This Preliminary Offering Memorandum 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 Offering Memorandum is delivered in final form. Under no circumstances shall this Preliminary Offering Memorandum 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.

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

PRELIMINARY OFFERING MEMORANDUM
Dated: October 23, 2024

NEW ISSUE: BOOK-ENTRY-ONLY

In the opinion of Bond Counsel (defined below), 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. Additionally, see "THE BONDS - Determination of Interest Rate; Rate Mode Changes" identifying circumstances when an opinion of nationally recognized bond counsel is required as a condition for an interest mode conversion. Bond Counsel expresses no opinion as to the effect on the excludability from gross income for federal income tax purposes of any action requiring such an opinion.

$45,000,000*
TEXARKANA INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Bowie County, Texas)
ADJUSTABLE RATE UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2024
INITIAL RATE PERIOD ENDING _______ AT A PER ANNUM INITIAL RATE OF ___%
(PRICED TO YIELD ___% TO MANDATORY TENDER DATE)

Dated Date: November 15, 2024 (interest will accrue from the Closing Date) **Mandatory Tender Date: August 15, 2026***
CUSIP No.[(1)]: 881847__ **Stated Maturity:_______**

The Texarkana Independent School District Adjustable Rate Unlimited Tax School Building Bonds, Series 2024 (the "Bonds") are being issued pursuant to the Constitution and general laws of the State of Texas, Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, Chapter 1371, Texas Government Code, as amended, (the "Act") an election held November 8, 2022, and an order (the "Bond Order") authorizing the issuance of the Bonds to be adopted on October 30, 2024 by the Board of Trustees (the "Board") of the Texarkana Independent School District (the "District"). As permitted by the provisions of the Act, the Board, in the Bond Order, delegated the authority to certain District officials (each, a "Pricing Officer") to execute approval of a pricing certificate (the "Pricing Certificate") establishing the pricing terms for the Bonds (the "Pricing Certificate" and together with the Bond Order, are collectively referred to herein as the "Order"). The Bonds are payable as to principal and interest from the proceeds of an ad valorem tax levied annually, without legal limit as to rate or amount, against all taxable property located within the 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 "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").

During the Initial Rate Period (defined below), interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months and will be payable on each February 15 and August 15, commencing February 15, 2025. No physical delivery of the Bonds will be made to the owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds (see "BOOK-ENTRY-ONLY SYSTEM" herein). The initial Tender Agent (the "Tender Agent") and Paying Agent/Registrar (the "Paying Agent/Registrar"), respectively, for the Bonds is BOKF, NA, Dallas, Texas (see "THE BONDS – General Description").

The Bonds are issued as a single Term Bond scheduled to mature as shown above and subject to optional, extraordinary optional, and mandatory redemption prior to maturity, in whole or in part, as described herein (see "THE BONDS - Redemption").

The Bonds will bear interest initially at the Initial Rate from the date of the initial delivery of the Bonds to the Underwriter (defined below), anticipated to occur on or about December 3, 2024 (the "Closing Date"), through August 14, 2026* (the "Initial Rate Period"), at the rate of ____% (the "Initial Rate") (being the rate so determined by the Underwriter identified below). Thereafter, the Bonds will convert to a Term Mode of like duration and bear interest at a Term Rate determined by the Remarketing Agent (defined below); provided, however, that the interest rate mode applicable to the Bonds may be (a) changed from time to time to a Term Mode during which the Bonds bear interest at a Term Rate for a period of different duration, or (b) converted to a Fixed Rate until stated maturity or (as and if applicable) prior redemption (as such terms are defined and described herein). This Offering Memorandum describes the Bonds only in the Initial Rate Period during which the Bonds bear interest at the Initial Rate (and, after conclusion of such Initial Rate Period and if at all, the period during which the Bonds bear interest at the Stepped Rate) and not the Bonds remarketed and sold into another interest rate period during which the Bonds bear interest in another interest rate mode.

The Bonds will be subject to mandatory tender without the right of retention on the Conversion Date immediately following the end of the Initial Rate Period, which occurs on August 15, 2026*; provided, however, because August 15, 2026* is not a Business Day, such tender shall occur on August 17, 2026,* the first business day after the scheduled Mandatory Tender Date (though interest ceases to accrue on the Bonds in the new Term Rate interest period as of August 15, 2026*). During the Initial Rate Period, the Bonds are not subject to the benefit of a liquidity facility provided by a third party. Accordingly, a failure by the Remarketing Agent to remarket Bonds subject to mandatory tender on the Conversion Date at the end of the Initial Rate Period will result in the rescission of the notice of mandatory tender with respect thereto and the District not having any obligation to purchase such Bonds at that time. The occurrence of the foregoing will not result in an event of default under the Bond Order or the Bonds. Until such time as the District redeems or remarkets Bonds that have been unsuccessfully remarketed as described above, such Bonds shall bear interest at the "Stepped Rate", which is defined herein to mean ____% per annum, calculated on the basis of twelve 30-day months and the number of days actually elapsed (see "THE BONDS – Tender Provisions" herein).

All tenders of Bonds must be made to the Tender Agent at its designated office in Dallas, Texas. In the Bond Order, the District has covenanted to identify and enter into a contract with a remarketing agent (the "Remarketing Agent") for the Bonds prior to the commencement of the remarketing period applicable to the Bonds. Bonds tendered for purchase on the initial Conversion Date will be bought from the proceeds derived from the remarketing of the Bonds, if any; provided, however, that should the date for tender of the Bonds occur on an Interest Payment Date, the accrued interest portion of the Purchase Price is to be paid by the District.

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").

In close proximity to the issuance of the Bonds, the District is issuing its $20,480,000* Unlimited Tax Refunding Bonds, Series 2024 (see "INTRODUCTORY STATEMENT" herein).

The Bonds are offered for delivery when, as and if issued, and received by the initial underwriter (the "Underwriter") subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriter 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 December 3, 2024.

FHN FINANCIAL CAPITAL MARKETS

* *Preliminary, subject to change.*

[(1)] CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. *CUSIP® data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the District, the Financial Advisor, the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers.*

TEXARKANA INDEPENDENT SCHOOL DISTRICT

APPOINTED OFFICIALS

Name	Position	Length of Education Service	Length of Service with District
Dr. Doug Brubaker	Superintendent	26 Years	3 Years
Anita Clay	Chief Financial Officer	22 Years	7 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 OFFERING MEMORANDUM

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 Offering Memorandum, 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 Offering Memorandum, 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 Offering Memorandum, and, if given or made, such other information or representations must not be relied upon.

The information set forth herein has been obtained from the District and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the District, the Financial Advisor or the Underwriter. This Offering Memorandum 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 Offering Memorandum 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 "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – PSF Continuing Disclosure Undertaking" and "CONTINUING DISCLOSURE OF INFORMATION" for a description of the undertakings of the Texas Education Agency (the "TEA") and the District, respectively, to provide certain information on a continuing basis.

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

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER 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 UNDERWRITER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFERING MEMORANDUM REGARDING THE DEPOSITORY TRUST COMPANY, NEW YORK, NEW YORK ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM, OR THE AFFAIRS OF THE TEA DESCRIBED UNDER "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM", AS SUCH INFORMATION WAS PROVIDED BY DTC AND TEA, RESPECTIVELY.

THIS OFFERING MEMORANDUM 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. SEE "FORWARD LOOKING STATEMENTS" HEREIN.

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

TABLE OF CONTENTS

SELECTED DATA FROM THE OFFERING MEMORANDUM

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

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.

Rate Periods

The Bonds will initially bear interest at an Initial Rate during the Initial Rate Period, being the rate determined by the Underwriter, which will be in effect from the Closing Date (as defined in the Bond Order, but anticipated to occur on or about August 8, 2023) through August 14, 2028*, with interest being payable on each February 15 and August 15, beginning August 25, 2023. The Initial Rate is ____%, calculated on the basis of a 360-day year of twelve 30-day months. Thereafter, the Bonds will convert to a Term Mode of like duration and bear interest at a Term Rate determined by the Remarketing Agent; provided, however, that the interest rate mode for the Bonds may be (a) changed from time to time to a Term Mode during which the Bonds bear interest at a Term Rate for a period of different duration or (b) converted to a Fixed Rate until stated maturity (as such terms are defined and described herein). (See "THE BONDS - Interest Rate Modes" herein.) In the event of a failed remarketing and conversion, the Bonds will bear interest at the Stepped Rate during the Stepped Rate Period (as defined in the Bond Order). The Stepped Rate for the Bonds is ____%. (See "THE BONDS – Tender Provisions" herein).

Mandatory Tender

The Bonds will be subject to mandatory tender without the right of retention on the Conversion Date immediately following the end of the Initial Rate Period, which occurs on August 15, 2026*; provided, however, that, because August 15, 2026* is not a business day, such tender shall occur on August 17, 2026*, the first business day after the scheduled Mandatory Tender Date (though interest ceases to accrue on the Bonds in the new Term Rate period as of August 14, 2026*). Accordingly, a failure by the Remarketing Agent to remarket Bonds subject to mandatory tender on the Conversion Date immediately following the end of the new Term Rate interest period will result in the rescission of the notice of mandatory tender with respect thereto and the District will not have any obligation to purchase such Bonds at that time, and the new Term Rate interest period will continue until the District successfully remarkets or redeems the Bonds (such period, the "Stepped Rate Period"). The occurrence of the foregoing will not result in an event of default under the Order or the Bonds. Until such time as the District redeems or remarkets Bonds that have been unsuccessfully remarketed as described above, such Bonds shall bear interest at the "Stepped Rate", of ____% per annum, calculated on the basis of twelve 30-day months and the number of days actually elapsed (see "THE BONDS – Tender Provisions").

Tender Agent / Paying Agent/Registrar

The initial Tender Agent (the "Tender Agent") and Paying Agent/Registrar (the "Paying Agent/Registrar"), respectively, for the Bonds is BOKF, NA, Dallas, Texas. The District intends to use the Book-Entry-Only System of The Depository Trust Company, New York, New York. (See "BOOK-ENTRY-ONLY SYSTEM" herein).

Security

The Bonds will constitute direct 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 "Appendix E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").

Redemption

After the Initial Rate Period and prior to conversion to a Fixed Rate, or a new Term Rate, the Bonds are subject to optional redemption at par, on the dates and in the manner, as described herein. In addition, and at all times that the Bonds bear interest at the Initial Rate or at a Term Rate (including during the Initial Rate Period), the Bonds are subject to redemption, on any date and in whole (but not in part), at the District's option upon the occurrence of a hereinafter-defined Extraordinary Event, and at any time during a Stepped Rate Period, at the redemption price of par plus accrued interest to such date of redemption. (See "THE BONDS - Redemption".)

During the Initial Rate Period the Bonds are not subject to optional redemption except, as described above, upon the occurrence of an Extraordinary Event or during any Stepped Rate Period following the Initial Rate Period.

These provisions are preliminary and subject to change.

Permanent School Fund Guarantee

The District has received conditional approval from the Texas Education Agency for the payment of the Bonds to be guaranteed under the Permanent School Fund Guarantee Program (defined herein), which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. (See "THE BONDS – Permanent School Fund Guarantee" and "APPENDIX E - 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 unenhanced, underlying rating, including the Bonds, is "Aa3" by Moody's. (See "APPENDIX E - 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 be on or about December 3, 2024.
Additional Issuance of Bonds by the District	The Bonds are being sold in close proximity to the District's contemplated issuance of $20,480,000* Texarkana Independent School District Unlimited Tax Refunding Bonds, Series 2024, scheduled to close on or about December 17, 2024 (the "2024 Refunding Bonds"). This Offering Memorandum describes only the Bonds and not the 2024 Refunding Bonds.

* *Preliminary, subject to change.*

INTRODUCTORY STATEMENT

This Offering Memorandum (the "Offering Memorandum"), which includes the cover page and the Appendices attached hereto, has been prepared by the Texarkana Independent School District (the "District"), a political subdivision of the State of Texas (the "State") located in Bowie County, Texas, in connection with the offering by the District of its Adjustable Rate Unlimited Tax School Building Bonds, Series 2024 (the "Bonds").

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

There follows in this Offering Memorandum descriptions of the Bonds and the Bond Order (as defined below) and certain other information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained by writing the 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 Offering Memorandum speaks only as of its date, and the information contained herein is subject to change. A copy of this Offering Memorandum relating to the Bonds will be submitted by the Underwriter of the Bonds to the Municipal Securities Rulemaking Board, and will be available through its Electronic Municipal Market Access system. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the District's undertaking to provide certain information on a continuing basis.

The Bonds are being sold in close proximity to the District's contemplated issuance of $20,480,000 (preliminary, subject to change) Texarkana Independent School District Unlimited Tax Refunding Bonds, Series 2024, scheduled to close on or about December 17, 2024 (the "2024 Refunding Bonds"). This Offering Memorandum describes only the Bonds and not the 2024 Refunding Bonds.

THE BONDS

Authorization and Purpose

The Bonds are being issued in the principal amount of $45,000,000 (preliminary, subject to change) pursuant to the Constitution and general laws of the State, including particularly Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, 1371, Texas Government Code, as amended (the "Act), an election held November 8, 2022, and an order (the "Bond Order") to be adopted on October 30, 2024 by the Board of Trustees of the District (the "Board") which authorizes the issuance of the Bonds. As permitted by the provisions of the Act, the Board, in the Bond Order, delegated the authority to certain District officials each, a "Pricing Officer", to execute a pricing certificate (the "Pricing Certificate") establishing the pricing terms for the Bonds (the Pricing Certificate and the Bond Order are collectively referred to herein as the "Order").

Security

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

Permanent School Fund Guarantee

In connection with the sale of the Bonds, the District has received conditional approval from the Commissioner of Education of the TEA for the guarantee of the Bonds under the Permanent School Fund Guarantee Program (Chapter 45, Subchapter C, of the Texas Education Code, as amended). Subject to meeting certain conditions discussed under the heading "APPENDIX E – 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.

General Description

Initial Issuance in Initial Rate Period. The Bonds are multimodal adjustable rate bonds (convertible upon mandatory tender and remarketing into a Term Rate interest mode of different duration or a Fixed Rate interest mode), initially issued in an initial period of interest during which the Bonds bear interest at the Initial Rate, which interest rate period is effective upon initial delivery of the Bonds to the Underwriter (anticipated to occur on or about December 3, 2024) and continues through August 14, 2026* (such period referred to herein and in the Bond Order as the "Initial Rate Period"). Upon expiration of the Initial Rate Period, the Bonds will be remarketed into a successive Term Mode interest period of the like duration, unless changed as described herein.

THE BONDS ARE SUBJECT TO CONVERSION AND REMARKETING INTO A SUBSEQUENT TERM RATE OR FIXED RATE INTEREST PERIOD AT THE TIMES AND UPON THE CONDITIONS DESCRIBED IN THE BOND ORDER FOLLOWING A MANDATORY TENDER FOR PURCHASE OF SUCH BONDS. THIS OFFERING MEMORANDUM DESCRIBES THE BONDS ONLY IN THE INITIAL RATE PERIOD AND IS, THEREFORE, NOT INTENDED TO PROVIDE INFORMATION WITH RESPECT TO THE BONDS AFTER CONVERSION TO ANY NEW INTEREST RATE MODE OR INTEREST RATE PERIOD (INCLUDING ANY SUBSEQUENT TERM RATE PERIOD). PURCHASERS OF THE BONDS SHOULD NOT RELY ON THIS OFFERING MEMORANDUM FOR INFORMATION CONCERNING ANY INTEREST RATE MODE OR INTEREST RATE PERIOD FOR THE BONDS OTHER THAN IN THE INITIAL RATE PERIOD.

Authorized Denominations. The Bonds are issued in denominations of $5,000.

Calculation of Interest; Interest Payment Dates. Interest on the Bonds will accrue from the Closing Date and will be calculated on the basis of a 360-day year of twelve 30-day months. Interest accruing on the Bonds during the Initial Rate Period will be paid on each February 15 and August 15 commencing February 15, 2025.

Interest Payment Methods. While the Bonds bear interest at the Initial Rate, interest will be paid by check, sent by first class mail, to the owner of record on the Record Date or by such other customary banking arrangement acceptable to the Paying Agent/Registrar requested by and at the risk and expense of the owner.

Book-Entry System of Registration and Payment. The Bonds will be issued as Book-Entry-Only securities through The Depository Trust Company, New York, New York ("DTC"). Use of the DTC Book-Entry-Only System will effect the timing and receipt of payment of interest on and principal of the Bonds. (See "Book-Entry-Only System".)

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

Tender Agent. BOKF, NA, Dallas, Texas, will serve as the initial tender agent (the "Tender Agent") for the Bonds. All notices and Bonds required to be delivered to the Tender Agent shall be delivered to BOKF, NA, Dallas, Texas, Attn: Ms. Rachel Roy, 5956 Sherry Lane, Suite 900, Dallas, Texas 75225. In the event that the Book-Entry-Only System herein is discontinued and registered bonds are issued, all notices and Bonds are required to be delivered to 5956 Sherry Lane, Suite 900, Dallas, Texas 75225.

Remarketing Agent and Remarketing Agreement. In the Bond Order, the District has covenanted to identify and enter into a contract with a qualified financial institution to serve as remarketing agent for the Bonds (the "Remarketing Agent") prior to the commencement of the remarketing of the Bonds into a new interest rate period prior to expiration of the Initial Rate Period, and to retain such Remarketing Agent for so long, as required by the provisions of the Bond Order. The District anticipates identifying the initial Remarketing Agent for the Bonds at or about the time the Board, prior to the expiration of the Initial Rate Period, adopts the order authorizing the remarketing of the Bonds from the Initial Rate Period into a subsequent interest rate period. The remarketing memorandum prepared by the District in conjunction with such remarketing of the Bonds will describe the terms of the agreement between the District and the Remarketing Agent, serving the District in such capacity.

Payment Record. The District has never defaulted with respect to the payment of its bonded indebtedness.

Interest Rate Modes

The Bonds may be converted and remarketed into a new Term Rate interest period of the same or different duration or to a Fixed Rate interest period. While the Bonds bear interest at a Term Rate, the interest rate will be determined in effect for a term of one year or any integral multiple of one year selected by the District commencing on the first calendar day of the Term Rate Period, provided that the Initial Rate Period is as set forth on the cover page hereof.

The interest rate mode selected by the District will remain in effect until changed by the District by notice to the Paying Agent/ Registrar, the Tender Agent and the Remarketing Agent, in accordance with the Bond Order. Notice of changes in interest rate modes will be given as described below. See "THE BONDS – Determination of Interest Rates; Rate Mode Changes".

Determination of Interest Rates; Rate Mode Changes

Initial Rate. The Bonds will bear interest at the Initial Rate for the Initial Rate Period, beginning on the date of initial authentication and delivery of the Bonds to the Underwriter (anticipated to occur on or about December 3, 2024) and ending on August 14, 2026*. The Interest Payment Dates during the Initial Rate Period will be on each February 15 and August 15, commencing on February 15, 2025. Following the Initial Rate Period, the Bonds will bear interest at the rate or rates, as determined by the Remarketing Agent, dependent upon the interest rate mode in which the Bonds are remarketed and which mode may thereafter be changed from time to time, prior to conversion to a Fixed Rate, in the manner described below.

Rate Mode Changes after Initial Rate. While the Bonds bear interest at the Initial Rate or a Term Rate, the Paying Agent/Registrar is required to give notice to the owners of all Bonds of the conversion from one interest rate mode to another at least 30 days prior to the Conversion Date. Each notice of a change between interest rate modes will be sent by first class mail to each owner's address as it appears in the registration books of the Paying Agent/Registrar and will state: (a) the effective date and the type of interest rate mode to which the change will be made; (b) the date by which the Remarketing Agent will determine the Term Rate and the date by which the owners will be notified thereof; and (c) the procedure by which the Bonds will be subject to mandatory tender on the effective date of the change in the interest rate mode, including the date and time that any notices must be received.

Any conversion to a new interest mode and period will be conditioned on delivery of an opinion of nationally recognized bond counsel to the effect that the conversion will not adversely affect the excludability of interest on the Bonds from gross income of the owners thereof for federal income tax purposes if such conversion results in a reissuance of the remarketed Bonds under applicable federal tax law. The opinion of Bond Counsel expresses no opinion as to the effect on excludability from gross income for federal income tax purposes of any action taken which requires the receipt of an opinion of a nationally recognized bond counsel.

While in the Initial Rate Period or a subsequent Term Rate period, Bonds may be converted to a different interest rate mode only at the expiration of such interest period (which conversion will take place on an Interest Payment Date).

Any owner of Bonds who may be unable to take timely action on any notice should consider whether to make arrangements for another person to act in his or her stead.

Determination of Interest Rates. During each Rate Period after the Initial Rate Period, the rate of interest on the Bonds will be the rate that the Remarketing Agent determines, in conjunction with the District and under prevailing market conditions on the date of such determination, would result in the market value of the Bonds being not less than 100% of the principal amount thereof. The date of such determination is defined herein as the "Rate Determination Date".

The determination by the Remarketing Agent of the rate or rates of interest to be borne by the Bonds will be conclusive and binding on the holders of the Bonds, the District, the Paying Agent/Registrar and the Tender Agent. Failure by the Paying Agent/Registrar to give notice to the Bondholders, or any defect therein, will not affect the interest rate borne by the Bonds or the rights of the owners thereof. In no event will the interest rate borne by the Bonds exceed the "Highest Rate", which (as provided in the Bond Order) is the lesser of ____% and the maximum net effective interest rate permitted under Chapter 1204, Texas Government Code, as amended.

Notice of Rates. Owners will be notified by the Paying Agent/Registrar first-class mail of the Term Rate applicable to the Bonds promptly after the applicable Rate Determination Date.

---

* *Preliminary, subject to change.*

Tender Provisions

No Optional Tender. The Bonds are not subject to optional tender.

Mandatory Tender. The Bonds are required to be tendered for purchase to the Tender Agent, without the right of retention, immediately after the end of the Initial Rate Period, on August 15, 2026*; provided, however, because August 15, 2026* is not a Business Day, such tender shall occur on August 17, 2026,* the first business day after the scheduled Mandatory Tender Date (though interest ceases to accrue on the Bonds in the new Term Rate interest period as of August 15, 2026*).

Payment of the Purchase Price (defined in the Bond Order to mean, with respect to each Bond (or any portion thereof) tendered for purchase, the par amount thereof, plus accrued but unpaid interest thereon to the date of purchase) of Bonds to be purchased upon mandatory tender as described herein will be made by the Tender Agent at its Corporate Trust Office or by wire transfer in immediately available funds.

