finance and Fiscal Management, Chapter 44 - Fiscal Management, Subchapter A - School District Fiscal Management, Section 44.002 provides that the District shall prepare a budget covering estimated revenues and proposed expenditures of the District for the following fiscal year. Section 44.006 provides for the District to amend the adopted budget with board approval to cover unforeseen expenses.

Condition
The District's actual expenditures exceeded budgeted expenditures in two functions in the Child Nutrition fund, and one function in the General and Debt Service fund.

Cause
Although the District amends its budget with board approval throughout the fiscal year, various adjustments related to the implementation of GASB 87 (lease accounting) and an additional debt service payment were made during the fiscal year that caused the District's expenditures to exceed budgeted expenditures at year end.

Effect or Potential Effect
The actual expenditures are in excess of the budgeted expenditures and are not in compliance with the established budget.

Questioned Cost
As of June 30, 2022, the District's actual function 71 expenditures exceeded budgeted expenditures by $91,012, respectively in the general fund. The District's actual function 71 expenditures exceeded budgeted expenditures by $35,553, respectively in the debt service fund. The District's actual function 35 and 71 expenditures exceeded budgeted expenditures by $111,914 and $3,273, respectively in the child nutrition fund.

Context
The function 71 expenditures exceeded budgeted expenditures by approximately 86%, respectively in the General fund. The District's actual function 71 expenditures exceeded budgeted expenditures by approximately 1%, respectively in the Debt Service fund. The District's actual function 35 and 71 expenditures exceeded budgeted expenditures by approximately 2% and 100%, respectively in the Child Nutrition fund.

Recommendation
We recommend that the District implement additional controls to monitor expenses and to eliminate the potential for actual expenditures exceeding the budgeted expenditures.

View of responsible officials
See corrective action plan.

Section III - Federal Award Findings and Questioned Costs

Details of findings and questioned costs relating to Federal awards –

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

TEXARKANA

Independent School District

Corrective Action Plan

November 4, 2022

RE: Finding 2022-001

Corrective Action Plan:

The District will implement additional controls to monitor compliance with budget spending. The District will present amendments before the fact and will be reflected in the official minutes of the Board. The end of year budget will be more closely monitored for necessary amendments.

Date Correction Completed:
June 30, 2023

Responsible Official:
Anita Clay

Phone Number:
903-794-3651

TEXARKANA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2022

Program/Finding	Description

No findings were reported in the prior year.

TEXARKANA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal Assistance Listing No.	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed Through Texas Education Agency			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	21610101019907	$ 219,882
ESEA, Title I, Part A - Improving Basic Programs	84.010A	22610101019907	2,634,635
Title I, ESF - Focused Support Grant	84.010A	226101577110057	56,130
Total Assistance Listing Number 84.010			2,910,647
*IDEA - Part B, Formula	84.027A	216600010199076600	213,820
*IDEA - Part B, Formula	84.027A	226600010199076600	1,031,179
*SSA - IDEA - Part B, Discretionary	84.027A	226600110199076673	17,464
Total Assistance Listing Number 84.027			1,262,463
*IDEA, Part B, Formula - American Rescue Act (ARP)	84.173A	225350010199075350	9,430
IDEA - B Part B, Preschool	84.173A	226610010199076610	32,237
Total Assistance Listing Number 84.173			41,667
Total Special Education Cluster (IDEA)			1,304,130
Career and Technical - Basic Grant	84.048A	21420006019907	6,953
Career and Technical - Basic Grant	84.048A	22420006019907	76,696
Total Assistance Listing Number 84.048			83,649
Title IV, Pt B-21st Cent. Community Learning Cent.	84.287C	S287C210044	1,641,725
Title III, Part A - English Language Acquisition	84.365A	21671001019907	5,151
Title III, Part A - English Language Acquisition	84.365A	22671001019907	64,861
Title III, Part A - Immigrant	84.365A	21671003019907	9,036
Total Assistance Listing Number 84.365			79,048
ESEA, Title II, Part A, Teacher Principal Training	84.367A	22694501019907	325,590
2021-2022 Teacher Leadership Cycle 2	84.367A	216945797110034	10,000
Total Assistance Listing Number 84.367			335,590
COVID-19 ESSER II	84.425D	21521001019907	3,790,487
COVID-19 ESSER III	84.425D	21528057110150	4,732,136
COVID-19 TCLAS - High Quality After School Program	84.425D	215280587110150	161,709
COVID 19 TCLAS - State ESSER III	84.425U	21528042019907	369,795
Total Assistance Listing Number 84.425			9,054,127
Title IV, Part A, Subpart I	84.424A	21680101019907	54,088
Title IV, Part A, Subpart I	84.424A	22860101019907	150,124
Total Assistance Listing Number 84.424			204,212
Total Passed Through Texas Education Agency			15,613,128
TOTAL U.S. DEPARTMENT OF EDUCATION			15,613,128
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through Texas Health and Human Services Commission			
Medicaid Administrative Claiming Program - MAC	93.778	HHS000537900035	30,362
Child Care and Development Fund	93.596	019907	577,032
COVID-19 School Health Support Grant	93.323	6 NU50CK000501-02-06	295,215
Total Passed Through Texas Health and Human Services Commission			902,609
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			902,609

TEXARKANA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal Assistance Listing No.	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through the Texas Department of Agriculture			
*School Breakfast Program	10.553	806780706	1,886,310
*National School Lunch Program - Cash Assistance	10.555	806780706	5,809,222
*National School Lunch Prog. - Non-Cash Assistance	10.555	806780706	750,756
Total Assistance Listing Number 10.555			6,559,978
Total Child Nutrition Cluster			8,446,288
Child & Adult Care Food Program - Cash Assistance	10.558	806780706	217,895
Total Passed Through the Texas Department of Agriculture			8,664,183
TOTAL U.S. DEPARTMENT OF AGRICULTURE			8,664,183
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 25,179,920

*Clustered Programs

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

TEXARKANA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2022

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, 2022, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingency.

Medicaid Funds

During the year ending June 30, 2022, the District received Medicaid funds of $871,488 which is not considered a federal award since it is direct cash assistance to individuals.

E-Rate Funding

During the year ending June 30, 2022, the District received a discount on phone and internet bills in the amount of $127,542 in the general fund. These amounts are reflected as federal revenue in the current year.

Indirect Costs

Indirect costs totaling $1,032,912 are in the General Fund. The restricted indirect cost rate for the 2021-2022 fiscal year, as approved by The Division of Federal and Fiscal Compliance and Reporting at the Texas Education Agency (TEA), was 4.076%. All Federal indirect costs are calculated using this restricted indirect rate with the exception of the indirect cost associated with the ESSER Grant, which is calculated using the direct unrestricted rate of 14.225%

Reconciliation of Federal Funds

Federal Funds Per K-1	$ 25,179,920
Medicaid SHARS	871,488
E-Rate Funding	127,542
	$ 26,178,950

Financial Advisory Services
Provided By:

SAMCO Capital