If the Bonds are not converted and remarketed to new purchasers on the scheduled date of mandatory tender, the District shall have no obligation to purchase the Bonds tendered on such date, the failed conversion and remarketing shall not constitute an event of default under the Bond Order or the Bonds, the mandatory tender will be deemed to have been rescinded for that date with respect to the Bonds subject to such failed remarketing only, and such Bonds (i) will continue to be Outstanding, (ii) will be purchased upon the availability of funds to be received from the subsequent remarketing of such Bonds, (iii) will bear interest at the Stepped Rate during the Stepped Rate Period, (iv) will be subject to redemption and mandatory tender for purchase on any date during the Stepped Rate Period upon which a conversion occurs (which shall occur at the District's discretion upon delivery of at least one day's notice to the holders of Bonds bearing interest at the Stepped Rate), and (v) will be deemed to continue in the then-applicable Initial Rate Period or Term Rate period for all other purposes of the Bond Order, though bearing interest during such time at the Stepped Rate until remarketed or redeemed in accordance with the terms of the Bond Order. In the event of a failed conversion and remarketing as described above, the District has covenanted in the Bond Order to cause the Bonds to be converted and remarketed on the earliest reasonably practicable date on which they can be sold at not less than par, in such interest rate mode or modes as the District directs, at a rate not exceeding the Highest Rate. The Bond Order provides that the Stepped Rate means a rate per annum equal to ____%, calculated on the basis of twelve 30 day months and the number of days actually elapsed.

Interest on any Bond that is not tendered on the mandatory tender date, but for which there has been irrevocably deposited with the Tender Agent an amount sufficient to pay the Purchase Price thereof, will cease to accrue on the mandatory tender date.

Thereafter, the owner of such Bond will not be entitled to any payment other than the Purchase Price for such Bond from money held by the Tender Agent for such payment, and such Bond will not otherwise be outstanding or entitled to the benefits of the Bond Order. On the mandatory tender date, the Tender Agent will authenticate and deliver substitute Bonds in lieu of such untendered Bonds.

Remarketing and Purchase. The Remarketing Agent is required to use its best efforts to sell such Bonds at a price equal to not less than 100% of the principal amount thereof plus accrued interest, if any, on the forthcoming mandatory tender date or as quickly as possible thereafter.

The Purchase Price of Bonds tendered for purchase is required to be paid by the Tender Agent from money derived from the remarketing of such Bonds by the Remarketing Agent. If sufficient funds are not available for the purchase of all tendered Bonds, no purchase will be consummated.

Conversion to Fixed Rate

The Bond Order provides that, at the option of the District, the Bonds bearing interest at the Initial Rate or a Term Rate may be converted in whole or in part to a Fixed Rate or Rates on the first Interest Payment Date that occurs after conclusion of such interest period during which the Bonds bear interest at the Initial Rate or Term Rate. In the event of a partial conversion, the Paying Agent/Registrar shall select by lot or other customary random method the Bonds to be converted to a Fixed Rate. Solely and exclusively with respect to the Remarketing Agent's setting of Fixed Rates on the Bonds to be converted on the hereinafter defined Fixed Rate Conversion Date, the Remarketing Agent shall determine the rates for such converted Bonds that will cause such Bonds to have a market value, net of costs of issuance and remarketing fees, at least equal to the principal amount of Bonds. In addition, the District may reserve the right, exercisable at its sole option, to seek competitive bids on the Fixed Rate Conversion Date.

To exercise its option, the District must deliver to the Paying Agent/ Registrar, the Remarketing Agent (if any), and the Tender Agent written notice at least 45 calendar days prior to the Interest Payment Date on which the Fixed Rate mode is to become effective (the "Fixed Rate Conversion Date"). The Bonds converted to a Fixed Rate on a Fixed Rate Conversion Date shall mature, be subject to redemption and have the same terms and features (other than being subject to mandatory tender for purchase) as set forth in the Bond Order with respect to Bonds bearing interest at an Initial Rate or a Term Rate. Notwithstanding the previous sentence, in connection with a conversion to a Fixed Rate, the District may elect, at its sole option, to provide for serial maturities, revised redemption provisions and other terms applicable to the pricing of the Bonds on and after the Fixed Rate Conversion Date.

The Paying Agent/Registrar is required to give notice by mail to all owners of the conversion to a Fixed Rate Mode not less than 30 calendar days prior to the Fixed Rate Conversion Date. Such notice is required to (a) specify the Fixed Rate Conversion Date and the date by which the District will determine and the Paying Agent/Registrar will notify the owners of the Fixed Rate Bonds; and (b) state that the Bonds will be subject to mandatory tender for purchase on the Fixed Rate Conversion Date without the right of the owners to retain their Bonds.

Redemption

Optional Redemption. The Bonds are not subject to optional redemption during the Initial Rate Period (except upon the occurrence of an Extraordinary Event, as described below), but are subject to redemption, at the District's option, on the first Interest Payment Date immediately succeeding the conclusion of the Initial Rate Period (which is also the Conversion Date). During a Stepped Rate Period, the Bonds are subject to redemption on any date.

*Extraordinary Optional Redemption**. Upon the occurrence of an Extraordinary Event, the Bonds are subject to redemption prior to Stated Maturity, at the option of the District, on any date, in whole but not in part, in principal amounts of $5,000 or any integral multiple thereof, at the price of par plus accrued interest to such date of redemption.

The term "Extraordinary Event" shall mean the occurrence of (i) passage of legislation by either house of the United States Congress, the effect of which (if enrolled) would be to impose, directly or indirectly, federal income taxation upon interest received on obligations of the general character of the Bonds, or (ii) the execution by the President of the United States of an executive order that imposes, directly or indirectly, federal income taxation upon interest received on obligations of the general character of the Bonds.

* *Preliminary, subject to change.*

Upon the occurrence of an Extraordinary Event, the District anticipates issuing tax-exempt refunding bonds prior to the effective date of such legislation and exercising the right to redeem and refund the Bonds with the proceeds of the refunding bonds.

Scheduled Mandatory Redemption. The Bonds are subject to mandatory redemption prior to stated maturity following the Initial Rate Period as follows:

Mandatory Redemption*

Date	Amount	Date	Amount
February 15, 2029	$	February 15, 2042	$
February 15, 2030		February 15, 2043	
February 15, 2031		February 15, 2044	
February 15, 2032		February 15, 2045	
February 15, 2033		February 15, 2046	
February 15, 2034		February 15, 2047	
February 15, 2035		February 15, 2048	
February 15, 2036		February 15, 2049	
February 15, 2037		February 15, 2050	
February 15, 2038		February 15, 2051	
February 15, 2039		February 15, 2052	
February 15, 2040		February 15, 2053(1)	
February 15, 2041			

**Preliminary, subject to change*
(1) Stated Maturity.

The principal amount of Bonds required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the District, by the principal amount of any Bonds which, at least 50 days prior to the mandatory redemption date (1) shall have been defeased or acquired by the District and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District with money in the Interest and Sinking Fund, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth above and not heretofore credited against a mandatory redemption requirement.

Notices of Redemption and DTC Notices. The Paying Agent/Registrar is required to cause notice of any redemption of Bonds to be mailed to each owner of the Bonds to be redeemed at the respective addresses appearing in the registration books for the Bonds at least 30 days prior to the redemption date when the Bonds bear interest at the Initial Rate or a Term Rate. All notices of redemption shall (i) specify the date of redemption for the Bonds, (ii) identify the Bonds to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed, (iii) state the redemption price, (iv) state the Bonds, or the portion of the principal amount thereof, to be redeemed, shall become due and payable on the redemption date specified, and the interest thereof, or on the portion of the principal amount thereof to be redeemed, shall cease to accrue from and after the redemption date, and (v) specify the payment of the redemption price for the Bonds, or the principal amount thereof to be redeemed, shall be made at the designated corporate trust office of the Paying Agent/Registrar only upon presentation and surrender thereof by the registered owner. If a Bond is subject by its terms to redemption and has been called for redemption and notice of redemption thereof has been duly given or waived, as provided in the Bond Order, such Bonds (or the principal amount thereof to be redeemed) so called for redemption shall become due and payable, and on the redemption date designated in such notice, interest on such Bonds (or the principal amount thereof to be redeemed) called for redemption shall cease to accrue and such Bonds shall not be deemed to be outstanding. A notice of mandatory tender delivered in connection with the remarketing of any outstanding Bonds shall also serve as notice of redemption if any such Bonds will be redeemed on the Conversion Date.

ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN AND THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

The Paying Agent/Registrar, so long as a book-entry system is used for the Bonds, will send any notice of redemption, or other notices with respect to the Bonds only to DTC (or any successor securities depository for the Bonds). Any failure by DTC to advise any Direct Participant (defined herein), or of any Direct Participant or Indirect Participant (defined herein) to notify the Beneficial Owner (defined herein), will 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 Direct Participants in accordance with its rules or other agreements with Direct Participants and then Direct 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 Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to Direct Participants, Indirect Participants, or the persons for whom Direct Participants act as nominees, with respect to the payments on the Bonds or the providing of notice to Direct Participants, Indirect Participants, or Beneficial Owners of the selection of portions of the Bonds for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" 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 the approval of certain legal matters by 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 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 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. The Pricing Officer may restrict such eligible Defeasance Securities as deemed appropriate in connection with the sale of 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. 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	$
Reoffering Premium	
Total Sources of Funds	$
Uses	
Deposit to Construction Fund	$
Costs of Issuance	
Underwriter's 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.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. 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 (see "THE BONDS – Authorization and Purpose" herein), 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 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. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. See "APPENDIX E - 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 Offering Memorandum. The District, the Financial Advisor and the Underwriter believes the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.

The District and the Underwriter cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or any other notices to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds) or redemption, or any 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 Offering Memorandum. 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 Underwriter believes to be reliable, but none of the District, the Financial Advisor or the Underwriter take any responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Offering Memorandum

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

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar for the Bonds is BOKF, NA, Dallas, Texas. In the 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 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

Subject to satisfying certain conditions, the payment of the Bonds will be guaranteed by the corpus of the Permanent School Fund of the State of Texas. In the event of default, registered owners will receive all payments due on the Bonds from the Permanent School Fund, and the Charter District Bond Guarantee Reserve would be the first source to pay debt service if a charter school was unable to make such payment. See “APPENDIX E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” for pertinent information regarding the Permanent School Fund Guarantee Program. The disclosure regarding the Permanent School Fund Guarantee Program in Appendix E is incorporated herein and made a part hereof for all purposes.

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 (the “Finance System”) as it is currently structured. The information contained under the captions “CURRENT PUBLIC SCHOOL FINANCE SYSTEM” and “TAX RATE LIMITATIONS” is subject to change, and only reflects the District’s understanding based on information available to the District as of the date of this Offering Memorandum. See “—2023 Legislative Sessions,” below. For a more complete description of school finance and fiscal management in the State, reference is made to Chapters 43 through 49 of the Texas Education Code, as amended. Additionally, prospective investors are encouraged to review the Property Tax Code (as defined herein) for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the defined tax rates.

Local funding for school districts 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: (i) a maintenance and operations

("M&O") tax to pay current expenses and (ii) an interest and sinking fund ("I&S") tax to pay debt service on bonds. School districts are prohibited from levying an M&O tax rate for the purpose of creating a surplus in M&O tax revenues to pay the district's debt service. School districts are required 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 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.

2025 Legislative Session

In close proximity to the closing of the Bonds, the 89th Texas legislative session will commence on January 14, 2025 and continue to June 2, 2025. During this time, the Texas Legislature may enact laws that materially affect the District and its finances. The District can make no prediction as to the outcome of this legislative session but intends to monitor applicable legislation related thereto.

2023 Legislative Sessions

The regular session of the 88th Texas Legislature (the "88th Regular Session") began on January 10, 2023 and adjourned on May 29, 2023. The Texas Legislature (the "Legislature") meets in regular session in odd numbered years for 140 days. During the 88th Regular Session, the Legislature considered a general appropriations act and legislation affecting the Finance System and ad valorem taxation procedures and exemptions, and investments, among other legislation affecting school districts and the administrative agencies that oversee school districts. Legislation enacted by the Legislature fully-funded the Foundation School Program for the 2024-2025 State fiscal biennium and increased the State guaranteed yield on the first $0.08 cents of tax effort beyond a school district's Maximum Compressed Tax Rate (as defined herein) to $126.21 per penny of tax effort per student in WADA (as defined herein) in 2024 (from $98.56 in 2023) and $129.52 per penny of tax effort per student in WADA in 2025. See "– State Funding for School Districts – Tier Two." The Legislature also provided for an increase in funding for the school safety allotment to $10.00 (from $9.72 in the prior year) per ADA (as defined herein) and $15,000 per campus. The Legislature set aside approximately $4,000,000,000 in additional funding for public education contingent on certain legislation passing in future special sessions. However, the Legislature did not take action on such funding during either the first, second or third called special sessions of the 88th Texas Legislature.

When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Governor has called and the Legislature has concluded four special sessions during the 88th Texas Legislature. (such special sessions, together with the 88th Regular Session, the "2023 Legislative Sessions").

During the second called special session, legislation was passed to (i) reduce the Maximum Compressed Tax Rate for school districts by approximately $0.107 for the 2023-2024 school year; (ii) increase the amount of the mandatory school district general residential homestead exemption from ad valorem taxation from $40,000 to $100,000 and to hold districts harmless from certain M&O and I&S tax revenue losses associated with the increase in the mandatory homestead exemption; (iii) adjust the amount of the limitation on school district ad valorem taxes imposed on the residence homesteads of the elderly or disabled to reflect increases in exemption amounts; (iv) prohibit school districts, cities and counties from repealing or reducing an optional homestead exemption that was granted in tax year 2022 (the prohibition expires on December 31, 2027); (v) establish a three-year pilot program limiting growth in the taxable assessed value of non-residence homestead property valued at $5,000,000 or less to 20 percent (school districts are not held harmless for any negative revenue impacts associated with such limits); (vi) except certain appropriations to pay for ad valorem tax relief from the constitutional limitation on the rate of growth of appropriations; and (vii) expand the size of the governing body of an appraisal district in a county with a population of more than 75,000 by adding elected directors and authorizing the Legislature to provide for a four-year term of office for a member of the board of directors of certain appraisal districts. A focus of the legislation passed during the second called special session was effecting a reduction in the amount of property taxes paid by homeowners and businesses. The implementation of this legislation will result in an increase to the State's share of the cost of funding public education.

The District can make no representations or predictions regarding the scope of additional legislation that may be considered during any additional called special sessions or the potential impact of such legislation at this time.

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. Such distinctions are discussed under the subcaption "– Local Revenue Level in Excess of Entitlement" herein.

State Compression Percentage

The "State Compression Percentage" or "SCP" is the lesser of three alternative calculations: (i) 93% or a lower percentage set by appropriation for a school year; (ii) a percentage determined by formula if the estimated total taxable property value of the State (as submitted annually to the Legislature by the State Comptroller) has increased by at least 2.5% over the prior year; and (iii) the prior year SCP. For any year, the maximum SCP is 93%. For the State fiscal year ending in 2024, the SCP is set at 68.80%.

Maximum Compressed Tax Rate

The "Maximum Compressed Tax Rate" or the "MCR" is the tax rate per $100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate (described below) to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of two alternative calculations: (1) the "State Compression Percentage" (as discussed above) multiplied by 100; or (2) a percentage determined by formula if the school district experienced a year-over-year increase in property value of at least 2.5% (if the increase in property value is less than 2.5%, then MCR is equal to the prior year MCR). However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district's MCR is calculated to be less than 90% of any other school district's MCR for the current year, then the school district's MCR is instead equal to the school district's prior year MCR, until TEA determines that the difference between the school district's MCR and any other school district's MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase. During the 2023 Legislative Sessions, the Legislature took action to reduce the MCR. The reduction in MCR was approved by voters at an election held on November 7, 2023. The MCR for the 2024-2025 school year is $0.6855 and the floor is $0.6169. See "- 2023 Legislative Sessions."

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 for such year. 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 "– State Funding for School Districts – Tier Two" herein.

State Funding for School Districts

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

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

The Finance System also provides an Existing Debt Allotment ("EDA") to subsidize debt service on eligible outstanding school district bonds, an Instructional Facilities Allotment ("IFA") to subsidize debt service on newly issued bonds, and a New Instructional Facilities Allotment ("NIFA") to subsidize operational expenses associated with the opening of a new instructional facility. IFA primarily addresses the debt service needs of property-poor school districts. For the 2024-2025 State fiscal biennium, the Legislature appropriated funds in the amount of $1,072,511,740 for the EDA, IFA, and NIFA.

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

Tier One

Tier One funding is the basic level of programmatic 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, the demographics of students in ADA, and the educational programs the students are being served in, 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, (iii) a college, career and military readiness allotment to further the State's goal of increasing the number of students who attain a post-secondary education or workforce credential, and (iv) a teacher compensation incentive allotment to increase teacher retention in disadvantaged or rural school districts. A school district's total Tier One funding, divided by $6,160, is a school district's measure of students in "Weighted Average Daily Attendance" ("WADA"), which serves to calculate Tier Two funding.

The fast growth allotment weights are 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 $315 million for the 2023-2024 school year and $320 million for the 2024-2025 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 2024-2025 State fiscal biennium, school districts are guaranteed a yield of $126.21 per student in WADA in 2024 and $129.52 per student in WADA in 2025 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 2024-2025 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 the program first began in 1997. New awards of IFA are only available if appropriated funds are allocated for such purpose by the Legislature. To receive an IFA award, in years where new IFA awards are available, a school district must apply to the Education 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 Education 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 2024-2025 State fiscal biennium, the Legislature did not appropriate any funds for new IFA awards; however, awards previously granted in years the Legislature did appropriate funds for new IFA awards will continue to be funded.

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

Since future-year IFA awards were not funded by the Legislature for the 2024-2025 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 2024-2025 State fiscal biennium on new bonds issued by school districts in the 2024-2025 State fiscal biennium to construct, acquire and improve facilities must be funded solely from local I&S taxes, except to the extent that the bonds of a school district are eligible for hold-harmless funding from the State for local tax revenue lost as a result of an increase in the mandatory homestead exemption from $40,000 to $100,000. See "— 2023 Legislative Sessions." Hold-harmless applies only to bonds authorized by voters prior to September 1, 2023.

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. During the 2023 Legislative Sessions, the Legislature appropriated funds in the amount of $100,000,000 for each fiscal year of the 2024-2025 State fiscal biennium for NIFA allotments.

Tax Rate and Funding Equity

The Education 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 Education 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 Finance System prior to the enactment of certain legislation passed during the 86th Texas Legislature are entitled to an equalized wealth transition grant on an annual basis, which will be phased out in 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. Additionally, school districts and open-enrollment charter schools may be entitled to receive an allotment in the form of a formula transition grant, but they will not be entitled to an allotment beginning with the 2024-2025 school year. This grant is meant to ensure a smooth transition into the funding formulas enacted by the 86th Texas Legislature. Furthermore, 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 Education 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 in excess of entitlement, Chapter 49 school districts are generally subject to a process known as "recapture," which requires a Chapter 49 school district to exercise certain options to remit local M&O tax revenues collected in excess of the Chapter 49 school district's funding entitlements to the State (for redistribution to other school districts) or otherwise expending the respective M&O tax revenues for the benefit of students in school districts that are not Chapter 49 school districts, as described in the subcaption "—Options for Local Revenue Levels in Excess of Entitlement," below. Chapter 49 school districts receive their allocable share of funds distributed from the constitutionally-prescribed Available School Fund, but are generally not eligible to receive State aid under the Foundation School Program, although they may continue to receive State funds for certain competitive grants and certain programs that remain outside the Foundation School Program.

Options for Local Revenue Levels in Excess of Entitlement

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

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 Education 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 Education Commissioner do not provide for assumption of any of the transferring school district's existing debt.

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

For the 2024-2025 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 revenues 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. Prospective investors are encouraged to review 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.

Effective January 1, 2024, an appraisal district is prohibited from increasing the appraised value of real property during the 2024 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than $5 million dollars (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property (collectively, the "Appraisal Cap"). After the 2024 tax year, through December 31, 2026 unless extended by the State legislature, the maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value. The Appraisal Cap took effect on January 1, 2024.

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").

State Mandated Homestead Exemptions

State law grants, with respect to each school district in the State, (1) a $100,000 exemption of the appraised value of all homesteads (increased from $40,000 beginning with the 2023 tax year), (2) a $10,000 exemption of the appraised value of the homesteads of persons 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. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2023 Legislative Sessions" for a discussion of legislation passed during the second called special session and the November 7, 2023 State-wide election at which voters approved an amendment to the Texas Constitution to increase the general residential homestead exemption for school districts from $40,000 to $100,000.

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.

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. Cities, counties and school districts are prohibited from reducing or repealing an optional homestead exemption that was granted in tax year 2022 through December 31, 2027. See "Appendix A – Financial Information – Assessed Valuation" for the reduction in taxable valuation, if any, attributable to local option homestead exemptions.

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 – 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 outside the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or outside 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 – 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. The Texas Legislature amended Section 11.35, Tax Code to clarify that "damage" for purpose of such statute is limited to "physical damage." 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").

Tax Limitation Agreements

The Texas Economic Development Act (Chapter 313, Texas Tax Code, as amended) allows 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 may only levy and collect M&O taxes on the agreed-to limited appraised property value. For the purposes of calculating its Tier One and Tier Two entitlements, the portion of a school district's property that is not fully taxable is excluded from the school district's taxable property values. Therefore, a school district will not be subject to a reduction in Tier One or Tier Two State funds as a result of lost M&O tax revenues due to entering into a tax limitation agreement (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts"). The 87th Texas Legislature did not take action to extend this program, which expired by its terms effective December 31, 2022.

During the regular session of the 88th Texas Legislature, House Bill 5 ("HB 5") was enacted into law. HB 5 is intended as a replacement of former Chapter 313, Texas Tax Code ("Chapter 313"), but it contains significantly different provisions than the prior program under Chapter 313. The effective date of HB 5 was January 1, 2024. Under HB 5, a school district may offer a 50% abatement on taxable value for maintenance and operations property taxes for certain eligible projects, except that projects in a federally designated economic opportunity zone receive a 75% abatement. HB 5 also provides a 100% abatement of maintenance and operations taxes for eligible property during a project's construction period. Taxable valuation for purposes of the debt services taxes securing the Bonds cannot be abated under HB 5. Eligible projects must relate to manufacturing, provision of utility services, dispatchable electric generation (such as non-renewable energy), development of natural resources, critical infrastructure, or research and development for high-tech equipment or technology, and projects must create and maintain jobs and meet certain minimum investment requirements. The District cannot make any representations as to what impact, if any, HB 5 will have on its finances or operations.

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

District and Taxpayer Remedies

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

Owners of certain property 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 was set at $59,562,331 for the 2024 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 M&O tax rate per $100 of taxable value that may be adopted by a school district is the sum of $0.17 and the school district's MCR. A school district's MCR is, generally, inversely proportional to the change in taxable property values both within the school district and the State, and is subject to recalculation annually. For any year, the highest possible MCR for a 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".

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, members of which are both appointed by the governing bodies of various political subdivisions that participate in the Appraisal District and elected by voters 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 grants a State mandated $100,000 general residence homestead exemption.

The District grants a State mandated $10,000 residence homestead exemption for persons 65 years of age or older and the disabled.

The District grants a State mandated residence homestead exemption for disabled veterans.

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

The District has not granted a local option, additional exemption of up to 20% of the market value of residence homesteads.

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 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, 2023, the District made a contribution to TRS on a portion of their employee's salaries that exceeded the statutory minimum. 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 Y. – Defined Other Post-Employment Benefit Plans" in the audited financial statements of the District that are attached hereto as Appendix D (the "Financial Statements").

During the year ended June 30, 2023, 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 ("Moody's") based upon the guaranteed repayment thereof under the Permanent School Fund Guarantee Program of the Texas Education Agency. The District's current unenhanced, underlying rating, including the Bonds, is "Aa3" by Moody's. (See "APPENDIX E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – Rating of Bonds Guaranteed Under the Guarantee Program" herein).

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.

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

Periodically, rating agencies will evaluate and, on occasion as a result of these evaluations revise, their rating methodologies and criteria for municipal issuers such as the District. A revision in a rating agency's rating methodology could result in a positive or negative change in a rating assigned by that agency, even if the rated entity has experienced no material change in financial condition or operation. Any of the rating agencies at any time while the Bonds remain outstanding could undertake such an evaluation process.

LEGAL MATTERS

The delivery of the Bonds is subject to the approval of the Attorney General of Texas who will deliver its opinion to the effect that the Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property in the District, and based upon examination of such transcript of proceedings, the approving legal opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel to the District ("Bond Counsel"), to like effect. The form of Bond Counsel's opinion is attached hereto as Appendix C. Certain legal matters will be passed upon for the Underwriter by their counsel, Norton Rose Fulbright US LLP, Dallas, Texas. The legal fee to be paid to counsel to the Underwriter 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 Underwriter from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the District in 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 Offering Memorandum. Except as noted below, Bond Counsel was not requested to participate, and did not take part in the preparation of this Offering Memorandum, 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", and "Sources and Uses of Funds", as to which no opinion is 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 thereunder), "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 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., San Antonio, Texas, Bond Counsel to the District, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See Appendix C – Form of Legal Opinion of Bond Counsel.

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

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

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

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

Collateral Federal Income Tax Consequences

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

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.

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 Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

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; (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, and (17) aggregate repurchase agreement transactions entered into by an investing entity in conformity with the provisions of subsections (a-1), (f), and (g) of Section 2256.011 of the Public Funds Investment Act.

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 Offering Memorandum, 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 August 31, 2024, the District had approximately $62,708,724 (unaudited) invested in First Public (a government investment pool that generally has the characteristics of a money market mutual fund) and approximately $62,513,530 (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 United States Securities and Exchange Commission under the United States Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2). The Bonds have not been approved or disapproved by the United States Securities and Exchange Commission, nor has the United States Securities and Exchange Commission passed upon the accuracy or adequacy of the Offering Memorandum. 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 Underwriter to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The District agrees to cooperate, at the Underwriter's written request and sole expense, in registering or qualifying the Bonds or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the District shall not be required to qualify as a foreign corporation or to execute a general or special consent to service of process in any jurisdiction.

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 may be 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 Offering Memorandum. 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 Offering Memorandum. 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 Offering Memorandum. The Financial Advisor has reviewed the information in this Offering Memorandum in accordance with, and as part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the 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.

CONTINUING DISCLOSURE OF INFORMATION

In the Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually and timely notice of specified events to the MSRB. The information provided to the MSRB will be available to the public free of charge via the EMMA system at www.emma.msrb.org. See "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" for a description of the TEA's continuing disclosure undertaking to provide certain updated financial information and operating data annually with respect to the Permanent School Fund and the State, as the case may be, and to provide timely notice of certain specified events related to the guarantee, to the MSRB.

Annual Reports

The District will provide certain updated financial information and operating data 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 Offering Memorandum 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 2024. 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 with 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 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, (a) 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 specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell 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 (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with Rule 15c2-12, taking into account any amendments or interpretations of Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment 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 registered 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 so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior 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 or operations of the District.

At the time of the initial delivery of the Bonds, the District will provide the Underwriter with a certificate to the effect that except as disclosed in the Offering Memorandum, 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 Offering Memorandum, 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 Offering Memorandum 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 Offering Memorandum would prove to be accurate.

UNDERWRITING

The Underwriter has 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 Underwriter's discount of $_______ and no accrued interest. The Underwriter's obligations are subject to certain conditions precedent, and the Underwriter will be obligated to purchase all of the 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 Underwriter.

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

CONCLUDING STATEMENT

No person has been authorized to give any information or to make any representations other than those contained in this Offering Memorandum, and if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Offering Memorandum 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.

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 Offering Memorandum for purposes of, and as that term is defined in, the Rule.

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

The Bond Order will authorize the Pricing Officer to approve the form and content of this Offering Memorandum and any addenda, supplement or amendment thereto and will authorize its further use in the re-offering of the Bonds by the Underwriter. This Offering Memorandum will be approved by the Pricing Officer of the District for distribution in accordance with the provisions of the Rule.

/s/

Pricing Officer

APPENDIX A

FINANCIAL INFORMATION OF THE DISTRICT

TEXARKANA INDEPENDENT SCHOOL DISTRICT

Financial Information

ASSESSED VALUATION [1]

2024/25 Total Valuation………………………………		$ 3,691,279,592
Less Exemptions & Deductions [2]:		
State Homestead Exemption	$ 437,794,637	
State Over-65 Exemption	16,599,264	
Disabled Exemption	26,763,706	
Pollution Control Exemption Loss	3,163,803	
Productivity Loss	44,921,893	
Homestead Cap Loss	43,654,106	
Non-Homestead (23.231) Cap Loss	13,566,442	
	$ 586,463,851	
2024/25 Certified Net Taxable Valuation………………………………		$ 3,104,815,741

(1) Source: Certified Values from the Bowie Central Appraisal District as of July 19, 2024. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records. The passage of a Texas constitutional amendment on November 7, 2023 increased the homestead exemption from $40,000 to $100,000. See "AD VALOREM TAX PROCEDURES -- Residential Homestead Exemptions" in this Offering Memorandum.
(2) Excludes the values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers, which totaled $114,790,390 for 2023/24.

VOTED GENERAL OBLIGATION DEBT

Unlimited Tax Bonds Outstanding [1]		$ 163,875,000
Less: The Unlmited Tax School Building & Refunding Bonds, Series 2015 [1] [2]		(20,480,000)
Plus: The Unlimited Tax Refunding Bonds, Series 2024 [1] [2]		20,480,000
Plus: The Adjustable Rate Unlimited Tax School Building Bonds, Series 2024 [2]		45,000,000
Total Unlimited Tax Bonds [1] [2]		208,875,000
Less: Estimated Interest & Sinking Fund Balance (As of August 31, 2024) [3]		(4,500,000)
Net General Obligation Debt		$ 204,375,000
Ratio of Net G.O. Debt to Net Taxable Valuation [4]	6.58%	
2025 Population Estimate [5]	25,779	
Per Capita Net Taxable Valuation	$120,440	
Per Capita Net G.O. Debt	$7,928	

(1) Excludes interest accreted on capital appreciation bonds.
(2) Preliminary, subject to change. The Bonds are being sold in close proximity to the District's contemplated issuance of the 2024 Refunding Bonds, scheduled to close on or about December 17, 2024.
(3) Source: Texarkana ISD Estimate.
(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 Offering Memorandum and "DEBT SERVICE REQUIREMENTS" and "OTHER OBLIGATIONS - MAINTENANCE TAX NOTES & TIME WARRANTS" in this appendix and see the "Audited Financial Report Fiscal Year Ended June 30, 2023" in Appendix D for more information relative to the District's outstanding obligations.
(5) Source: The Municipal Advisory Council of Texas.

PROPERTY TAX RATES AND COLLECTIONS

Fiscal Year	Net Taxable Valuation	Tax Rate	% Collections [6] Current [7]	Total [7]
2006/07	$ 1,639,586,040 [1]	$ 1.5716 [8]	95.07%	99.41%
2007/08	1,799,974,040 [1]	1.2990 [8]	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] [2]	1.4250	96.00%	99.88%
2016/17	1,985,932,504 [1] [2]	1.4250	95.49%	99.41%
2017/18	2,007,028,831 [1] [2]	1.4250	96.07%	100.19%
2018/19	2,072,418,609 [1] [2]	1.4250	96.28%	99.80%
2019/20	2,211,984,010 [1] [2]	1.3233 [9]	94.13%	97.94%
2020/21	2,276,577,831 [1] [2]	1.3097	96.95%	102.84%
2021/22	2,277,738,638 [1] [2]	1.3067	96.95%	100.33%
2022/23	2,680,061,786 [1] [3]	1.1979	96.18%	99.18%
2023/24	2,876,652,731 [1] [4]	1.2113	98.00% [10]	98.00% [10]
2024/25	3,104,815,741 [4] [5]	1.2090	(In Process of Collection)	

(1) Source: Comptroller of Public Accounts - Property Tax Division.
(2) The passage of a Texas constitutional amendment on November 3, 2015 increased the homestead exemption from $15,000 to $25,000.
(3) 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 7, 2023 increased the homestead exemption from $40,000 to $100,000.
(5) Source: Certified Values from the Bowie Central Appraisal District as of July 19, 2024. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.
(6) Source: Texarkana ISD Audited Financial Statements.
(7) Excludes penalties and interest.
(8) The decline in the District's Maintenance & Operation Tax from the 2006/07 fiscal year to the 2007/08 fiscal year is 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 Offering Memorandum.
(9) 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 "CURRENT PUBLIC SCHOOL FINANCE SYSTEM- Local Funding for School Districts" in this Offering Memorandum.
(10) Source: Texarkana ISD Estimate.

TAX RATE DISTRIBUTION [1]

	2020/21	2021/22	2022/23	2023/24	2024/25
Maintenance & Operations [2]	$1.0547	$1.0517	$0.9429	$0.7575	$0.7552
Debt Service	$0.2550	$0.2550	$0.2550	$0.4538	$0.4538
Total Tax Rate	$1.3097	$1.3067	$1.1979	$1.2113	$1.2090

(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 2024/25 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	2,680,061,786	167,070,000	6.23%
2023/24	2,876,652,731	163,875,000	5.70%
2024/25	3,104,815,741 [3]	205,935,000 [4]	6.63%

(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 capital appreciation bonds and outstanding maintenance tax obligations, which are not voted unlimited tax bonds.
(2) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in this Offering Memorandum, "DEBT SERVICE REQUIREMENTS" and "OTHER OBLIGATIONS - MAINTENANCE TAX NOTES & TIME WARRANTS" in this Appendix and see the "Audited Financial Report Fiscal Year Ended June 30, 2023" in Appendix D for more information.
(3) Source: Certified Values from the Bowie Central Appraisal District as of July 19, 2024. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.
(4) Includes the Bonds, the 2024 Refunding Bonds, and excludes the Refunded Bonds. Preliminary, subject to change. The Bonds are being sold in close proximity to the District's contemplated issuance of the 2024 Refunding Bonds, scheduled to close on or about December 17, 2024.

ESTIMATED OVERLAPPING DEBT STATEMENT

Taxing Body	Amount	Percent Overlapping	Amount Overlapping
Bowie County	$ 12,895,000	39.15%	$ 5,048,393
Nash, City of	4,630,000	100.00%	4,630,000
Texarkana College	11,888,104	39.15%	4,654,193
Texarkana, City of	53,695,000	56.58%	30,380,631
Total Overlapping Debt [1]			$ 44,713,216
Texarkana Independent School District [2]			204,375,000
Total Direct & Overlapping Debt [1] [2]			$ 249,088,216

Ratio of Net Direct & Overlapping Debt to Net Taxable Valuation	8.02%
Per Capita Direct & Overlapping Debt	$9,662

(1) Equals gross debt less self-supporting debt.
(2) Includes the Bonds and excludes the Refunded Bonds. Excludes the interest accreted on capital appreciation bonds. Preliminary, subject to change. The Bonds are being sold in close proximity to the District's contemplated issuance of the 2024 Refunding Bonds, scheduled to close on or about December 17, 2024.

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

PRINCIPAL TAXPAYERS [1]

2024/25 Top Ten Taxpayers

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
TCI Texarkana Inc.	Industrial Manufacturing	$ 452,304,970	14.57%
MPT of Texarkana-Steward LLC [2]	Commercial Land	76,215,000	2.45%
AEP Southwestern Elec Power Co	Electric Utility	27,553,969	0.89%
William Gregg Orr	Car Dealership	26,347,931	0.85%
Rancho Texarkana Investors LLC	Commercial	17,710,000	0.57%
Walmart Stores #01-2123	Commercial Retail	17,106,926	0.55%
MCN Texarkana LLC	Apartments	16,292,948	0.52%
LonStar Truck Group TXKN	Freight/Trucking	15,996,458	0.52%
DJV Ventures LLC	Hotel/Motel	15,434,000	0.50%
Central Mall Texar Realty Holdings LLC	Real Estate	12,058,546	0.39%
		$ 677,020,748	21.81%

2023/24 Top Ten Taxpayers

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
TCI Texarkana Inc.	Industrial Manufacturing	$ 369,013,717	12.83%
AEP Southwestern Elec Power Co	Electric Utility	36,417,205	1.27%
William Gregg Orr	Car Dealership	24,071,822	0.84%
Rancho Texarkana Investors LLC	Commercial	19,085,000	0.66%
Walmart Stores #01-2123	Commercial Retail	16,804,035	0.58%
MCN Texarkana LLC	Apartments	16,100,000	0.56%
DJV Ventures LLC	Hotel/Motel	14,100,000	0.49%
Central Mall Texar Realty Holdings LLC	Real Estate	11,958,546	0.42%
Phop PKG 3 LLC	Home Builder	11,415,080	0.40%
JCM Industries Inc.	Industrial Manufacturing	11,244,126	0.39%
		$ 530,209,531	18.43%

2022/23 Top Ten Taxpayers

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
TCI Texarkana Inc.	Industrial Manufacturing	$ 275,853,604	10.29%
First American Commercial Bancorp	Bank	28,068,046	1.05%
AEP Southwestern Elec Power Co	Electric Utility	25,643,818	0.96%
William Gregg Orr	Car Dealership	22,624,968	0.84%
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%
		$ 436,022,205	16.27%

(1) Source: The Bowie Central Appraisal District.
(2) In 2021, Steward Health Care ("Steward") broke ground on the new Wadley Regional Medical Center in Texarkana. On May 6, 2024, Steward Health Care System filed for bankruptcy in the U.S. Bankruptcy Court for the Southern District of Texas. Medical Properties Trust ("MPT") which is the real estate investment trust that controls the real estate and has served as Steward's landlord, announced in August, 2024 a settlement agreement allowing Steward operated hospitals, including Wadley Regional Medical Center, to transition to new ownership. This agreement was approved by the U.S. Bankruptcy Court on September 11, 2024. Christus Health announced on September 20, 2024 that it has agreed to assume operations at Wadley Regional Medical Center. Parent company Steward Health Care has since secured $225,000,000 in financing to continue operations through the court proceedings.
Note: As shown in the table above, the total combined top ten taxpayers in the District currently account for over 21% of the District's tax base. In addition, the top taxpayer in the District currently accounts for over 14% 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		2024/25 (1)	% of Total		2023/24 (2)	% of Total		2022/23 (2)	% of Total
Real, Residential, Single-Family	$	1,369,360,110	37.10%	$	1,309,707,353	37.95%	$	1,152,666,534	38.35%
Real, Residential, Multi-Family		222,847,079	6.04%		208,848,898	6.05%		179,164,503	5.96%
Real, Vacant Lots/Tracts		148,235,624	4.02%		70,317,533	2.04%		70,182,874	2.34%
Real, Qualified Land & Improvements		61,485,589	1.67%		45,434,706	1.32%		42,379,379	1.41%
Real, Non-Qualified Land & Improvements		43,695,404	1.18%		54,591,604	1.58%		52,406,592	1.74%
Real, Commercial & Industrial		1,059,671,387	28.71%		975,471,342	28.27%		818,659,279	27.24%
Oil & Gas		-	0.00%		-	0.00%		-	0.00%
Utilities		67,457,087	1.83%		79,243,340	2.30%		63,363,901	2.11%
Tangible Personal, Commercial		292,040,085	7.91%		269,934,016	7.82%		252,358,919	8.40%
Tangible Personal, Industrial		372,561,236	10.09%		381,848,569	11.07%		318,055,575	10.58%
Tangible Personal, Mobile Homes & Other		10,287,512	0.28%		10,354,679	0.30%		8,515,796	0.28%
Tangible Personal, Residential Inventory		627,125	0.02%		1,320,303	0.04%		1,921,387	0.06%
Tangible Personal, Special Inventory		43,011,354	1.17%		43,624,349	1.26%		45,894,165	1.53%
Total Appraised Value	$	3,691,279,592	100.00%	$	3,450,696,692	100.00%	$	3,005,568,904	100.00%
Less:									
Homestead Cap Adjustment	$	43,654,106		$	70,383,065		$	56,718,215	
Non-Homestead (23.231) Cap Adjustment		13,566,442			-			-	
Productivity Loss		44,921,893			43,131,808			40,095,317	
Exemptions		484,321,410 (3)			460,529,088 (3)			228,693,586 (4)	
Total Exemptions/Deductions (6)	$	586,463,851		$	574,043,961		$	325,507,118	
Net Taxable Assessed Valuation	$	3,104,815,741		$	2,876,652,731		$	2,680,061,786	

Category		2021/22 (2)	% of Total		2020/21 (2)	% of Total		2019/20 (2)	% of Total
Real, Residential, Single-Family	$	965,847,592	38.95%	$	921,799,449	37.22%	$	884,941,810	36.67%
Real, Residential, Multi-Family		146,973,561	5.93%		129,296,096	5.22%		106,895,054	4.43%
Real, Vacant Lots/Tracts		62,164,284	2.51%		62,025,420	2.50%		62,123,204	2.57%
Real, Qualified Land & Improvements		41,819,264	1.69%		41,502,891	1.68%		43,550,861	1.80%
Real, Non-Qualified Land & Improvements		48,578,641	1.96%		48,625,469	1.96%		50,173,760	2.08%
Real, Commercial & Industrial		740,061,010	29.84%		740,650,787	29.90%		735,253,597	30.47%
Oil & Gas		-	0.00%		-	0.00%		-	0.00%
Utilities		60,435,712	2.44%		57,963,873	2.34%		57,505,151	2.38%
Tangible Personal, Commercial		220,243,225	8.88%		236,974,592	9.57%		241,454,163	10.01%
Tangible Personal, Industrial		147,332,404	5.94%		193,577,827	7.82%		188,008,118	7.79%
Tangible Personal, Mobile Homes & Other		6,710,888	0.27%		6,339,690	0.26%		6,374,439	0.26%
Tangible Personal, Residential Inventory		1,857,657	0.07%		1,909,127	0.08%		2,018,517	0.08%
Tangible Personal, Special Inventory		37,981,001	1.53%		36,219,288	1.46%		34,848,892	1.44%
Total Appraised Value	$	2,480,005,239	100.00%	$	2,476,884,509	100.00%	$	2,413,147,566	100.00%
Less:									
Homestead Cap Adjustment	$	3,239,956		$	2,130,946		$	2,062,739	
Non-Homestead (23.231) Cap Adjustment		-			-			-	
Productivity Loss		39,467,215			39,276,140			40,752,801	
Exemptions		159,559,430 (5)			158,899,592 (5)			158,348,016 (5)	
Total Exemptions/Deductions (6)	$	202,266,601		$	200,306,678		$	201,163,556	
Net Taxable Assessed Valuation	$	2,277,738,638		$	2,276,577,831		$	2,211,984,010	

(1) Source: Certified Values from the Bowie Central Appraisal District as of July 19, 2024. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.
(2) Source: Comptroller of Public Accounts - Property Tax Division.
(3) The passage of a Texas constitutional amendment on November 7, 2023 increased the homestead exemption from $40,000 to $100,000.
(4) The passage of a Texas constitutional amendment on May 7, 2022 increased the homestead exemption from $25,000 to $40,000.
(5) The passage of a Texas constitutional amendment on November 3, 2015 increased the homestead exemption from $15,000 to $25,000.
(6) Excludes values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers.

PRINCIPAL REPAYMENT SCHEDULE

Fiscal Year Ending 8/31	Outstanding Bonds [1]	Less: The Refunded Bonds [1] [2]	Plus: The 2024 Refunding Bonds [1] [2]	Plus: The Bonds [2]	Total [1] [2]	Bonds Unpaid At Year End [1] [2]	Percent of Principal Retired
2025	$ 2,850,000.00	$ -	$ 90,000.00	$ -	$ 2,940,000.00	$ 205,935,000.00	1.41%
2026	3,255,000.00	1,330,000.00	1,035,000.00	-	2,960,000.00	202,975,000.00	2.82%
2027	2,795,000.00	1,455,000.00	3,400,000.00	-	4,740,000.00	198,235,000.00	5.09%
2028	2,700,000.00	1,335,000.00	3,615,000.00	-	4,980,000.00	193,255,000.00	7.48%
2029	4,465,000.00	-	75,000.00	510,000.00	5,050,000.00	188,205,000.00	9.90%
2030	4,805,000.00	-	80,000.00	435,000.00	5,320,000.00	182,885,000.00	12.44%
2031	5,000,000.00	1,475,000.00	1,100,000.00	990,000.00	5,615,000.00	177,270,000.00	15.13%
2032	5,220,000.00	1,550,000.00	1,155,000.00	1,075,000.00	5,900,000.00	171,370,000.00	17.96%
2033	5,455,000.00	1,630,000.00	1,215,000.00	1,150,000.00	6,190,000.00	165,180,000.00	20.92%
2034	5,700,000.00	1,715,000.00	1,280,000.00	1,235,000.00	6,500,000.00	158,680,000.00	24.03%
2035	5,960,000.00	1,805,000.00	1,345,000.00	1,325,000.00	6,825,000.00	151,855,000.00	27.30%
2036	6,230,000.00	1,895,000.00	1,410,000.00	1,415,000.00	7,160,000.00	144,695,000.00	30.73%
2037	6,515,000.00	1,995,000.00	1,480,000.00	1,520,000.00	7,520,000.00	137,175,000.00	34.33%
2038	6,815,000.00	2,095,000.00	1,560,000.00	1,615,000.00	7,895,000.00	129,280,000.00	38.11%
2039	7,145,000.00	2,200,000.00	1,640,000.00	1,700,000.00	8,285,000.00	120,995,000.00	42.07%
2040	4,885,000.00	-	-	1,740,000.00	6,625,000.00	114,370,000.00	45.24%
2041	5,055,000.00	-	-	1,810,000.00	6,865,000.00	107,505,000.00	48.53%
2042	5,245,000.00	-	-	1,885,000.00	7,130,000.00	100,375,000.00	51.94%
2043	5,460,000.00	-	-	1,965,000.00	7,425,000.00	92,950,000.00	55.50%
2044	5,680,000.00	-	-	2,045,000.00	7,725,000.00	85,225,000.00	59.20%
2045	5,915,000.00	-	-	2,125,000.00	8,040,000.00	77,185,000.00	63.05%
2046	6,140,000.00	-	-	2,215,000.00	8,355,000.00	68,830,000.00	67.05%
2047	6,390,000.00	-	-	2,305,000.00	8,695,000.00	60,135,000.00	71.21%
2048	6,650,000.00	-	-	2,400,000.00	9,050,000.00	51,085,000.00	75.54%
2049	6,920,000.00	-	-	2,495,000.00	9,415,000.00	41,670,000.00	80.05%
2050	7,205,000.00	-	-	2,595,000.00	9,800,000.00	31,870,000.00	84.74%
2051	7,495,000.00	-	-	2,705,000.00	10,200,000.00	21,670,000.00	89.63%
2052	7,805,000.00	-	-	2,815,000.00	10,620,000.00	11,050,000.00	94.71%
2053	8,120,000.00	-	-	2,930,000.00	11,050,000.00	-	100.00%
Total	$ 163,875,000.00	$ 20,480,000.00	$ 20,480,000.00	$ 45,000,000.00	$ 208,875,000.00		

(1) Excludes the accreted value of capital appreciation bonds.
(2) Preliminary, subject to change. The Bonds are being sold in close proximity to the District's contemplated issuance of the 2024 Refunding Bonds, scheduled to close on or about December 17, 2024.

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

Fiscal Year	Maintenance Tax Notes & Time Warrants		
Ending 6/30	Principal	Interest	Total
2025	$ 1,383,276.77	$ 254,954.10	$ 1,638,230.87
2026	1,426,481.64	210,788.93	1,637,270.57
2027	1,504,575.93	169,973.64	1,674,549.57
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
	$ 8,259,334.34	$ 1,008,654.19	$ 9,267,988.53

(1) See the "Audited Financial Report Fiscal Year Ended June 30, 2023" 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)]	Less: Refunded Debt Service [(2) (3)]	Plus: The 2024 Refunding Bonds [(2) (3)] Principal	Interest	Total	Plus: The Bonds [(3) (4)] Principal	Interest	Total	Combined Total [(1) (2) (3) (4) (5)]
2025	$ 11,657,193.75	$ 818,000.00	$ 90,000.00	$ 726,937.50	$ 816,937.50	$ -	$ 1,260,000.00	$ 1,260,000.00	$ 12,916,131.25
2026	12,114,400.00	4,153,000.00	1,035,000.00	2,122,750.00	3,157,750.00	-	1,800,000.00	1,800,000.00	12,919,150.00
2027	12,079,825.00	4,778,000.00	3,400,000.00	882,750.00	4,282,750.00	-	1,800,000.00	1,800,000.00	13,384,575.00
2028	12,043,425.00	4,778,000.00	3,615,000.00	707,375.00	4,322,375.00	-	1,800,000.00	1,800,000.00	13,387,800.00
2029	11,045,475.00	818,000.00	75,000.00	615,125.00	690,125.00	510,000.00	1,789,800.00	2,299,800.00	13,217,400.00
2030	11,171,525.00	818,000.00	80,000.00	611,250.00	691,250.00	435,000.00	1,770,900.00	2,205,900.00	13,250,675.00
2031	11,135,600.00	2,256,125.00	1,100,000.00	581,750.00	1,681,750.00	990,000.00	1,742,400.00	2,732,400.00	13,293,625.00
2032	11,100,100.00	2,255,500.00	1,155,000.00	525,375.00	1,680,375.00	1,075,000.00	1,701,100.00	2,776,100.00	13,301,075.00
2033	11,068,225.00	2,256,000.00	1,215,000.00	466,125.00	1,681,125.00	1,150,000.00	1,656,600.00	2,806,600.00	13,299,950.00
2034	11,034,350.00	2,257,375.00	1,280,000.00	403,750.00	1,683,750.00	1,235,000.00	1,608,900.00	2,843,900.00	13,304,625.00
2035	11,002,850.00	2,259,375.00	1,345,000.00	338,125.00	1,683,125.00	1,325,000.00	1,557,700.00	2,882,700.00	13,309,300.00
2036	10,968,100.00	2,256,875.00	1,410,000.00	269,250.00	1,679,250.00	1,415,000.00	1,502,900.00	2,917,900.00	13,308,375.00
2037	10,934,475.00	2,259,625.00	1,480,000.00	197,000.00	1,677,000.00	1,520,000.00	1,444,200.00	2,964,200.00	13,316,050.00
2038	10,901,225.00	2,257,375.00	1,560,000.00	121,000.00	1,681,000.00	1,615,000.00	1,381,500.00	2,996,500.00	13,321,350.00
2039	10,882,225.00	2,255,000.00	1,640,000.00	41,000.00	1,681,000.00	1,700,000.00	1,315,200.00	3,015,200.00	13,323,425.00
2040	8,345,900.00	-	-	-	-	1,740,000.00	1,246,400.00	2,986,400.00	11,332,300.00
2041	8,317,100.00	-	-	-	-	1,810,000.00	1,175,400.00	2,985,400.00	11,302,500.00
2042	8,301,100.00	-	-	-	-	1,885,000.00	1,101,500.00	2,986,500.00	11,287,600.00
2043	8,302,000.00	-	-	-	-	1,965,000.00	1,024,500.00	2,989,500.00	11,291,500.00
2044	8,299,200.00	-	-	-	-	2,045,000.00	944,300.00	2,989,300.00	11,288,500.00
2045	8,302,300.00	-	-	-	-	2,125,000.00	860,900.00	2,985,900.00	11,288,200.00
2046	8,286,200.00	-	-	-	-	2,215,000.00	774,100.00	2,989,100.00	11,275,300.00
2047	8,285,600.00	-	-	-	-	2,305,000.00	683,700.00	2,988,700.00	11,274,300.00
2048	8,284,800.00	-	-	-	-	2,400,000.00	589,600.00	2,989,600.00	11,274,400.00
2049	8,283,400.00	-	-	-	-	2,495,000.00	491,700.00	2,986,700.00	11,270,100.00
2050	8,285,900.00	-	-	-	-	2,595,000.00	389,900.00	2,984,900.00	11,270,800.00
2051	8,281,900.00	-	-	-	-	2,705,000.00	283,900.00	2,988,900.00	11,270,800.00
2052	8,285,900.00	-	-	-	-	2,815,000.00	173,500.00	2,988,500.00	11,274,400.00
2053	8,282,400.00	-	-	-	-	2,930,000.00	58,600.00	2,988,600.00	11,271,000.00
	$ 285,282,693.75	$ 36,476,250.00	$ 20,480,000.00	$ 8,609,562.50	$ 29,089,562.50	$ 45,000,000.00	$ 33,929,200.00	$ 78,929,200.00	$ 356,825,206.25

(1) Illustrated on the State of Texas fiscal year end of August 31st, although the District's fiscal year ends June 30th.
(2) Includes the accreted value of capital appreciation bonds.
(3) Preliminary, subject to change. The Bonds are being sold in close proximity to the District's contemplated issuance of the 2024 Refunding Bonds, scheduled to close on or about December 17, 2024.
(4) Interest on the Series 2024 Adjustable Rate Bonds is calculated at the Initial Rate of 4.00%, through August 14, 2026, and for purposes of illustration, assumed to be at 4.00% thereafter through stated maturity which is consistent with the District's planning estimate. The Highest Rate that the bond interest rate could reset to, commencing on or after August 15, 2026, is 8.00%.
(5) 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 2024/25, but will receive additional state aid for the increase in the homestead exemption which took effect in 2015/16, 2022/23 and 2023/24. 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 Offering Memorandum.

TAX ADEQUACY WITH RESPECT TO THE DISTRICT'S BONDS

Projected Maximum Debt Service Requirement [(1)]	$ 13,387,800.00
Projected State Financial Assistance for Hold Harmless of Increased Homestead Exemption [(2)]	1,090,000.00
Projected Net Debt Service Requirement	$ 12,297,800.00
$0.40417 Tax Rate @ 98% Collections Produces [(3)]	12,297,800.00
2024/25 Certified Net Taxable Valuation [(4)]	$ 3,104,815,741

(1) Includes the Bonds, the 2024 Refunding Bonds, and excludes the Refunded Bonds. Includes the accreted value of outstanding capital appreciation bonds. Preliminary, subject to change. The Bonds are being sold in close proximity to the District's contemplated issuance of the 2024 Bonds, scheduled to close on or about December 17, 2024.
(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 Offering Memorandum. The District will not receive any Instructional Facilities Allotment nor Existing Debt Allotment state aid in 2024/25, but will receive additional state aid for the increase in the homestead exemption which took effect in 2015/16, 2022/23 and 2023/24.
(3) Source: Certified Values from the Bowie Central Appraisal District as of July 19, 2024. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

AUTHORIZED BUT UNISSUED BONDS

Following the issuance of the Bonds, the District will not have any authorized but unisused ad valorem tax bonds (preliminary, subject to change). 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				
	2019	**2020**	**2021**	**2022**	**2023**
Beginning Fund Balance	**$ 16,577,792**	**$ 16,719,728**	**$ 17,268,213**	**$ 17,262,637**	**$ 16,869,717**
Revenues:					
Local and Intermediate Sources	$ 24,891,167	$ 24,232,385	$ 24,709,956	$ 24,616,132	$ 27,128,989
State Sources	34,982,486	55,727,004	48,827,838	47,145,501	46,164,585
Federal Sources & Other	725,402	1,768,095	1,546,116	2,062,304	4,644,294
Total Revenues	**$ 60,599,055**	**$ 81,727,484**	**$ 75,083,910**	**$ 73,823,937**	**$ 77,937,868**
Expenditures:					
Instruction	$ 33,458,686	$ 47,818,537	$ 44,997,823	$ 43,164,732	$ 44,784,448
Instructional Resources & Media Services	364,173	386,006	380,305	382,293	574,630
Curriculum & Instructional Staff Development	2,473,043	2,222,838	2,044,640	2,119,900	2,229,090
Instructional Leadership	126,231	132,839	136,118	149,910	117,282
School Leadership	4,897,270	5,342,986	5,543,751	5,719,096	5,767,898
Guidance, Counseling & Evaluation Services	1,390,324	1,653,953	1,683,782	1,698,531	1,789,829
Social Work Services	-	-	77,072	79,096	61,384
Health Services	378,615	415,430	546,858	450,388	526,316
Student (Pupil) Transportation	189,148	327,935	221,452	289,325	455,018
Cocurricular/Extracurricular Activities	3,086,407	3,363,480	2,637,203	2,871,184	2,988,899
General Administration	3,360,339	3,495,341	3,530,019	4,393,293	4,589,817
Plant Maintenance and Operations	7,552,529	8,409,963	8,269,517	9,220,903	10,296,726
Security and Monitoring Services	851,057	698,528	747,956	1,068,950	1,303,301
Data Processing Services	137,862	122,936	122,061	134,930	2,388,032
Community Services	59,276	58,508	39,089	35,496	52,413
Debt Service - Principal on Long Term Debt	-	-	-	106,197	504,143
Debt Service - Interest on Long Term Debt	-	-	-	4,815	9,573
Capital Outlay	-	53,486	-	-	418,000
Payments to Fiscal Agent/Member Districts of SSA	607,450	630,813	641,329	688,955	690,707
Other Intergovernmental Charges	393,385	411,091	416,234	433,223	466,388
Total Expenditures	**$ 59,325,795**	**$ 75,544,670**	**$ 72,035,209**	**$ 73,011,217**	**$ 80,013,894**
Excess (Deficiency) of Revenues over Expenditures	$ 1,273,260	$ 6,182,814	$ 3,048,701	$ 812,720	$ (2,076,026)
Other Resources and (Uses):					
Sale of Real or Personal Property	$ 4,690	$ 13,030	$ 11,104	$ 18,543	$ 29,315
Right-to-Use Leases	-	-	-	48,428	1,328,933
Operating Transfers In	591,750	-	-	408,250	-
Operating Transfers Out	(1,727,768)	(5,647,359)	(2,642,560)	(1,680,862)	(1,641,115)
Total Other Resources (Uses)	**$ (1,131,328)**	**$ (5,634,329)**	**$ (2,631,456)**	**$ (1,205,641)**	**$ (282,867)**
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	$ 141,932	$ 548,485	$ 417,245	$ (392,921)	$ (2,358,893)
Prior Period Adjustment	$ -	$ -	$ (422,822) [(3)]	$ -	$ -
Ending Fund Balance [(2)]	**$ 16,719,724**	**$ 17,268,213**	**$ 17,262,636**	**$ 16,869,716**	**$ 14,510,824**

(1) See "MANAGEMENT'S DISCUSSION AND ANALYSIS - Economic Factors and Next Year's Budgets and Rates" in Appendix D hereto for a discussion of the 2024/25 budget and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - Possible Effects of Wealth Transfer Provisions on the District's Financial Condition" in this Offering Memorandum.
(2) The District anticipates an estimated ending General Fund balance as of June 30, 2024 to be approximately $12,700,000.
(3) The prior period adjustment in 2021 is due to the District implementing GASB statement No. 84 for Fiduciary Activities.

CHANGE IN NET ASSETS [(1)]

	Fiscal Year Ended June 30				
	2019	2020	2021	2022	2023
Revenues:					
Program Revenues:					
Charges for Services	$ 2,398,215	$ 2,222,308	$ 1,408,386	$ 1,524,738	$ 1,507,915
Operating Grants and Contributions	16,619,876	21,723,394	19,061,657	24,389,076	31,446,780
General Revenues:					
Property Taxes Levied for General Purposes	23,363,799	22,773,727	22,829,194	23,174,221	24,361,241
Property Taxes Levied for Debt Service	5,083,456	5,426,488	5,506,848	5,609,173	6,579,187
State Aid - Formula Grants	33,962,041	49,910,271	41,418,708	39,144,339	37,346,436
Grants and Contributions Not Restricted	-	5,795,850	6,051,350	7,008,855	9,596,548
Investment Earnings	480,431	388,283	63,904	108,439	3,931,730
Miscellaneous	609,499	680,144	787,092	879,440	1,127,118
	$ 82,517,317	$ 108,920,466	$ 97,127,139	$ 101,838,281	$ 115,896,955
Expenses:					
Instruction	$ 45,072,376	$ 64,228,084	$ 56,608,422	$ 53,044,637	$ 59,408,093
Instruction Resources & Media Services	454,387	502,022	495,098	444,420	466,639
Curriculum & Staff Development	2,799,820	2,641,676	2,331,868	2,372,936	2,901,395
Instructional Leadership	156,895	347,005	148,405	545,869	1,065,539
School Leadership	5,189,237	6,017,039	5,834,979	5,246,491	5,599,877
Guidance, Counseling & Evaluation Services	2,083,871	2,586,880	2,522,308	2,622,945	3,004,396
Social Work Services	75,306	89,969	80,079	70,818	58,437
Health Service	636,584	700,413	948,468	909,024	881,268
Student Transportation	270,139	313,887	300,292	382,959	565,004
Food Service	6,639,300	6,645,988	6,617,625	6,616,009	7,469,141
Cocurricular/Extracurricular Activities	3,036,950	3,509,281	2,995,901	3,203,570	3,480,247
General Administration	3,671,912	4,039,988	3,853,595	4,305,399	4,605,275
Plant Maintenance & Operations	7,728,583	8,535,073	8,230,655	8,750,354	10,033,339
Security and Monitoring Services	948,144	752,163	777,365	947,475	1,293,298
Data Processing Services	137,862	122,936	122,061	134,930	2,309,977
Community Services	849,323	898,572	875,866	837,659	990,728
Interest on Long-term Debt	3,253,447	3,147,828	3,364,039	2,572,499	4,261,587
Bond Issuance Costs and Fees	62,625	3,549	10,300	5,000	432,361
Payments to Fiscal Agent/Member Districts of SSA	607,450	630,813	641,329	688,955	690,707
Other Intergovernmental Charges	393,385	411,091	416,234	433,223	466,388
Total Expenditures	$ 84,067,596	$ 106,124,257	$ 97,174,889	$ 94,135,172	$ 109,983,696
Business Type Activities:					
Food Service Catering Fund	$ 227,440	$ 175,353	$ 102,209	$ 112,679	$ 175,052
Print Shop Activity Fund	99,811	70,553	69,306	105,128	274,023
Public Relations Activity Fund	5,697	5,703	19,679	7,312	29,486
TC Food Service Activity	-	-	2,108	108	-
St. James Food Service Activity	-	-	2,880	-	-
Total Business Type Activities	$ 332,948	$ 251,609	$ 196,182	$ 225,227	$ 478,561
Change in Net Assets	$ (1,883,227)	$ 2,544,600	$ (243,932)	$ 7,477,882	$ 5,434,698
Beginning Net Assets	$ 5,585,434	$ 3,702,214	$ 6,246,812	$ 6,002,882	$ 13,516,172
Prior Period Adjustment	$ -	$ -	$ -	$ 35,409 [(2)]	$ -
Ending Net Assets	$ 3,702,207	$ 6,246,814	$ 6,002,880	$ 13,516,173	$ 18,950,870

(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. 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. The District 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 25,779.

Bowie County (the "County") named after James Bowie from the Battle of the Alamo, 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]
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
2023	6,953	227
2024	6,865	411
Current	6,810	366

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

District Staff

Teachers		582
Auxiliary Personnel		261
Teachers' Aides		256
Administrators		52
Professional Support		132
	Total	1,283

Facilities

Campus	Grades	Current Enrollment	Capacity	Year Built	Year of Addition/ Renovation
Paul Laurence Dunbar Early Education Center	PK	256	310	1953	1984
Theron Jones Early Literacy Center	K-2	329	460	1949	2003
Highland Park Elementary	PK-5	430	426	1961	1982
Martha and Josh Morriss Mathematics & Engineering Elementary	K-5	355	396	2007	N/A
Nash Elementary	PK-5	657	732	1967	2001/2002/2013
Spring Lake Park Elementary	PK-5	346	440	1961	2002
Waggoner Creek Elementary	K-5	336	408	2016	N/A
Wake Village Elementary	PK-5	532	767	1987	2002
Westlawn Elementary	3-5	320	360	1963	2005
Texas Middle School w/ 6th Grade Center	6-8	1,419	1,993	2002	6th grade center-2016
Texas High School	9-12	1,765	1,985	1967	2006/2009
OPTIONS Academic Alternative High School	9-12	65	140	1961	2006
Digital Academy of Texas	5-12	366	-	-	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	1,283
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

	September 2022	September 2023	September 2024
Bowie County	4.6%	4.1%	4.3%
State of Texas	3.8%	3.9%	4.1%

Source: Texas Workforce Commission

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

December 3, 2024

TEXARKANA INDEPENDENT SCHOOL DISTRICT
ADJUSTABLE RATE UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2024
DATED AS OF NOVEMBER 15, 2024
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) the Tender Agent Agreement, dated as of October 30, 2024, between the District and BOKF, NA, Dallas, Texas, as Tender Agent, (iii) one of the executed Bonds, and, (iv) 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 Offering Memorandum 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, 2023

TEXARKANA INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2023

TEXARKANA INDEPENDENT SCHOOL DISTRICT

Annual Financial Report
Table of Contents
Year Ended June 30, 2023

TEXARKANA INDEPENDENT SCHOOL DISTRICT

Annual Financial Report
Table of Contents (Continued)
Year Ended June 30, 2023

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, 2023, at a meeting of the board of school trustees of such school district on the 16th day of November, 2023.

Bill Kimbro
Signature of Board Secretary

Gerald D. Hooker
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, 2023, 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 unit, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2023, 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.

2900 St. Michael Drive, Suite 302, Texarkana, Texas 75503 Telephone (903) 831-3477 FAX (903) 831-3482 www.thomasthomascpas.com

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 52, budgetary comparison schedule – child nutrition on page 53, Schedule of the District's Proportionate Share of the Net Pension Liability (TRS) on pages 54-55, Schedule of the District's Contributions for Pensions (TRS) on pages 56-57, Schedule of the District's Proportionate Share of the Net OPEB Liability (TRS) on pages 58-59, and Schedule of the District's Contributions for Other Postemployment Benefits (OPEB) (TRS) on pages 60-62 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 7, 2023, 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 7, 2023

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 (the District), discuss and analyze the District's financial performance for the year ended June 30, 2023. Please read it in conjunction with the independent auditors' report on pages 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 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 overall financial condition of the District has improved 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 statements reflect use of the accrual basis of accounting that is also 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 2023 and 2022, the ending net position of our governmental activities was $17,845,495 and $12,193,209 respectively.

In 2023 and 2022, the ending net position of our business-type activities was $1,105,375 and $1,322,963 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.

Table I

Texarkana Independent School District

NET POSITION
(In Thousands)

	Governmental Activities		Business-type Activities		Totals		
	2022	2023	2022	2023	2022	2023	% Change
Current and other assets	$ 54,217	$ 204,187	$ 1,322	$ 1,112	$ 55,539	$ 205,299	269.65%
Capital assets	96,310	103,642	5	72	96,315	103,714	7.68%
Total assets	150,527	307,829	1,327	1,184	151,854	309,013	103.49%
Deferred Outflows of Resources	14,025	23,455	-	-	14,025	23,455	67.24%
Long-term liabilities	95,847	242,885	-	72	95,847	242,957	153.48%
Other liabilities	26,117	41,856	4	7	26,121	41,863	60.27%
Total liabilities	121,964	284,741	4	79	121,968	284,820	133.52%
Deferred Inflows of Resources	30,396	28,698	-	-	30,396	28,698	-5.59%
Net Position:							
Invested in capital assets net of related debt	35,031	(102,266)	-	-	35,031	(102,266)	-391.93%
Restricted	11,409	155,706	-	-	11,409	155,706	1264.76%
Unrestricted	(34,247)	(35,594)	1,323	1,105	(32,924)	(34,489)	4.75%
Total net position	$ 12,193	$ 17,845	$ 1,323	$ 1,105	$ 13,516	$ 18,950	40.20%

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

Changes In Net Position
(In Thousands)

	Governmental Activities		Business-type Activities		Totals		
	2022	2023	2022	2023	2022	2023	% Change
Revenues :							
Program Revenues:							
Charges for Services	$ 1,273	1,246	$ 251	$ 261	$ 1,524	$ 1,507	-1.12%
Operating grants and contributions	24,389	31,447			24,389	31,447	28.94%
General Revenues:							
Maintenance and operations taxes	23,174	24,361			23,174	24,361	5.12%
Debt service taxes	5,609	6,580			5,609	6,580	17.31%
State aid – formula grants	39,144	37,346			39,144	37,346	-4.59%
Grants not Restricted	7,009	9,597			7,009	9,597	
Investment Earnings	108	3,931			108	3,931	3539.81%
Miscellaneous	879	1,127			879	1,127	28.21%
Total Revenue	101,585	115,635	251	261	101,836	115,896	13.81%
Expenses:							
Instruction, curriculum and media services	55,862	62,776			55,862	62,776	12.38%
Instructional and school leadership	5,792	6,665			5,792	6,665	15.07%
Student support services	3,986	4,784			3,986	4,784	20.02%
Child nutrition	6,616	7,469			6,616	7,469	12.89%
Co-curricular activities	3,203	3,480			3,203	3,480	8.65%
General administration	4,305	4,606			4,305	4,606	6.99%
Plant maintenance, security & data processing	9,833	13,361			9,833	13,361	35.88%
Community services	838	991			838	991	18.26%
Debt services	2,578	4,694			2,578	4,694	82.08%
Payments to Fiscal Agent and Intergovernmental Charges	689	691			689	691	0.29%
Other business-type activities	433	466	225	479	658	945	43.62%
Total Expenses	94,135	109,983	225	479	94,360	110,462	17.06%
Increase (decrease) in net position	7,452	5,652	26	(218)	7,478	5,434	-27.33%
Net position at beginning of year	4,706	12,193	1,297	1,323	6,003	13,516	125.15%
Prior Period Adjustment	35				-	35	100.00%
Net position at end of year	$ 12,193	$ 17,845	$ 1,323	$ 1,105	$ 13,481	$ 18,985	40.83%

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Some of the major highlights of the 2022-23 school year included the following:

- The District's General Fund Balance decreased substantially by $2.3 million in 2022-23. This decrease was mainly caused by a loss in funding for ADA and several board approved capital expenditures. The 2022-23 budget was prepared on 6,348 and the final ADA for the year ended at 6,024. This was a loss in state funding of approximately $1.8 million. The capital expenditures that the board approved were as follows:

Purchase of Pine Street Property	$ 418,000
Safety and Security Upgrades	536,000
Bond election equipment	200,000

  The District has been diligently working to level out after the COVID-19 pandemic. The District normally runs at a 94% attendance rate, but during the 2022-23 school year it saw an average of 92% attendance. The District continued to see increases in various necessary expenditures such as electricity, cleaning supplies, food costs and etc. due to an economic shift nationwide.

- During the 2022-23 school year, the District began an agreement with K12 Virtual Schools, LLC. This agreement allows the District to offer a virtual environment for learning to students across the state of Texas. Enrollment for the District for the 2022-23 school year was 300 students. State Funding for the majority of these students has been remitted to K12 Virtual Schools, LLC to operate the campus.

- During 2022-23, the District spent approximately $872,000 on deferred maintenance projects. These included enhancements to the Texas High School student drop off/pickup lane, replacement signage at Morriss Elementary, several lighting retrofits, and some campus painting projects. Some of these projects were still in progress on June 30, 2023.

- 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. The District received an "A-Superior Rating" rating and status for the fiscal year ending 2021-22.

- The District was awarded a total of $29,832,468 in ESSER funds from the CRRSA and ARP acts approved by the United States Congress in 2020-21, with the amount to carry over and use for 2022-23 being $9,391,347. During the 2022-23 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, and the continuation of Solution Tree and Kagan Structures to improve educational experiences district wide. The remaining funds in the amount of $10,192,819 are to be expended in the following fiscal year, 2023-24. As of June 30, 2023, a total of $19,639,649 of these funds have been expended.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

- On May 23, 2022, the District was awarded the Innovative Services Students with Autism Grant in the amount of $3,201,275. The purpose of this grant 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, the District created an SSA to include the following districts: Liberty-Eylau; Redwater; Maud; Cass County SSA - Atlanta, Avinger, Bloomburg, Hughes Springs, and McLeod; Western Bowie County Co-op, - Avery, DeKalb, Hooks, Hubbard, Leary, Malta, New Boston, Red Lick, Simms; Queen City ISD. A total of $1,668,421 was expended in the 2022-23 school year, with the remaining amount to be used in the 2023-24 fiscal year to continue the program.

- The District was awarded a total of $3,286,566 in Texas COVID Learning Acceleration Supports (TCLAS) funds. This program includes funding and targeted supports for LEAs to accelerate student learning in the wake of COVID-19, utilizing state and federal resources. One streamlined application was used; the program includes nine separate 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 whose learning was adversely impacted by the pandemic, and explore different innovative school models. The grant programs will continue into the 2023-24 school year.

- The District was awarded the 21st Century Community Learning Centers (CCLC) Grant on July 1, 2022, 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. The District utilized all funds for the continuation of the ACE program, which was implemented in the 2021-22 school year. The ACE program provides no-cost activities after school and during the summer for K-12 students in our Title I campuses.

- A Chapter 313 agreement was entered into by the District and TCI Texarkana, Inc. (Comptroller Application #1646 for the 2023 Tax Year). The Property Value Limitation Agreement approved by the District's Board of Trustees on November 16, 2022, for the TCI Texarkana, LLC project. The 2023-24 school year is the first of 10 years that the $30 million value limitation will be in effect under the Agreement. The total amount owed to THE DISTRICT for 2023-24 is $1,019,891: $499,518 for revenue protection, and a $520,373 supplemental payment.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 4) reported a combined fund balance of $170.2 million. Fund Balance in the General Fund decreased to $14.5 million. Other significant changes in fund balances should also be noted. In November 2022, the voters of The District passed a $189 million bond package with two propositions.

Proposition A included these projects:

- Combine Spring Lake Park and Highland Park Elementary Schools at New 800 Student Elementary Campus on existing Pine Street Property (Formally named Parks Elementary at September 27, 2023, Board of Trustees meeting.)
- New 600-Student Dunbar Early Education Center (Pre-K)
- Additions and Renovations to Wake Village Elementary
- Safety and Security upgrades
- New buses

Proposition B included construction of new Career and Technology Facilities (CTE) at Texas High School and renovation of existing CTE spaces in order to prepare students for 21st Century careers in partnership with Texarkana College and the local business community, while optimizing dual credit dollars available through the P-TECH program.

A sale of $144,000,000 of that total bond package took place on February 22, 2023. Those funds are reflected in the ending fund balance of the Capital Projects Fund at June 30, 2023. An additional sale of approximately $45 million will be made at a future date. 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 $14.5 million reported on page 4 differs from the General Fund's budgeted fund balance of $14.3 million reported in the budgetary comparison schedule on page 52.

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

	Governmental Activities		Business-Type Activities	
	2022	2023	2022	2023
Land	$ 5,838	$ 6,426	$ -	
Buildings and improvements	169,340	172,918	9	9
Furniture and equipment	14,595	15,976	269	244
Construction in progress	2,310	8,315	-	
Intangible SBITA Asset		1,597		
Intangible Right-to-Use Lease Asset	366	643	-	103
Totals at historical cost	192,449	205,875	278	356
Less accumulated depreciation for:				
Buildings and improvements	(84,649)	(89,699)	(9)	(9)
Furniture and equipment	(11,227)	(11,775)	(264)	(245)
Intangible SBITA Asset		(349)		
Intangible Right-to-Use Lease Asset	(264)	(410)	-	(30)
Total accumulated depreciation	(96,140)	(102,233)	(273)	(284)
Net capital assets	$ 96,309	$ 103,642	$ 5	$ 72

	Fiduciary Activities		Total		Total % Change
	2022	2023	2022	2023	2022-23
Land			$ 5,838	$ 6,426	10.07%
Buildings and improvements			169,349	172,927	2.11%
Furniture and equipment		69	14,864	16,289	9.59%
Construction in progress			2,310	8,315	259.96%
Intangible SBITA Asset				1,597	
Intangible Right-to-Use Lease Asset			366	746	
Totals at historical cost	0.00	69	192,727	206,300	7.04%
Less accumulated depreciation for:					
Buildings and improvements			(84,658)	(89,708)	5.97%
Furniture and equipment		(5)	(11,491)	(12,025)	4.65%
Intangible SBITA Asset				(349)	
Intangible Right-to-Use Lease Asset			(264)	(440)	
Total accumulated depreciation	-	(5)	(96,413)	(102,522)	6.34%
Net capital assets	$ -	$ 64	$ 96,314	$ 103,778	7.75%

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2023, the District had $205 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 2022-23 school year, the District had $203.5 million in bonds and notes outstanding, versus $61.3 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.

NEXT YEAR'S BUDGETS AND RATES

The District's elected officials considered many factors when setting the fiscal-year 2023-24 budget and tax rate. In the wake of COVID-19, the District experienced a decline in attendance, uncertainty about long-term enrollment trends, and inflationary pressures. In order to prepare for a variety of contingencies, some vacant positions were not filled.

The 2023 property tax rate has been increased by the adoption of a tax rate of $1.2113, which is effectively a 12.55 percent increase in the tax rate. This rate includes $0.7575 for the purpose of maintenance and operation, and $0.4538 for the purpose of payment of principal and interest on debts. The total tax rate for the previous year was $1.1979. The additional state compression from House Bill 3 for the maintenance and operation tax rate allowed the District to increase the interest and sinking tax rate for the 2022 Bond Issue without having the anticipated tax rate increase of $0.1988 cents.

Lack of action by the legislature to increase state funding continues to affect district operations. These factors were taken into account when adopting the General Fund budget for the 2023-24 school year. Amounts available for appropriation in the General Fund budget are $78 million.

If these estimates are realized, the District's budgetary General Fund-Fund Balance is expected to decrease, due to no additional state funding along with increases in expenditures.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Texarkana Independent School District, 4241 Summerhill Rd., Texarkana, Texas.

Basic Financial Statements

Government-wide Financial Statements

TEXARKANA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2023

EXHIBIT A-1

Data Control Codes		1 Governmental Activities	2 Business Type Activities	3 Total	4 Nonmajor Component Unit
		Primary Government			Component Unit
	ASSETS				
1110	Cash and Cash Equivalents	$ 77,420,684	$ 1,093,446	$ 78,514,130	$ 226,584
1120	Current Investments	110,786,910	-	110,786,910	411,715
1210	Property Taxes - Current	2,178,088	-	2,178,088	-
1230	Allowance for Uncollectible Taxes	(536,596)	-	(536,596)	-
1240	Due from Other Governments	13,645,618	-	13,645,618	-
1271	Due from Primary Government	-	-	-	3,000
1290	Other Receivables, Net	105,811	-	105,811	-
1300	Inventories	501,593	18,695	520,288	-
1490	Other Current Assets	84,962	-	84,962	-
	Capital Assets:				
1510	Land	6,425,668	-	6,425,668	-
1520	Buildings, Net	83,219,662	148	83,219,810	-
1530	Furniture and Equipment, Net	4,200,524	-	4,200,524	-
1550	Right-to-Use Leased Assets, Net	232,667	72,685	305,352	-
1553	SBITA Assets, Net	1,249,105	-	1,249,105	-
1580	Construction in Progress	8,314,673	-	8,314,673	-
1800	Restricted Assets	-	-	-	108,048
1910	Long Term Investments	-	-	-	98,620
1000	Total Assets	307,829,369	1,184,974	309,014,343	847,967
	DEFERRED OUTFLOWS OF RESOURCES				
1701	Deferred Charge for Refunding	1,007,383	-	1,007,383	-
1705	Deferred Outflow Related to TRS Pension	13,327,587	-	13,327,587	-
1706	Deferred Outflow Related to TRS OPEB	9,120,143	-	9,120,143	-
1700	Total Deferred Outflows of Resources	23,455,113	-	23,455,113	-
	LIABILITIES				
2110	Accounts Payable	6,319,752	6,788	6,326,540	158,699
2130	Short Term Right-to-Use Leases Payable	-	34,276	34,276	-
2140	Interest Payable	3,421,310	-	3,421,310	-
2150	Payroll Deductions and Withholdings	347,967	-	347,967	-
2160	Accrued Wages Payable	6,870,649	-	6,870,649	-
2180	Due to Other Governments	17,716,251	126	17,716,377	-
2300	Unearned Revenue	1,839,388	-	1,839,388	-
	Noncurrent Liabilities:				
2501	Due Within One Year: Loans, Note, Leases, etc.	5,341,038	-	5,341,038	-
	Due in More than One Year:				
2502	Bonds, Notes, Loans, Leases, etc.	198,153,353	38,409	198,191,762	-
2540	Net Pension Liability (District's Share)	28,530,295	-	28,530,295	-
2545	Net OPEB Liability (District's Share)	16,201,004	-	16,201,004	-
2000	Total Liabilities	284,741,007	79,599	284,820,606	158,699
	DEFERRED INFLOWS OF RESOURCES				
2605	Deferred Inflow Related to TRS Pension	2,913,040	-	2,913,040	-
2606	Deferred Inflow Related to TRS OPEB	25,784,940	-	25,784,940	-
2600	Total Deferred Inflows of Resources	28,697,980	-	28,697,980	-
	NET POSITION				
3200	Net Investment in Capital Assets and Right-to-Use	(102,266,020)	-	(102,266,020)	-
	Restricted:				
3820	Restricted for Federal and State Programs	6,813,287	-	6,813,287	-
3850	Restricted for Debt Service	7,091,753	-	7,091,753	-
3860	Restricted for Capital Projects	141,267,176	-	141,267,176	-
3870	Restricted for Campus Activities	533,321	-	533,321	-
3890	Restricted for Other Purposes	-	-	-	206,668
3900	Unrestricted	(35,594,022)	1,105,375	(34,488,647)	482,600
3000	Total Net Position	$ 17,845,495	$ 1,105,375	$ 18,950,870	$ 689,268

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

TEXARKANA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Data Control Codes		1 Expenses	Program Revenues 3 Charges for Services	 4 Operating Grants and Contributions
	Primary Government:			
	GOVERNMENTAL ACTIVITIES:			
11	Instruction	$ 59,408,093	$ 62,118	$ 13,720,390
12	Instructional Resources and Media Services	466,639	-	59,431
13	Curriculum and Instructional Staff Development	2,901,395	-	830,894
21	Instructional Leadership	1,065,539	-	1,038,479
23	School Leadership	5,599,877	-	179,666
31	Guidance, Counseling, and Evaluation Services	3,004,396	-	1,463,157
32	Social Work Services	58,437	-	765
33	Health Services	881,268	-	146,711
34	Student (Pupil) Transportation	565,004	-	4,929
35	Food Services	7,469,141	592,571	9,042,457
36	Extracurricular Activities	3,480,247	530,400	23,457
41	General Administration	4,605,275	-	103,109
51	Facilities Maintenance and Operations	10,033,339	56,773	445,773
52	Security and Monitoring Services	1,293,298	-	621,843
53	Data Processing Services	2,309,977	-	-
61	Community Services	990,728	5,080	981,164
72	Debt Service - Interest on Long-Term Debt	4,261,587	-	-
73	Debt Service - Bond Issuance Cost and Fees	432,361	-	-
81	Capital Outlay	-	-	2,784,555
93	Payments Related to Shared Services Arrangements	690,707	-	-
99	Other Intergovernmental Charges	466,388	-	-
	[TG] Total Governmental Activities:	109,983,696	1,246,942	31,446,780
	BUSINESS-TYPE ACTIVITIES:			
01	Food Service Catering	175,052	140,556	-
02	Print Shop Activity	274,023	98,920	-
03	Public Relations Activity Fund	29,486	21,497	-
	[TB] Total Business-Type Activities:	478,561	260,973	-
	[TP] TOTAL PRIMARY GOVERNMENT:	$ 110,462,257	$ 1,507,915	$ 31,446,780
	Component Unit:			
1C	Nonmajor Component Unit	201,136	-	-
	[TC] TOTAL COMPONENT UNITS:	$ 201,136	$ -	$ -

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
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
$ (45,625,585)	$ -	$ (45,625,585)	$ -
(407,208)	-	(407,208)	-
(2,070,501)	-	(2,070,501)	-
(27,060)	-	(27,060)	-
(5,420,211)	-	(5,420,211)	-
(1,541,239)	-	(1,541,239)	-
(57,672)	-	(57,672)	-
(734,557)	-	(734,557)	-
(560,075)	-	(560,075)	-
2,165,887	-	2,165,887	-
(2,926,390)	-	(2,926,390)	-
(4,502,166)	-	(4,502,166)	-
(9,530,793)	-	(9,530,793)	-
(671,455)	-	(671,455)	-
(2,309,977)	-	(2,309,977)	-
(4,484)	-	(4,484)	-
(4,261,587)	-	(4,261,587)	-
(432,361)	-	(432,361)	-
2,784,555	-	2,784,555	-
(690,707)	-	(690,707)	-
(466,388)	-	(466,388)	-
(77,289,974)	-	(77,289,974)	-
-	(34,496)	(34,496)	-
-	(175,103)	(175,103)	-
-	(7,989)	(7,989)	-
-	(217,588)	(217,588)	-
(77,289,974)	(217,588)	(77,507,562)	-
-	-	-	(201,136)
-	-	-	(201,136)
24,361,241	-	24,361,241	-
6,579,187	-	6,579,187	-
37,346,436	-	37,346,436	-
9,596,548	-	9,596,548	-
3,931,730	-	3,931,730	26,437
1,127,118	-	1,127,118	172,448
82,942,260	-	82,942,260	198,885
5,652,286	(217,588)	5,434,698	(2,251)
12,193,209	1,322,963	13,516,172	691,519
$ 17,845,495	$ 1,105,375	$ 18,950,870	$ 689,268

Governmental Fund Financial Statements

TEXARKANA INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

Data Control Codes			10 General Fund		20 Child Nutrition		50 Debt Service Fund
	ASSETS						
1110	Cash and Cash Equivalents	$	1,002,906	$	6,420,061	$	890,985
1120	Investments - Current		28,295,247		-		7,168,980
1210	Property Taxes - Current		1,754,980		-		423,108
1230	Allowance for Uncollectible Taxes		(445,925)		-		(90,671)
1240	Due from Other Governments		7,520,974		151,230		-
1260	Due from Other Funds		1,317,689		-		354,311
1290	Other Receivables		105,795		16		-
1300	Inventories		52,371		449,222		-
1490	Other Current Assets		84,962		-		-
1000	Total Assets	$	39,688,999	$	7,020,529	$	8,746,713
	LIABILITIES						
2110	Accounts Payable	$	895,662	$	39,946	$	-
2150	Payroll Deductions and Withholdings Payable		254,076		11,886		-
2160	Accrued Wages Payable		5,198,444		155,410		-
2170	Due to Other Funds		1,672,000		-		-
2180	Due to Other Governments		16,231,956		-		1,484,295
2300	Unearned Revenue		926,037		-		170,665
2000	Total Liabilities		25,178,175		207,242		1,654,960
	FUND BALANCES						
	Nonspendable Fund Balance:						
3410	Inventories		52,371		449,222		-
	Restricted Fund Balance:						
3450	Federal or State Funds Grant Restriction		-		2,864,065		-
3480	Retirement of Long-Term Debt		-		-		7,091,753
	Committed Fund Balance:						
3510	Construction		-		3,500,000		-
	Assigned Fund Balance:						
3590	Other Assigned Fund Balance		-		-		-
3600	Unassigned Fund Balance		14,458,453		-		-
3000	Total Fund Balances		14,510,824		6,813,287		7,091,753
4000	Total Liabilities and Fund Balances	$	39,688,999	$	7,020,529	$	8,746,713

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

60 Capital Projects	Other Funds	Total Governmental Funds
$ 67,007,940	$ 2,098,792	$ 77,420,684
75,322,683	-	110,786,910
-	-	2,178,088
-	-	(536,596)
-	5,973,414	13,645,618
-	-	1,672,000
-	-	105,811
-	-	501,593
-	-	84,962
$ 142,330,623	$ 8,072,206	$ 205,859,070
$ 1,063,447	$ 4,320,697	$ 6,319,752
-	82,005	347,967
-	1,516,795	6,870,649
-	-	1,672,000
-	-	17,716,251
-	1,619,388	2,716,090
1,063,447	7,538,885	35,642,709
-	-	501,593
-	-	2,864,065
-	-	7,091,753
141,267,176	-	144,767,176
-	533,321	533,321
-	-	14,458,453
141,267,176	533,321	170,216,361
$ 142,330,623	$ 8,072,206	$ 205,859,070

TEXARKANA INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

	Total Fund Balances - Governmental Funds	$ 170,216,361
1	Capital assets and Right-to-Use Lease 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 $192,449,457 and the accumulated depreciation was ($96,139,683). In addition, long-term liabilities, including bonds payable, notes payable, and right-to-use lease liabilities, 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.	35,181,406
2	Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the capital outlays and debt principal payments is to increase net position. Similarly, the principal payments on Right-to-Use Lease Assets and SBITA Assets are not expenses, rather they are decreases in the Right-to-Use Lease Liabilities and the SBITA Liabilities. These payments must be reclassified and shown as reductions to these liabilities decreasing Net Position.	(130,884,023)
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 $6,239,150, a Deferred Resource Inflow in the amount of $12,673,040 and a net pension liability in the amount of $10,740,917. The impact of this on Net Position is (17,174,807). Changes from the current year reporting of the TRS plan resulted in a decrease in net position in the amount of ($940,941). 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 ($18,115,748) .	(18,115,748)
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 $16,201,004, a deferred outflow of $9,120,143 and a deferred inflow of $25,784,940. This resulted in a difference between the ending fund balance and the ending net position of (32,865,801).	(32,865,801)
5	The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(6,563,402)
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(decrease) net position.	876,702
19	**Net Position of Governmental Activities**	$ 17,845,495

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, 2023

Data Control Codes		10 General Fund	20 Child Nutrition	50 Debt Service Fund
	REVENUES:			
5700	Total Local and Intermediate Sources	$ 27,128,989	$ 843,289	$ 6,908,060
5800	State Program Revenues	46,164,585	68,036	-
5900	Federal Program Revenues	4,644,294	8,456,327	-
5020	Total Revenues	77,937,868	9,367,652	6,908,060
	EXPENDITURES:			
	Current:			
0011	Instruction	44,784,448	-	-
0012	Instructional Resources and Media Services	574,630	-	-
0013	Curriculum and Instructional Staff Development	2,229,090	-	-
0021	Instructional Leadership	117,282	-	-
0023	School Leadership	5,767,898	-	-
0031	Guidance, Counseling, and Evaluation Services	1,789,829	-	-
0032	Social Work Services	61,384	-	-
0033	Health Services	526,316	-	-
0034	Student (Pupil) Transportation	455,018	-	-
0035	Food Services	-	7,691,841	-
0036	Extracurricular Activities	2,988,899	-	-
0041	General Administration	4,589,817	-	-
0051	Facilities Maintenance and Operations	10,296,726	333,450	-
0052	Security and Monitoring Services	1,303,301	-	-
0053	Data Processing Services	2,388,032	-	-
0061	Community Services	52,413	-	-
	Debt Service:			
0071	Principal on Long-Term Liabilities	504,143	-	3,908,440
0072	Interest on Long-Term Liabilities	9,573	-	3,024,574
0073	Bond Issuance Cost and Fees	-	-	432,361
	Capital Outlay:			
0081	Facilities Acquisition and Construction	418,000	-	-
	Intergovernmental:			
0093	Payments to Fiscal Agent/Member Districts of SSA	690,707	-	-
0099	Other Intergovernmental Charges	466,388	-	-
6030	Total Expenditures	80,013,894	8,025,291	7,365,375
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,076,026)	1,342,361	(457,315)
	OTHER FINANCING SOURCES (USES):			
7911	Capital Related Debt Issued	-	-	1,929,861
7912	Sale of Real and Personal Property	29,315	-	-
7913	Proceeds of Right-to-Use Lease	1,328,933	-	-
7915	Transfers In	-	-	1,641,115
7916	Premium or Discount on Issuance of Bonds	-	-	-
7917	Prepaid Interest	-	-	349,700
8911	Transfers Out (Use)	(1,641,115)	-	-
7080	Total Other Financing Sources (Uses)	(282,867)	-	3,920,676
1200	Net Change in Fund Balances	(2,358,893)	1,342,361	3,463,361
0100	Fund Balance - July 1 (Beginning)	16,869,717	5,470,926	3,628,392
3000	Fund Balance - June 30 (Ending)	$ 14,510,824	$ 6,813,287	$ 7,091,753

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

60 Capital Projects	Other Funds	Total Governmental Funds
$ 2,448,266	$ 735,811	$ 38,064,415
-	2,477,551	48,710,172
-	18,730,618	31,831,239
2,448,266	21,943,980	118,605,826
-	13,560,835	58,345,283
-	55,387	630,017
-	809,403	3,038,493
-	1,033,063	1,150,345
-	99,794	5,867,692
-	1,438,260	3,228,089
-	-	61,384
-	138,604	664,920
-	-	455,018
-	-	7,691,841
-	725,090	3,713,989
-	61,183	4,651,000
-	34,013	10,664,189
-	605,462	1,908,763
-	-	2,388,032
-	972,489	1,024,902
-	188,549	4,601,132
-	-	3,034,147
-	-	432,361
6,939,970	2,784,554	10,142,524
-	-	690,707
-	-	466,388
6,939,970	22,506,686	124,851,216
(4,491,704)	(562,706)	(6,245,390)
135,760,139	-	137,690,000
-	-	29,315
-	545,148	1,874,081
-	-	1,641,115
8,239,861	-	8,239,861
-	-	349,700
-	-	(1,641,115)
144,000,000	545,148	148,182,957
139,508,296	(17,558)	141,937,567
1,758,880	550,879	28,278,794
$ 141,267,176	$ 533,321	$ 170,216,361

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, 2023

Total Net Change in Fund Balances - Governmental Funds	$	141,937,567
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the current year capital outlays and debt principal payments is to decrease the change net position. Similarly, current year principal payments on Right-to-Use Leases and SIBTAs are also reclassified as reductions to the Right-To-Use Lease Liability and the SBITA liability which will resulat in a decrease in the change in Net Position.		(130,884,023)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.		(6,563,402)
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 the change in net position.		28,138
Current year changes due to GASB 68 increased revenues in the amount of $449,353 but also decreased expenditures in the amount of ($1,390,294). The net effect on the change in the ending net position was a increase in the amount of ($940,941).		(940,941)
Current year changes due to GASB 75 increased revenues in the amount of ($3,445,019) but also increased expenditures in the amount of $5,519,966. The net effect on the change in the ending net position was an increase in the amount of $2,074,947.		2,074,947
Change in Net Position of Governmental Activities	$	5,652,286

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, 2023

	Business-Type Activities Total Enterprise Funds
ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 1,093,446
Inventories	18,695
Total Current Assets	1,112,141
Noncurrent Assets:	
Capital Assets:	
Buildings and Improvements, Net	148
Right-to-Use Lease Asset, Net	72,685
Total Noncurrent Assets	72,833
Total Assets	1,184,974
LIABILITIES	
Current Liabilities:	
Accounts Payable	6,788
Right-to-Use Lease Liabilities Payable	34,276
Due to Other Governments	126
Total Current Liabilities	41,190
Noncurrent Liabilities:	
Right-to-Use Lease Liability - Long Term	38,409
Total Noncurrent Liabilities	38,409
Total Liabilities	79,599
NET POSITION	
Unrestricted Net Position	1,105,375
Total Net Position	$ 1,105,375

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, 2023

	Business-Type Activities
	Total Enterprise Funds
OPERATING REVENUES:	
Local and Intermediate Sources	$ 257,262
State Program Revenues	3,711
Total Operating Revenues	260,973
OPERATING EXPENSES:	
Payroll Costs	48,568
Professional and Contracted Services	165,611
Supplies and Materials	224,580
Other Operating Costs	1,497
Depreciation Expense	5,185
Debt Service	33,120
Total Operating Expenses	478,561
Operating Income (Loss)	(217,588)
Total Net Position - July 1 (Beginning)	1,322,963
Total Net Position - June 30 (Ending)	$ 1,105,375

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, 2023

EXHIBIT D-3

	Business-Type Activities Total Enterprise Funds
Cash Flows from Operating Activities:	
Cash Received from User Charges	$ 260,971
Cash Payments to Employees for Services	(40,206)
Cash Payments for Suppliers	(430,300)
Net Cash Used for Operating Activities	(209,535)
Net Decrease in Cash and Cash Equivalents	(209,535)
Cash and Cash Equivalents at Beginning of Year	1,302,981
Cash and Cash Equivalents at End of Year	$ 1,093,446
Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:	
Operating Income (Loss):	$ (217,588)
Adjustments to Reconcile Operating Income to Net Cash Used for Operating Activities:	
Depreciation	5,185
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	2,868
Net Cash Used for Operating Activities	$ (209,535)

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

Fiduciary Fund Financial Statements

TEXARKANA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2023

	Private Purpose Trust Funds	Total Custodial Funds
ASSETS		
Cash and Cash Equivalents	$ 378,117	$ 628,612
Furniture and Equipment. Net	54,200	10,402
Total Assets	432,317	$ 639,014
LIABILITIES		
Accounts Payable	-	5,646
Total Liabilities	-	5,646
NET POSITION		
Restricted for Other Purposes	432,317	633,368
Total Net Position	$ 432,317	$ 633,368

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, 2023

	Private Purpose Trust Funds	Total Custodial Funds
ADDITIONS:		
Enterprising Services Revenue	$ 202,347	$ 527,515
Earnings from Temporary Deposits	5,626	-
Contributions, Gifts and Donations	2,710	-
Total Additions	210,683	527,515
DEDUCTIONS:		
Payroll Costs	-	209,758
Professional and Contracted Services	-	24,522
Supplies and Materials	204,091	166,877
Other Deductions	37,386	97,491
Total Deductions	241,477	498,648
Change in Fiduciary Net Position	(30,794)	28,867
Total Net Position - July 1 (Beginning)	463,111	604,501
Total Net Position - June 30 (Ending)	$ 432,317	$ 633,368

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 ISD Education 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, 2023, for both budgeted and unbudgeted special revenue funds is as follows:

Budgeted Funds - Child Nutrition Special Revenue Fund	$	6,813,287
Unbudgeted Funds		-
All Special Revenue Funds	$	6,813,287

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, 2023, the District had committed to $151,852,881 in Capital Projects purchase orders. The majority of these encumbrances were with contractors for the four major bond projects including Parks Elementary, Dunbar Early Education Center, Texas High School Career and Technology Education (CTE) facility and renovations at Wake Village Elementary School. Construction for these projects is estimated to be completed by August 2025.

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, 2023, the nonspendable fund balance included $52,371 for inventories in the general fund and $449,222 for inventories in the child nutrition program in the Special Revenue Fund. The Debt Service Fund has restricted a total of $7,091,753 for retirement of funded indebtedness as of June 30, 2023. Amounts totaling $141,267,176 and $3,500,000 have been committed for authorized construction programs in the Capital Projects Fund and Food Service Fund, respectively. The remaining non-major funds have other assigned fund balance of $533,321 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 2023, 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	169,340,280	84,649,586	84,690,694	
Furniture and Equipment	14,594,583	11,226,566	3,368,017	
Right-to-Use Lease Asset	366,471	263,531	102,940	
Construction in Progress	2,309,955	-	2,309,955	
Change in Net Assets				$ 96,309,774

Long-term Liabilities At the Beginning of the Year	Payable at the Beginning of the Year	Change in Net Position
Bonds Payable and Accretion on Capital Appreciation Bonds	$ (39,519,219)	
Notes Payable	(10,860,567)	
Accrued Interest on Notes and Bonds	(1,026,195)	
Premium and Discount on Issuance of Bonds	(10,831,420)	
Right-to-Use Lease Liability	(106,749)	
Deferred Gain/Loss on Refunding	1,215,783	
Change in Net Position		$ (61,128,369)
Net Adjustment to Net Position		$ 35,181,405

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	$ (10,740,917)	$ (17,789,378)	$ (28,530,295)
Deferred Inflow	(12,673,040)	9,760,000	(2,913,040)
Deferred Outflow	6,239,150	7,088,437	13,327,587
Net Adjustment to Net Position	$ (17,174,807)	$ (940,941)	$ (18,115,748)

	Adjustment to Net Position	Adjustment to Changes in Net Position	Ending Impact on Net Position
Net OPEB Liability	$ (23,788,195)	$ 7,587,191	$ (16,201,004)
Deferred Inflow	(17,722,538)	(8,062,402)	(25,784,940)
Deferred Outflow	6,569,985	2,550,158	9,120,143
Net Adjustment to Net Position	$ (34,940,748)	$ 2,074,947	$ (32,865,801)

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	$ 587,500		
Buildings & Improvements	3,578,358		
Furniture & Equipment	1,851,270		
Right-to-Use Lease Asset	276,500		
SBITA Asset	1,597,581		
Construction in Progress (Net Change)	6,004,718		
Total Capital Outlay	$ 13,895,927	$ 13,895,927	$ 13,895,927
Debt and Principal Activity			
Bonds Issued	$ (137,690,000)		
Bond Principal Payments	2,610,000		
Loan Principal Payments	1,299,650		
Total Principal Activity	$ (133,780,350)	$ (133,780,350)	$ (133,780,350)
Other Items			
Change in Accrued Interest Payable	$ (2,395,115)		
Change in Right-to-Use Lease Liability	(131,854)		
Change in SBITA Liability	(1,049,536)		
Change in Bond Premium and Accretion:			
Deferred Amount on Refunding Bonds	(208,400)		
Accretion on Cap Appreciation (Net)	299,235		
Bonds Issued Premium	(8,239,861)		
Amortization of Premium on Bonds (Net)	725,929		
Total Other Items	$ (10,999,602)	$ (10,999,602)	$ (10,999,601)
Total Adjustment to Net Position		$ (130,884,024)	$ (130,884,023)

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	(852,442)	$ (852,442)	$ -
Uncollected Taxes (assumed collectible)	337,352	337,352	337,352
PY Uncollected Taxes (assumed collectible)	539,350	539,350	539,350
PY Tax Collections	3,878	3,878	-
Total Changes		$ 28,138	$ 876,702

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. As of June 30, 2023 bonds in the amount of $45,000,000 have been authorized but not yet 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.

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, 2023, $29,380,000 of the bonds are outstanding.

On February 22, 2023, the District issued Unlimited Tax School Building Bonds, Series 2023. The total issue was $137,690,000.

A summary of changes in general long-term debt for the year ended June 30, 2023, is as follows:

Description	Interest Rate Payable	Original Issued	Outstanding 6/30/2022	Issued	Retired	Outstanding 6/30/2023
Unlimited Tax Refunding Bonds - Series 2010	2.00% - 4.00%	$ 5,070,000	$ 510,000	$ -	$ 510,000	$ -
Unlimited Tax Refunding Bonds - Series 2015	2.00% - 5.00%	27,150,000	22,625,000	-	390,000	22,235,000
Unlimited Tax School Building & Refunding Bonds - Series 2015	2.00% - 5.00%	15,780,000	8,855,000	-	1,710,000	7,145,000
Unlimited Tax School Building & Bonds - Series 2023	4.00% - 5.00%	137,690,000	-	137,690,000	-	137,690,000
Totals			$ 31,990,000	$ 137,690,000	$ 2,610,000	$ 167,070,000

Debt Service requirements are as follows:

Years Ending June 30,	Principal	Interest	Total
2024	$ 3,195,000	$ 9,011,671	$ 12,206,671
2025	2,850,000	8,831,888	11,681,888
2026	3,255,000	8,902,500	12,157,500
2027	2,795,000	8,316,300	11,111,300
2028	2,700,000	9,373,350	12,073,350
2029-2033	24,945,000	31,181,750	56,126,750
2034-2038	31,220,000	24,401,500	55,621,500
2039-2043	27,790,000	16,949,850	44,739,850
2044-2048	30,775,000	11,298,600	42,073,600
2049-2053	37,545,000	4,625,400	42,170,400
Total Bonded Debt	$ 167,070,000	$ 132,892,809	$ 299,962,809

There was $2,684,688 in bond interest expense paid for during the year.

D. Capital Asset Activity

Governmental capital asset activity for the District for the year ended June 30, 2023, was as follows:

	Balance 6/30/2022	Additions	Reductions	Balance 6/30/2023
Governmental Activities:				
Land	$ 5,838,168	$ 587,500	$ -	$ 6,425,668
Building and Improvements	169,340,280	3,578,358	-	172,918,638
Furniture and Equipment	14,594,583	1,882,900	501,710	15,975,773
Construction in Progress	2,309,955	8,314,673	2,309,955	8,314,673
Intangible SBITA Asset	-	1,597,581	-	1,597,581
Intangible Right-to-Use Lease Asset	366,471	276,500	-	642,971
Totals at Historical Cost	192,449,457	16,237,512	2,811,665	205,875,304
Less Accumulated Depreciation				
Buildings and Improvements	84,649,585	5,049,391	-	89,698,976
Furniture and Equipment	11,226,566	1,018,762	470,078	11,775,250
Less Accumulated Amortization for Intangible SBITA Asset	-	348,476	-	348,476
Less Accumulated Amortization for Intangible Right-to-Use Lease Asset	263,531	146,773	-	410,304
Total Accumulated Depreciation	96,139,682	6,563,402	470,078	102,233,006
Governmental Activities Capital Assets, Net	$ 96,309,775	$ 9,674,110	$ 2,341,587	$ 103,642,300

Business-type capital asset activity for the District for the year ended June 30, 2023, was as follows:

	Balance 6/30/2022	Additions	Reductions	Balance 6/30/2023
Business-type Activities:				
Building and Improvements	$ 9,200	$ -	$ -	$ 9,200
Furniture and Equipment	269,005	-	24,420	244,585
Intangible Right-to-Use Lease Asset	-	103,142		103,142
Totals at Historical Cost	278,205	103,142	24,420	356,927
Less Accumulated Depreciation				
Buildings and Improvements	8,755	296	-	9,051
Furniture and Equipment	264,116	4,889	24,420	244,585
Less Accumulated Amortization for Intangible Right-to-Use Lease Asset	-	30,457	-	30,457
Total Accumulated Depreciation	272,871	35,642	24,420	284,093
Business-type Activities Capital Assets, Net	$ 5,334	67,500	-	$ 72,833

D. Capital Asset Activity (Continued)

Fiduciary capital asset activity for the District for the year ended June 30, 2023, was as follows:

	Balance 6/30/2022	Additions	Reductions	Balance 6/30/2023
Fiduciary Activities:				
Furniture and Equipment	$ -	$ 69,077	$ -	$ 69,077
Totals at Historical Cost	-	69,077	-	69,077
Less Accumulated Depreciation				
Furniture and Equipment	-	4,474	-	4,474
Total Accumulated Depreciation	-	4,474	-	4,474
Fiduciary Activities Capital Assets, Net	$ -	$ 64,602	$ -	$ 64,602

Depreciation expense was charged to governmental functions as follows:

	Governmental		
	ROU Leases	SBITAs	Fixed Assets
Instruction	$ 128,081	$ 207,084	$ 4,835,322
Instructional Resource & Media Services	-	66,475	55,183
Curriculum & Instructional Staff Development	8,000	4,074	5,943
School Leadership	-	1,007	-
Health Services	-	-	252,470
Guidance, Counseling Evaluation	-	3,681	-
Student Transportation	-	-	123,100
Food Services	257	-	465,521
Cocurricular/Extracurricular Activities	1,606	8,222	-
General Administration	5,963	20,904	244,868
Plant Maintenance and Operations	2,866	-	59,428
Data Processing Services	-	34,213	-
Security and Monitoring Services	-	2,816	26,318
Total	$ 146,773	$ 348,476	$ 6,068,153

D. Capital Asset Activity (Continued)

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

	Business-Type		Fiduciary
Instruction	Fixed Assets	ROU Leases	Fixed Assets
Instructional Resource & Media Services	$ -	$ -	$ 3,316
Cocurricular/Extracurricular Activities	5,186	-	-
General Administration	-	-	1,158
Total	-	30,457	-
	$ 5,186	$ 30,457	$ 4,474

E. Changes in Long-term Liabilities

Long-term activity for the year ending June 30, 2023 was as follows:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds	$ 31,990,000	$ 137,690,000	$ 2,610,000	$ 167,070,000	$ 3,195,000
Accretion on Capital Appreciation Bonds	7,529,219	1,325,765	1,625,000	7,229,984	(610,524)
Bond Premium	10,831,419	8,239,861	725,929	18,345,351	835,816
Loans	10,860,567	-	1,299,650	9,560,917	1,305,267
SBITAs	-	1,597,581	548,045	1,049,536	496,269
Leases	106,749	276,500	144,646	238,603	119,210
Total Governmental Activities Long-term Liabilities	$ 61,317,954	$ 149,129,707	$ 6,953,270	$ 203,494,393	$ 5,341,038

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	$ 1,059,102	$ 1,059,102
Medicaid Administrative Claims	93.778	28,794	28,794
ECF Funding	39.002	2,183,833	2,183,833
E-Rate	N/A	63,360	63,360
Indirect Costs:			
Child Nutrition - Breakfast	10.553	66,029	66,029
Child Nutrition - Lunch	10.555	215,019	215,019
ESSA, Title I, Part A	84.010A	70,681	70,681
2021-2023 TTL I, 1002 ESF-Focused Support Grant	84.010A	2,596	2,596
TTL 1, 1003 School Improvement Grant	84.010A	1,124	1,124
IDEA-B, Formula	84.027A	61,737	61,737
COVID- 19, IDEA-B, Formula, ARP	84.027X	6,443	6,443
IDEA-B, Discretionary	84.027A	665	665
IDEA-B, Preschool	84.173A	855	855
ESSA, Title II Part A	84.367A	13,910	13,910
Title III, Part A, Immigrant, ELA	84.365A	1,992	1,992
Perkins V: Strengthening CTE For 21st Century	84.048A	3,303	3,303
Title IV, Part A, Subpart I	84.424A	11,132	11,132
21st Century Community Learning Center	84.287C	2,165	2,165
COVID- 19 ESSER II	84.425D	403,151	403,151
COVID- 19 Learning Supports - (TCLAS) ESSER III	84.425U	64,539	64,539
COVID- 19 ESSER III	84.425U	381,155	381,155
COVID- 19 ARP Education for Homeless	84.425W	2,709	2,709
Total		$ 4,644,294	$ 4,644,294

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, 2022, upon which the levy for the 2022-2023 fiscal year was based, was $2,674,488,506. 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, 2023, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were $0.9429 and $0.2550 per $100 valuation, for a total of $1.1979 per $100 valuation.

G. Property Taxes (Continued)

Total tax collections for the year ended June 30, 2023, 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, 2023, property taxes receivable, net of estimated uncollectible taxes, totaled $1,309,055 and $332,437 for the General and Debt Service Funds, respectively.

H. Pension Plan Obligations

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

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

Pension Plan Fiduciary Net Position – Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/Pages/about_publications.aspx; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698, or by calling (512) 542-6592.

The information provided in the Notes to the Financial Statements in the 2022 ACFR for TRS provides the following information regarding the Pension Plan Fiduciary net position as of August 31, 2022.

Net Pension Liability		Total
Total Pension Liability	$	243,553,045,455
Less: Plan Fiduciary Net Position		(184,185,617,196)
Net Pension Liability	$	59,367,428,259
Net Position as percentage of Total Pension Liability		75.62%

H. Pension Plan Obligations (Continued)

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

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

	2022	2023
Member	8.00%	8.00%
Non-Employer Contributing Entity (State)	7.75%	7.75%
Employers	7.75%	7.75%

Texarkana 2023 Employer Contributions	$	2,774,354
Texarkana 2023 Member Contributions	$	4,916,077
Texarkana 2022 NECE On-Behalf Contributions	$	3,021,628

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).

H. Pension Plan Obligations (Continued)

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 is a surcharge an employer is subject to:

- All public schools must contribute 1.7 percent of the member's salary beginning in fiscal year 2022, 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.

Actuarial Assumptions – The total pension liability in the August 31, 2022, actuarial valuation was determined using the following actuarial assumption:

Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term Expected Rate	7.00%
Municipal Bond Rate	3.91%
Last year ending August 31 in Projection Period (100 years)	2121
Inflation	2.30%
Salary Increases	2.95% to 8.95% including inflation
Ad hoc Post Employment Benefit Changes	None

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2021. For a full description of these assumptions please see the actuarial valuation report dated November 12, 2021.

Discount Rate – The single discount rate of 7.00 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.00%. The projection of cash flows used to determine 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.

H. Pension Plan Obligations (Continued)

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 7.00%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2022, 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 %	4.6 %	1.12 %
Non-U.S. Developed	13.0	4.9	0.90
Emerging Markets	9.0	5.4	0.75
Private Equity*	14.0	7.7	1.55
Stable Value			
Government Bonds	16.0 %	1.0%	0.22 %
Absolute Return*	0.0	3.7	0.00
Stable Value Hedge Funds	5.0	3.4	0.18
Real Return			
Real Estate	15.0 %	4.10 %	0.94 %
Energy, Natural Resources and Infrastructure	6.0	5.1	0.37
Commodities	0.0	3.6	0.00
Risk Parity	8.0 %	4.6 %	0.43 %
Asset Allocation Leverage			
Cash	2.0 %	3.0%	0.01 %
Asset Allocation Leverage	(6.0)	3.6	(0.05)
Inflation Expectation			2.70 %
Volatility Drag****			(0.91) %
Expected Return	100.0 %		8.19%

**Absolute Return includes Credit Sensative Investments.*
***Target allocations are based on the FY2022 policy model.*
****Capital Market Assumptions come from Aon Hewitt (as of 8/31/2022).*
*****The volatility drag results from the conversion between arithmetic and geometric mean returns.*

H. Pension Plan Obligations (Continued)

Discount Rate Sensitivity Analysis – The following table presents the Net Pension Liability of the plan using the discount rate of 7.00 percent, and what the net pension liability would be if it were calculated using a discount rate that is one percentage poin lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate.

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
TISD's proportionate share of the net pension liability:	$44,382,321	$28,530,295	$15,681,483

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – On June 30, 2023, the District reported a liability of $28,530,295 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	$	28,530,295
State's proportionate share that is associated with the District		38,442,975
Total	$	66,973,270

The net pension liability was measured as of August 31, 2021 and rolled forward to August 31, 2022, 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, 2021, through August 31, 2022.

At August 31, 2022, the employer's proportion of the collective net pension liability was 0.048057151% which was a decrease of 0.005880435% from its proportion measured as of August 31, 2021.

Changes Since the Prior Actuarial Valuation – The actuarial assumptions and methods have been modified since the determination of the prior year's Net Pension Liability. These new assumptions were adopted in conjunction with an actuarial experience study. The primary assumption change was the lowering of the single discount rate from 7.25 percent to 7.00 percent.

For the year ended June 30, 2023, the District recognized pension expense of $7,904,257 and revenue of $3,674,713 for support provided by the State.

H. Pension Plan Obligations (Continued)

On June 30, 2023, the District reported its proportionate share of the TRS 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	$ 413,687	$ 622,014
Changes in actuarial assumptions	5,316,122	1,324,926
Difference between projected and actual investment earnings	2,818,702	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,463,602	966,100
Contributions paid to TRS subsequent to the measurement date	2,315,474	-
Total	$ 13,327,587	$ 2,913,040

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
2023	$ -2,128,568
2024	-1,223,926
2025	-471,516
2026	-3,551,909
2027	-723,154
Thereafter	-

I. Deposits and Investments

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits – State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with FDIC insurance or pledged securities, as approved by the School Depository Act, with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be pledged in the name of the governmental entity and held by the entity or its agent. At June 30, 2023, 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, 2023, 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	$ 109,212,633	$ 109,212,633	$ -	$ -
Bank Held Investments	1,574,278	1,574,278	411,715	411,715
Total Level II Investments	110,786,910	110,786,910	411,715	411,715
Investments measured at NAV	-	-	98,620	98,620
Total Investments	$ 110,786,910	$ 110,786,910	$ 510,335	$ 510,335

I. Deposits and Investments (Continued)

The bank held investments listed above include the following:

	District	Component Unit
Certificates of Deposit	$ 1,574,278	$ 411,715
Money Market Accounts	-	-
Total Bank Held Investments	$ 1,574,278	$ 411,715

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, 2023:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Arkansas Community Foundation	$ 98,620	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, 2023, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts) was $78,028,482 and the bank balance was $79,405,285. 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, 2023, 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	$ 5,275,683	$ 986,592	$ 1,258,698	$ 7,520,974
Special Revenue Fund	-	6,124,644	-	6,124,644
Total	$ 5,275,683	$ 7,111,236	$ 1,258,698	$ 13,645,618

M. Interfund Receivables and Payables

Interfund balances at June 30, 2023, consisted of the following individual fund receivables and payables for the Governmental, Business Type and Trust and Agency Funds:

	Receivable	Payable
General Fund		
Debt Service Fund	$ -	$ 387,770
General Fund	1,317,689	1,284,230
Total General Fund	1,317,689	1,672,000
Debt Service Fund		
General Fund	354,311	-
Total Debt Service Fund	354,311	-
Grand Totals	$ 1,672,000	$ 1,672,000

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, 2023, is as follows:

Year Approved	Loan Purpose	Interest Rate	Total Loans Authorized	Amt Outstanding 6/30/2022	Borrowed	Retired	Amt Outstanding 6/30/2023
Payable from Debt Service Fund							
2019	Maintenance	2.50%	$ 1,000,000	$ 870,000	$ -	$ 40,000	830,000
2019	Maintenance	2.00%	1,000,000	810,000	-	65,000	745,000
2018	Maintenance	2.84%	4,925,000	4,485,000	-	195,000	4,290,000
2011	Maintenance	2.96%	7,797,730	2,995,001	-	565,454	2,429,546
2010	Maintenance	2.95%	6,512,905	1,700,566	-	434,196	1,266,370
				$ 10,860,567	$ -	$ 1,299,650	$ 9,560,917

Interest expense for 2023 was $339,886.

Debt service requirements are as follows:

Year Ended June 30,	Debt Service Principal	Debt Service Interest	Total
2024	$ 1,305,267	$ 294,814	$ 1,600,081
2025	1,384,087	254,144	1,638,231
2026	1,427,052	210,237	1,637,289
2027	1,499,511	169,642	1,669,153
2028	1,505,000	132,331	1,637,331
2029-2033	2,105,000	198,706	2,303,706
2034-2038	335,000	41,900	376,900
	$ 9,560,917	$ 1,301,774	$ 10,862,691

R. Right-to-Use Lease Obligations

A summary of the governmental right-to-use lease activity for the year ended June 30, 2023, is as follows:

Asset Type	Right-to-Use Lease Asset 6/30/2022	Additions	Deductions	Lease Asset 6/30/2023
Copier/Printer	$ 337,590	$ 276,500	$ -	$ 614,090
Postage Machine	28,882	-	-	28,882
	$ 366,472	$ 276,500	$ -	$ 642,972

Asset Type	Accumulated Amortization 6/30/2022	Additions	Deductions	Accumulated Amortization 6/30/2023
Copier/Printer	$ (249,593)	$ (142,373)	$ -	$ (391,966)
Postage Machine	(13,938)	(4,399)	-	(18,337)
	$ (263,528)	$ (146,773)	$ -	$ (410,304)
ROU Leased Asset (net)	$ 102,944	$ 129,727	$ -	$ 232,667

Asset Type	Right-to-Use Lease Liability 6/30/2022	Additions	Deductions	Amt Outstanding 6/30/2023
Copier/Printer	$ 91,685	$ 276,500	$ 140,370	$ 227,815
Postage Machine	15,064	-	4,276	10,788
	$ 106,749	$ 276,500	$ 144,646	$ 238,603

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

A summary of the business-type right-to-use lease activity for the year ended June 30, 2023, is as follows:

Asset Type	Right-to-Use Lease Asset 6/30/2022	Additions	Deductions	Lease Asset 6/30/2023
Copier/Printer	$ -	$ 103,142	$ -	$ 103,142

Asset Type	Accumulated Amortization 6/30/2022	Additions	Deductions	Accumulated Amortization 6/30/2023
Copier/Printer	$ -	$ (30,457)	$ -	$ (30,457)
ROU Leased Asset (net)	$ -	$ 72,685	$ -	$ 72,685

Asset Type	Right-to-Use Lease Liability 6/30/2022	Additions	Deductions	Amt Outstanding 6/30/2023
Copier/Printer	$ -	$ 103,142	$ 30,457	$ 72,685

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

	Governmental		Business-Type	
Year Ended June 30,	Principal Due	Interest Due	Principal Due	Interest Due
2024	$ 119,210	$ 5,858	$ 34,276	$ 1,855
2025	102,794	2,321	35,407	724
2026	16,027	157	3,003	8
2027	572	2	-	-
	$ 238,603	$ 8,338	$ 72,685	$ 2,587

Governmental lease interest expense for the year ended June 30, 2023 was $9,573. Business-type lease interest expense for the year ended June 30, 2023 was $2,663.

S. Subscription-Based Information Technology Arrangements

A summary of the subscription-based information technology arrangements (SBITA) activity for the year ended June 30, 2023, is as follows:

Asset Type	Right-to-Use SBITA Asset 6/30/2022	Additions	Deductions	SBITA Asset 6/30/2023
Education	$ -	$ 1,248,685	$ -	$ 1,248,685
Extracurricular	-	53,577	-	53,577
Administration	-	147,609	-	147,609
Security	-	35,443	-	35,443
Data Processing	-	112,268	-	112,268
	$ -	$ 1,597,581	$ -	$ 1,597,582

Asset Type	Accumulated Amortization 6/30/2022	Additions	Deductions	Accumulated Amortization 6/30/2023
Education	$ -	$ (277,633)	$ -	$ (277,633)
Extracurricular	-	(8,222)	-	(8,222)
Administration	-	(25,592)	-	(25,592)
Security	-	(2,816)	-	(2,816)
Data Processing	-	(34,213)	-	(34,213)
	$ -	$ (348,476)	$ -	$ (348,476)
SBITA Asset (net)	$ -	$ 1,249,105	$ -	$ 1,249,105

Asset Type	SBITA Liability 6/30/2022	Additions	Deductions	Amt Outstanding 6/30/2023
Education	$ -	$ 1,248,685	$ 432,029	$ 816,656
Extracurricular	-	53,577	18,570	35,007
Administration	-	147,609	38,338	109,271
Security	-	35,443	20,640	14,803
Data Processing	-	112,268	38,468	73,800
	$ -	$ 1,597,581	$ 548,045	$ 1,049,536

Amounts due for the SBITA obligations are as follows:

Year Ended June 30,	Principal Due	Interest Due
2024	$ 496,269	$ 26,935
2025	514,859	7,864
2026	18,938	640
2027	19,470	93
	$ 1,049,536	$ 35,532

T. Litigation

At June 30, 2023, the District is not a defendant in any lawsuit. Accordingly, no liability has been reported in the financial statements.

U. 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 current coverage is with TASB Risk Management Fund for a fixed rate of $256,162 from July 1, 2022 thru July 1, 2023. The District is still responsible for past liabilities with Claims Administrative Services. The accrued liability for Claims Administrative Services self-insurance of $8,716 includes incurred but not reported claims. This liability reported in the fund as of June 30, 2023 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, 2023 and 2022 are represented below:

	2023	2022
Beginning of Fiscal Year Liability	$ 12,531	$ 15,761
Current Year Claims and Changes	(3,380)	(1,499)
Claims Payments	(435)	(1,729)
End of Fiscal Year Liability	$ 8,716	$ 12,531

V. Deferred Inflows of Resources and Unearned Revenues

Deferred revenue of the individual funds of the District at June 30, 2023, consisted of the following:

	General Fund	Special Revenue	Debt Service	Total
Net Tax Revenue	$ 926,037	$ -	$ 170,665	$ 1,096,702
Textbook Allotment (IMA)	-	111,231	-	111,231
Advanced Placement Allotment	-	88	-	88
Tigers Children's Clinic	-	46,915	-	46,915
Public School CCS	-	1,455,429	-	1,455,429
Head Start	-	5,726	-	5,726
	$ 926,037	$ 1,619,388	$ 170,665	$ 2,716,090

W. 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 $326,579, $230,286, and $229,430 for 2023, 2022, and 2021, respectively.

X. 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	$ 24,341,457	-	$ 6,511,723	-	$ 30,853,180
Investment Income	1,211,704	239,946	271,760	2,448,266	4,171,677
Penalties & Interest	270,613	-	124,577	-	395,190
Tuition & Fees	66,468	730	-	-	67,198
Virtual School	10,000	-	-	-	10,000
Rent	56,773	-	-	-	56,773
Food Service	-	592,571	-	-	592,571
Gifts and Bequests	40,829	49,552	-	-	90,381
Athletic	141,835	-	-	-	141,835
Student Activity	7,883	685,528	-	-	693,411
Intermediate	62,973	-	-	-	62,973
Insurance Recovery	119,758	-	-	-	119,758
Other	798,696	10,773	-	-	809,469
	$ 27,128,989	$ 1,579,100	$ 6,908,060	$ 2,448,266	$ 38,064,415

Y. 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.

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

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 may be obtained in the Internet at https://www.trs.texas.gov/Pages/about_publications.aspx; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2022, are as follows:

Net OPEB Liability		Total
Total OPEB Liability	$	27,061,942,520
Less: Plan Fiduciary Net Position		(3,117,937,218)
Net OPEB Liability	$	23,944,005,302
Net Position as percentage of Total OPEB Liability		11.52%

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

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

The 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

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.

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

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

	2022	2023
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 2023 FY Employer Contributions	$	612,567
District's 2023 FY Member Contributions	$	399,435
District's 2022 NECE On-Behalf Contributions	$	677,911

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether 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.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of $83 million in fiscal year 2022 from the Federal Rescue Plan Act (ARPA) to help defray Covid-19-related health care costs during fiscal year 2022.

Actuarial Assumptions. The actuarial valuation was performed as of August 31, 2021. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2022. 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, 2021 TRS pension actuarial valuation that was rolled forward to August 31, 2022:

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

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.

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.91% as of August 31, 2022
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 3.91 percent was used to measure the Total OPEB liability. This was an increase of 1.96 percent in the discount rate since the previous year. Because the plan is 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's plan 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.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1 percentage point higher than the discount rate that was used in measuring the Net OPEB Liability.

	1% Decrease (2.91%)	Current Single Discount Rate (3.91%)	1% Increase (4.91%)
District's proportionate share of the net OPEB liability	$ 19,102,268	$ 16,201,004	$ 13,850,607

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

The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the health rates assumed.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	$ 13,349,700	$ 16,201,004	$ 19,897,352

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

At June 30, 2023, the District reported a liability of $16,201,004 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	$ 16,201,004
State's proportionate share that is associated with the District	19,762,679
Total	$ 35,963,683

The Net OPEB liability was measured as of August 31, 2021, and rolled forward to August 31, 2022, 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, 2021, through August 31, 2022.

At August 31, 2022, the employer's proportion of the collective net OPEB liability was 0.067662045%, which is an increase of 03005993807% from its proportion measured as of August 31, 2021.

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 1.95% as of August 31, 2021, to 3.91%, as of August 31, 2022. This change decreased the Total OBEP liability.

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

The amount of OPEB expense recognized by the District in the reporting period was $1,590,828.

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

At June 30, 2023, 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	$ 900,718	$ 13,496,890
Changes in actuarial assumptions	2,467,734	11,255,494
Difference between projected and actual investment earnings	48,258	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	5,196,099	1,032,556
Contributions paid to TRS subsequent to the measurement date	507,334	-
Total	$ 9,120,143	$ 25,784,940

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	$ -3,314,983
2024	-3,314,808
2025	-2,627,783
2026	-1,697,661
2027	-2,134,549
Thereafter	-4,082,347

Z. Interfund Transfers

Interfund transfers for the year ended June 30, 2023, are as follows:

Fund	Transfer In	Transfer Out
General Fund:	$ -	$ 1,641,115
General Fund	-	1,641,115
Debt Service Fund:	1,641,115	-
Debt Service Fund	1,641,115	-
	$ 1,641,115	$ 1,641,115

AA. Virtual School

Beginning in the 2022-2023 school year, the District contracted with K12 Virtual Schools, LLC to offer a virtual learning environment to students across the state of Texas. District enrollment for the 2022-2023 school year included 300 virtual students. State funding received by the District for the majority of these students has been remitted to K12 Virtual Schools, LLC to operate the campus as of June 30, 2023.

BB. 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 2021-2022 year and $3,318,439 was spent in the 2022-2023 year. The remainder will be used for future years.

The district was also awarded ESSER III funding in February 2022 in the amount of $20,643,587. Of this award amount, the district spent $4,486,481 during the 2021-22 year and $6,800,121 in the 2022-2023 year. The remaining funds will be spent by the district before the grant end date.

DD. Subsequent Events

Management has evaluated subsequent events through November 7, 2023, 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 BB). Any other effects on the operations of the school district are immeasurable at the date that the financial statements were available for distribution.

EE. 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, 2023

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	$ 25,114,916	$ 26,635,071	$ 27,128,989	$ 493,918
5800	State Program Revenues	46,758,017	50,266,607	46,164,585	(4,102,022)
5900	Federal Program Revenues	4,207,000	4,458,507	4,644,294	185,787
5020	Total Revenues	76,079,933	81,360,185	77,937,868	(3,422,317)
	EXPENDITURES:				
	Current:				
0011	Instruction	43,295,698	46,126,080	44,784,448	1,341,632
0012	Instructional Resources and Media Services	406,541	687,860	574,630	113,230
0013	Curriculum and Instructional Staff Development	2,382,713	2,432,533	2,229,090	203,443
0021	Instructional Leadership	109,799	123,799	117,282	6,517
0023	School Leadership	5,869,083	5,893,263	5,767,898	125,365
0031	Guidance, Counseling, and Evaluation Services	1,883,536	1,850,536	1,789,829	60,707
0032	Social Work Services	80,941	80,941	61,384	19,557
0033	Health Services	471,625	541,625	526,316	15,309
0034	Student (Pupil) Transportation	179,324	550,124	455,018	95,106
0036	Extracurricular Activities	2,861,868	3,069,878	2,988,899	80,979
0041	General Administration	6,175,220	4,967,318	4,589,817	377,501
0051	Facilities Maintenance and Operations	9,904,452	10,313,170	10,296,726	16,444
0052	Security and Monitoring Services	1,012,264	2,470,404	1,303,301	1,167,103
0053	Data Processing Services	151,170	2,466,060	2,388,032	78,028
0061	Community Services	55,000	55,243	52,413	2,830
	Debt Service:				
0071	Principal on Long-Term Liabilities	-	565,427	504,143	61,284
0072	Interest on Long-Term Liabilities	-	9,573	9,573	-
	Capital Outlay:				
0081	Facilities Acquisition and Construction	-	418,000	418,000	-
	Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	729,790	690,707	690,707	-
0099	Other Intergovernmental Charges	415,000	466,388	466,388	-
6030	Total Expenditures	75,984,024	83,778,929	80,013,894	3,765,035
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	95,909	(2,418,744)	(2,076,026)	342,718
	OTHER FINANCING SOURCES (USES):				
7912	Sale of Real and Personal Property	-	-	29,315	29,315
7913	Proceeds of Right-to-Use Lease	-	1,486,344	1,328,933	(157,411)
8911	Transfers Out (Use)	(738,089)	(1,640,089)	(1,641,115)	(1,026)
7080	Total Other Financing Sources (Uses)	(738,089)	(153,745)	(282,867)	(129,122)
1200	Net Change in Fund Balances	(642,180)	(2,572,489)	(2,358,893)	213,596
0100	Fund Balance - July 1 (Beginning)	16,869,717	16,869,717	16,869,717	-
3000	Fund Balance - June 30 (Ending)	$ 16,227,537	$ 14,297,228	$ 14,510,824	$ 213,596

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, 2023

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 1,500,000	$ 1,500,000	$ 843,289	$ (656,711)
5800	State Program Revenues	275,000	641,695	68,036	(573,659)
5900	Federal Program Revenues	5,650,000	6,270,000	8,456,327	2,186,327
5020	Total Revenues	7,425,000	8,411,695	9,367,652	955,957
	EXPENDITURES:				
	Current:				
0035	Food Services	6,957,786	10,200,937	7,691,841	2,509,096
0051	Facilities Maintenance and Operations	460,300	460,300	333,450	126,850
	Debt Service:				
0071	Principal on Long-Term Liabilities	-	3,500	-	3,500
6030	Total Expenditures	7,418,086	10,664,737	8,025,291	2,639,446
1200	Net Change in Fund Balances	6,914	(2,253,042)	1,342,361	3,595,403
0100	Fund Balance - July 1 (Beginning)	5,470,926	5,470,926	5,470,926	-
3000	Fund Balance - June 30 (Ending)	$ 5,477,840	$ 3,217,884	$ 6,813,287	$ 3,595,403

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, 2023

	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020
District's Proportion of the Net Pension Liability (Asset)	0.048057151%	0.042176716%	0.043362728%
District's Proportionate Share of Net Pension Liability (Asset)	$ 28,530,295	$ 10,740,917	$ 23,224,192
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	38,442,975	17,524,618	37,218,405
Total	$ 66,973,270	$ 28,265,535	$ 60,442,597
District's Covered Payroll	$ 57,539,284	$ 53,028,070	$ 52,764,746
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	49.58%	20.26%	44.01%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.62%	88.79%	75.54%

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, 2022 for year 2023, August 31, 2021 for year 2022, August 31, 2020 for year 2021, August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

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 2020 Plan Year 2019	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
0.045942704%	0.043882251%	0.043607001%	0.042579704%	0.0451433%	0.0302714%
$ 23,882,454	$ 24,153,856	$ 13,943,170	$ 16,090,237	$ 15,957,556	$ 8,085,909
32,678,873	35,726,107	21,455,491	24,671,300	24,042,933	20,777,771
$ 56,561,327	$ 59,879,963	$ 35,398,661	$ 40,761,537	$ 40,000,489	$ 28,863,680
$ 47,700,440	$ 45,511,968	$ 44,631,358	$ 41,757,954	$ 41,337,593	$ 39,650,152
50.07%	53.07%	31.24%	38.53%	38.60%	20.39%
75.24%	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 2023

	2023	2022	2021
Contractually Required Contribution	$ 2,774,354	$ 2,242,397	$ 1,794,309
Contribution in Relation to the Contractually Required Contribution	(2,774,354)	(2,242,397)	(1,794,309)
Contribution Deficiency (Excess)	$ -	$ -	$ -
District's Covered Payroll	$ 61,450,985	$ 56,819,799	$ 52,060,707
Contributions as a Percentage of Covered Payroll	4.51%	3.95%	3.45%

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.

2020	2019	2018	2017	2016	2015
$ 1,877,521	$ 1,646,864	$ 1,501,629	$ 1,435,637	$ 1,353,476	$ 1,238,865
(1,877,521)	(1,646,864)	(1,501,629)	(1,435,637)	(1,353,476)	(1,238,865)
$ -	$ -	$ -	$ -	$ -	$ -
$ 52,487,767	$ 47,132,909	$ 45,155,158	$ 44,394,809	$ 41,530,144	$ 40,954,566
3.58%	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, 2023

	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.067662045%	0.061668239%	0.063815449%
District's Proportionate Share of Net OPEB Liability (Asset)	$ 16,201,004	$ 23,788,195	$ 24,259,134
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	19,762,679	31,870,880	32,598,461
Total	$ 35,963,683	$ 55,659,075	$ 56,857,595
District's Covered Payroll	$ 57,539,284	$ 53,028,070	$ 52,764,746
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	28.16%	44.86%	45.98%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	11.52%	6.18%	4.99%

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

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

FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
0.062106044%	0.060147532%	0.057887354%
$ 29,370,707	$ 30,032,213	$ 25,173,039
39,027,103	36,330,124	33,091,458
$ 68,397,810	$ 66,362,337	$ 58,264,497
$ 47,700,440	$ 45,511,968	$ 44,631,358
61.57%	65.99%	56.40%
2.66%	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 2023

	2023	2022	2021
Contractually Required Contribution	$ 612,567	$ 545,383	$ 469,143
Contribution in Relation to the Contractually Required Contribution	(612,567)	(545,383)	(469,143)
Contribution Deficiency (Excess)	$ -	$ -	$ -
District's Covered Payroll	$ 61,450,985	$ 56,819,799	$ 52,060,707
Contributions as a Percentage of Covered Payroll	1.00%	0.96%	0.90%

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.

	2020		2019		2018		2017
$	486,354	$	441,526	$	392,108	$	298,575
	(486,354)		(441,526)		(392,108)		(298,575)
$	-	$	-	$	-	$	-
$	(52,487,787)	$	(47,132,909)	$	45,155,158	$	44,394,809
	0.93%		0.94%		0.87%		0.67%

Notes to Required Supplementary Information

A. Notes to the General Fund Budgetary Schedule

The District originally budgeted for a total of $75,984,024 in expenditures in the general fund. The final amended budget for general fund expenditures was $83,778,929. Budgeted function 11 expenditures were increased by approximately $2,800,000. Many small projects, upgrades, and additional state grants caused this variance. Budgeted function 52 expenditures were increased by approximately $1,450,000. Multiple security upgrades and the hiring of additional campus police officers caused this variance. Budgeted function 53 expenditures were increased by approximately $2,300,000. The District received Emergency Connectivity Funding (ECF) in the current year in order to purchase eligible equipment and broadband connections used to help students, staff, and parents who otherwise lack access, to be able to be engaged in remote learning.

B. Notes to the Child Nutrition Budgetary Schedule

The District originally budgeted for a total of $7,418,086 in expenditures in the child nutrition fund. The final amended budget for child nutrition expenditures was $10,664,737. However, the District ended up having actual expenditures of $8,025,291.

C. 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:
The primary assumption change was the lowering of the single discount rate from 7.25 percent to 7.00 percent.

D. 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 1.95 percent as of August 31, 2021 to 3.91 percent, as of August 31, 2022. Lower participation rates and updates to the health care trend rate assumptions were also factors that decreased the Total OPEB Liability

Other Supplementary Information

Non-major Governmental Funds

TEXARKANA INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2023

Data Control Codes		211 Title I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
	ASSETS			
1110	Cash and Cash Equivalents	$ -	$ -	$ -
1240	Due from Other Governments	751,184	374,697	-
1000	Total Assets	$ 751,184	$ 374,697	$ -
	LIABILITIES			
2110	Accounts Payable	$ 201,676	$ 216,661	$ -
2150	Payroll Deductions and Withholdings Payable	34,395	11,358	-
2160	Accrued Wages Payable	515,113	146,678	-
2300	Unearned Revenue	-	-	-
2000	Total Liabilities	751,184	374,697	-
	FUND BALANCES			
	Assigned Fund Balance:			
3590	Other Assigned Fund Balance	-	-	-
3000	Total Fund Balances	-	-	-
4000	Total Liabilities and Fund Balances	$ 751,184	$ 374,697	$ -

	244 Perkins V	255 Title II, A Supporting Instruction	263 Title III, A English Lang. Acquisition	265 Title IV, B 21st CCLC	266 ESSER I	279 ESSER III TCLAS	280 ESSER III Homeless Children	281 ESSER II
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	4,073	125,107	13,927	472,588	-	187,072	3,097	545,560
	$ 4,073	$ 125,107	$ 13,927	$ 472,588	$ -	$ 187,072	$ 3,097	$ 545,560
	$ 4,073	$ 79,012	$ 13,927	$ 217,337	$ -	$ 36,388	$ 3,097	$ 349,553
	-	2,003	-	5,871	-	3,471	-	12,109
	-	44,092	-	249,380	-	147,213	-	183,898
	-	-	-	-	-	-	-	-
	4,073	125,107	13,927	472,588	-	187,072	3,097	545,560
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	$ 4,073	$ 125,107	$ 13,927	$ 472,588	$ -	$ 187,072	$ 3,097	$ 545,560

TEXARKANA INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2023

Data Control Codes		282 ESSER III	284 IDEA B Formula ARP Act	289 Title IV Part A Subpart I	315 SSA IDEA, Part B Discretionary
	ASSETS				
1110	Cash and Cash Equivalents	$ -	$ -	$ -	$ -
1240	Due from Other Governments	2,848,143	140,182	105,109	-
1000	Total Assets	$ 2,848,143	$ 140,182	$ 105,109	$ -
	LIABILITIES				
2110	Accounts Payable	$ 2,738,718	$ 121,634	$ 76,738	$ -
2150	Payroll Deductions and Withholdings Payable	5,938	345	3,160	-
2160	Accrued Wages Payable	103,487	18,203	25,211	-
2300	Unearned Revenue	-	-	-	-
2000	Total Liabilities	2,848,143	140,182	105,109	-
	FUND BALANCES				
	Assigned Fund Balance:				
3590	Other Assigned Fund Balance	-	-	-	-
3000	Total Fund Balances	-	-	-	-
4000	Total Liabilities and Fund Balances	$ 2,848,143	$ 140,182	$ 105,109	$ -

397 Advanced Placement Incentives	410 State Instructional Materials	412 Public School Child Care Services	419 Head Start Ready To Read	428 Tiger Children's Clinic	429 TCLAS - GR	435 SSA Regional Day School - Deaf	459 Autism Grant
$ 87	$ 43,222	$ 1,466,278	$ -	$ 46,915	$ -	$ -	$ -
-	68,009	-	22,500	-	-	-	312,166
$ 87	$ 111,231	$ 1,466,278	$ 22,500	$ 46,915	$ -	$ -	$ 312,166
$ -	$ -	$ 1,709	$ 16,774	$ -	$ -	$ -	$ 234,431
-	-	214	-	-	-	-	3,141
-	-	8,926	-	-	-	-	74,594
87	111,231	1,455,429	5,726	46,915	-	-	-
87	111,231	1,466,278	22,500	46,915	-	-	312,166
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
$ 87	$ 111,231	$ 1,466,278	$ 22,500	$ 46,915	$ -	$ -	$ 312,166

TEXARKANA INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2023

Data Control Codes		461 Campus Activity Funds	Total Nonmajor Governmental Funds
	ASSETS		
1110	Cash and Cash Equivalents	$ 542,290	$ 2,098,792
1240	Due from Other Governments	-	5,973,414
1000	Total Assets	$ 542,290	$ 8,072,206
	LIABILITIES		
2110	Accounts Payable	$ 8,969	$ 4,320,697
2150	Payroll Deductions and Withholdings Payable	-	82,005
2160	Accrued Wages Payable	-	1,516,795
2300	Unearned Revenue	-	1,619,388
2000	Total Liabilities	8,969	7,538,885
	FUND BALANCES		
	Assigned Fund Balance:		
3590	Other Assigned Fund Balance	533,321	533,321
3000	Total Fund Balances	533,321	533,321
4000	Total Liabilities and Fund Balances	$ 542,290	$ 8,072,206

TEXARKANA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

Data Control Codes		211 Title I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
	REVENUES:			
5700	Total Local and Intermediate Sources	$ -	$ -	$ -
5800	State Program Revenues	-	-	-
5900	Federal Program Revenues	2,981,723	1,555,496	30,599
5020	Total Revenues	2,981,723	1,555,496	30,599
	EXPENDITURES:			
	Current:			
0011	Instruction	2,574,011	869,164	-
0012	Instructional Resources and Media Services	55,387	-	-
0013	Curriculum and Instructional Staff Development	143,030	-	-
0021	Instructional Leadership	-	-	-
0023	School Leadership	99,287	-	-
0031	Guidance, Counseling, and Evaluation Services	-	745,837	30,599
0033	Health Services	-	-	-
0036	Extracurricular Activities	-	-	-
0041	General Administration	-	-	-
0051	Facilities Maintenance and Operations	-	-	-
0052	Security and Monitoring Services	-	-	-
0061	Community Services	136,265	-	-
	Debt Service:			
0071	Principal on Long-Term Liabilities	13,932	31,358	-
	Capital Outlay:			
0081	Facilities Acquisition and Construction	-	-	-
6030	Total Expenditures	3,021,912	1,646,359	30,599
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(40,189)	(90,863)	-
	OTHER FINANCING SOURCES (USES):			
7913	Proceeds of Right-to-Use Lease	40,189	90,863	-
1200	Net Change in Fund Balance	-	-	-
0100	Fund Balance - July 1 (Beginning)	-	-	-
3000	Fund Balance - June 30 (Ending)	$ -	$ -	$ -

244 Perkins V	255 Title II, A Supporting Instruction	263 Title III, A English Lang. Acquisition	265 Title IV, B 21st CCLC	266 ESSER I	279 ESSER III TCLAS	280 ESSER III Homeless Children	281 ESSER II
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-
99,627	358,484	50,202	1,754,014	87,362	666,374	21,652	3,269,564
99,627	358,484	50,202	1,754,014	87,362	666,374	21,652	3,269,564
99,627	358,484	50,202	1,221,617	-	665,867	21,652	2,651,635
-	-	-	-	-	-	-	-
-	-	-	19,975	-	-	-	7,629
-	-	-	523,135	-	-	-	-
-	-	-	-	-	507	-	-
-	-	-	-	-	-	-	511,824
-	-	-	-	74,920	-	-	63,684
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	61,183
-	-	-	-	12,442	-	-	21,571
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	5,678	-	-	-	25,000
-	-	-	-	-	-	-	-
99,627	358,484	50,202	1,770,405	87,362	666,374	21,652	3,342,526
-	-	-	(16,391)	-	-	-	(72,962)
-	-	-	16,391	-	-	-	72,962
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

TEXARKANA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

Data Control Codes		282 ESSER III	284 IDEA B Formula ARP Act	289 Title IV Part A Subpart I	315 SSA IDEA, Part B Discretionary
	REVENUES:				
5700	Total Local and Intermediate Sources	$ -	$ -	$ -	$ -
5800	State Program Revenues	-	-	-	-
5900	Federal Program Revenues	6,800,121	162,380	293,658	16,799
5020	Total Revenues	6,800,121	162,380	293,658	16,799
	EXPENDITURES:				
	Current:				
0011	Instruction	3,055,991	162,380	293,658	16,799
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	418,822	-	-	-
0021	Instructional Leadership	-	-	-	-
0023	School Leadership	-	-	-	-
0031	Guidance, Counseling, and Evaluation Services	150,000	-	-	-
0033	Health Services	-	-	-	-
0036	Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	-
0052	Security and Monitoring Services	586,712	-	-	-
0061	Community Services	-	-	-	-
	Debt Service:				
0071	Principal on Long-Term Liabilities	82,250	-	-	-
	Capital Outlay:				
0081	Facilities Acquisition and Construction	2,743,494	-	-	-
6030	Total Expenditures	7,037,269	162,380	293,658	16,799
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(237,148)	-	-	-
	OTHER FINANCING SOURCES (USES):				
7913	Proceeds of Right-to-Use Lease	237,148	-	-	-
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - July 1 (Beginning)	-	-	-	-
3000	Fund Balance - June 30 (Ending)	$ -	$ -	$ -	$ -

397 Advanced Placement Incentives	410 State Instructional Materials	412 Public School Child Care Services	419 Head Start Ready To Read	428 Tiger Children's Clinic	429 TCLAS - GR	435 SSA Regional Day School - Deaf	459 Autism Grant
$ -	$ -	$ -	$ -	$ 730	$ -	$ -	$ -
-	433,470	232,539	42,923	-	34,147	135,460	1,599,012
-	-	582,563	-	-	-	-	-
-	433,470	815,102	42,923	730	34,147	135,460	1,599,012
-	470,551	-	-	-	15,397	135,460	850,608
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	219,947
-	-	-	-	-	-	-	509,928
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	18,750	-	-
-	-	774,042	42,923	730	-	-	18,529
-	19,570	-	-	-	-	-	-
-	-	41,060	-	-	-	-	-
-	490,121	815,102	42,923	730	34,147	135,460	1,599,012
-	(56,651)	-	-	-	-	-	-
-	56,651	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

EXHIBIT H-2

TEXARKANA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

Data Control Codes		461 Campus Activity Funds	Total Nonmajor Governmental Funds
	REVENUES:		
5700	Total Local and Intermediate Sources	$ 735,081	$ 735,811
5800	State Program Revenues	-	2,477,551
5900	Federal Program Revenues	-	18,730,618
5020	Total Revenues	735,081	21,943,980
	EXPENDITURES:		
	Current:		
0011	Instruction	47,732	13,560,835
0012	Instructional Resources and Media Services	-	55,387
0013	Curriculum and Instructional Staff Development	-	809,403
0021	Instructional Leadership	-	1,033,063
0023	School Leadership	-	99,794
0031	Guidance, Counseling, and Evaluation Services	-	1,438,260
0033	Health Services	-	138,604
0036	Extracurricular Activities	725,090	725,090
0041	General Administration	-	61,183
0051	Facilities Maintenance and Operations	-	34,013
0052	Security and Monitoring Services	-	605,462
0061	Community Services	-	972,489
	Debt Service:		
0071	Principal on Long-Term Liabilities	10,761	188,549
	Capital Outlay:		
0081	Facilities Acquisition and Construction	-	2,784,554
6030	Total Expenditures	783,583	22,506,686
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(48,502)	(562,706)
	OTHER FINANCING SOURCES (USES):		
7913	Proceeds of Right-to-Use Lease	30,944	545,148
1200	Net Change in Fund Balance	(17,558)	(17,558)
0100	Fund Balance - July 1 (Beginning)	550,879	550,879
3000	Fund Balance - June 30 (Ending)	$ 533,321	$ 533,321

Non-major Enterprise Funds

TEXARKANA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2023

	711 Food Service Activity	713 Print Shop Activity
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 321,019	$ 467,674
Inventories	18,455	-
Total Current Assets	339,474	467,674
Noncurrent Assets:		
Capital Assets:		
Buildings and Improvements, Net	148	-
Right-to-Use Lease Asset, Net	-	72,685
Total Noncurrent Assets	148	72,685
Total Assets	339,622	540,359
LIABILITIES		
Current Liabilities:		
Accounts Payable	4,502	2,286
Right-to-Use Lease Liabilities Payable	-	34,276
Due to Other Governments	-	-
Total Current Liabilities	4,502	36,562
Noncurrent Liabilities:		
Right-to-Use Lease Liability - Long Term	-	38,409
Total Noncurrent Liabilities	-	38,409
Total Liabilities	4,502	74,971
NET POSITION		
Unrestricted Net Position	335,120	465,388
Total Net Position	$ 335,120	$ 465,388

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
$ 3,041	$ 570	$ 464	$ 287,508	$ 13,170	$ 1,093,446
240	-	-	-	-	18,695
3,281	570	464	287,508	13,170	1,112,141
-	-	-	-	-	148
-	-	-	-	-	72,685
-	-	-	-	-	72,833
3,281	570	464	287,508	13,170	1,184,974
-	-	-	-	-	6,788
-	-	-	-	-	34,276
10	-	-	-	116	126
10	-	-	-	116	41,190
-	-	-	-	-	38,409
-	-	-	-	-	38,409
10	-	-	-	116	79,599
3,271	570	464	287,508	13,054	1,105,375
$ 3,271	$ 570	$ 464	$ 287,508	$ 13,054	$ 1,105,375

TEXARKANA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	711 Food Service Activity	713 Print Shop Activity
OPERATING REVENUES:		
Local and Intermediate Sources	$ 137,526	$ 98,239
State Program Revenues	3,030	681
Total Operating Revenues	140,556	98,920
OPERATING EXPENSES:		
Payroll Costs	40,206	8,362
Professional and Contracted Services	6,547	159,064
Supplies and Materials	126,505	68,589
Other Operating Costs	1,497	-
Depreciation Expense	297	4,888
Debt Service	-	33,120
Total Operating Expenses	175,052	274,023
Operating Income (Loss)	(34,496)	(175,103)
Total Net Position - July 1 (Beginning)	369,616	640,491
Total Net Position - June 30 (Ending)	$ 335,120	$ 465,388

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
$ 21,497	$ -	$ -	$ -	$ -	$ 257,262
-	-	-	-	-	3,711
21,497	-	-	-	-	260,973
-	-	-	-	-	48,568
-	-	-	-	-	165,611
29,486	-	-	-	-	224,580
-	-	-	-	-	1,497
-	-	-	-	-	5,185
-	-	-	-	-	33,120
29,486	-	-	-	-	478,561
(7,989)	-	-	-	-	(217,588)
11,260	570	464	287,508	13,054	1,322,963
$ 3,271	$ 570	$ 464	$ 287,508	$ 13,054	$ 1,105,375

TEXARKANA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	711 Food Service Activity	713 Print Shop Activity
Cash Flows from Operating Activities:		
Cash Received from User Charges	$ 140,556	$ 98,917
Cash Payments to Employees for Services	(40,206)	-
Cash Payments for Suppliers	(131,532)	(269,281)
Net Cash Used for Operating Activities	(31,182)	(170,364)
Net Decrease in Cash and Cash Equivalents	(31,182)	(170,364)
Cash and Cash Equivalents at Beginning of Year	352,201	638,038
Cash and Cash Equivalents at End of Year	$ 321,019	$ 467,674
Reconciliation of Operating Income (Loss) to Net Cash Provided Used for Activities:		
Operating Income (Loss):	$ (34,496)	$ (175,103)
Adjustments to Reconcile Operating Income to Net Cash Used for Operating Activities:		
Depreciation	297	4,888
Effect of Increases and Decreases in Current Assets and Liabilities:		
Increase (decrease) in Accounts Payable	3,017	(149)
Net Cash Used for Operating Activities	$ (31,182)	$ (170,364)

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
$ 21,498	$ -	$ -	$ -	$ -	$ 260,971
-	-	-	-	-	(40,206)
(29,487)	-	-	-	-	(430,300)
(7,989)	-	-	-	-	(209,535)
(7,989)	-	-	-	-	(209,535)
11,030	570	464	287,508	13,170	1,302,981
$ 3,041	$ 570	$ 464	$ 287,508	$ 13,170	$ 1,093,446
$ (7,989)	$ -	$ -	$ -	$ -	$ (217,588)
-	-	-	-	-	5,185
-	-	-	-	-	2,868
$ (7,989)	$ -	$ -	$ -	$ -	$ (209,535)

Custodial Funds

TEXARKANA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS
JUNE 30, 2023

	830 Dual Credit THS	873 5K THS Fundraiser	874 Distinguished Alumni Fund	876 Texas High Club
ASSETS				
Cash and Cash Equivalents	$ 246,339	$ -	$ 12,656	$ 346,847
Capital Assets:				
Furniture and Equipment. Net	-	-	-	10,402
Total Assets	246,339	-	12,656	357,249
LIABILITIES				
Accounts Payable	-	-	-	5,646
Total Liabilities	-	-	-	5,646
NET POSITION				
Restricted for Other Purposes	246,339	-	12,656	351,603
Total Net Position	$ 246,339	$ -	$ 12,656	$ 351,603

879 Texas Middle School Club	Total Custodial Funds
$ 22,770	$ 628,612
-	10,402
22,770	639,014
-	5,646
-	5,646
22,770	633,368
$ 22,770	$ 633,368

TEXARKANA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
FOR FISCAL YEAR 2023

	830 Dual Credit THS	873 5K THS Fundraiser	874 Distinguished Alumni Fund	876 Texas High Club
ADDITIONS:				
Enterprising Services Revenue	$ 219,553	$ 1,808	$ -	$ 304,844
Total Additions	219,553	1,808	-	304,844
DEDUCTIONS:				
Payroll Costs	209,758	-	-	-
Professional and Contracted Services	19,375	-	-	5,147
Supplies and Materials	17,807	1,808	-	138,417
Other Deductions	-	-	-	97,491
Total Deductions	246,940	1,808	-	241,055
Change in Net Position	(27,387)	-	-	63,789
Net Position - July 1 (Beginning)	273,726	-	12,656	287,814
Net Position - June 30 (Ending)	$ 246,339	$ -	$ 12,656	$ 351,603

879 Texas Middle School Club	Total Total Custodial Funds
$ 1,310	$ 527,515
1,310	527,515
-	209,758
-	24,522
8,845	166,877
-	97,491
8,845	498,648
(7,535)	28,867
30,305	604,501
$ 22,770	$ 633,368

Private Purpose Trust Funds

TEXARKANA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2023

	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	$ 46,462	$ 23,788	$ 483	$ 6,250
Capital Assets:				
Furniture and Equipment. Net	-	-	-	-
Total Assets	46,462	23,788	483	6,250
NET POSITION				
Restricted for Other Purposes	46,462	23,788	483	6,250
Total Net Position	$ 46,462	$ 23,788	$ 483	$ 6,250

809 Nash VIP Fund	811 Sping 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
$ 7,620	$ 4,029	$ 5,630	$ 1,094	$ 125,057	$ 14,164	$ 143,540	$ 378,117
-	-	-	-	54,200	-	-	54,200
7,620	4,029	5,630	1,094	179,257	14,164	143,540	432,317
7,620	4,029	5,630	1,094	179,257	14,164	143,540	432,317
$ 7,620	$ 4,029	$ 5,630	$ 1,094	$ 179,257	$ 14,164	$ 143,540	$ 432,317

TEXARKANA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	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	$ 12,420	$ 15,717	$ -	$ -
Earnings from Temporary Deposits	-	-	-	-
Contributions, Gifts and Donations	-	-	-	-
Total Additions	12,420	15,717	-	-
DEDUCTIONS:				
Supplies and Materials	4,000	13,510	-	-
Other Deductions	520	-	-	-
Total Deductions	4,520	13,510	-	-
Change in Net Position	7,900	2,207	-	-
Net Position - July 1 (Beginning)	38,562	21,581	483	6,250
Net Position - June 30 (Ending)	$ 46,462	$ 23,788	$ 483	$ 6,250

809 Nash VIP Fund	811 Sping 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
$ 17,812	$ 2,570	$ 3,071	$ -	$ 138,280	$ 12,477	$ -	$ 202,347
-	-	-	-	-	-	5,626	5,626
-	-	-	-	-	-	2,710	2,710
17,812	2,570	3,071	-	138,280	12,477	8,336	210,683
16,120	1,211	6,155	-	157,419	5,676	-	204,091
-	-	-	-	31,366	-	5,500	37,386
16,120	1,211	6,155	-	188,785	5,676	5,500	241,477
1,692	1,359	(3,084)	-	(50,505)	6,801	2,836	(30,794)
5,928	2,670	8,714	1,094	229,762	7,363	140,704	463,111
$ 7,620	$ 4,029	$ 5,630	$ 1,094	$ 179,257	$ 14,164	$ 143,540	$ 432,317

Required TEA Schedules

TEXARKANA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED JUNE 30, 2023

Last 10 Years		(1) Tax Rates Maintenance	(2) Tax Rates Debt Service	(3) Assessed/Appraised Value for School Tax Purposes
2014	and prior years	$ 1.170000	$ 0.169000	$ 1,881,877,414
2015		1.170000	0.169000	1,929,101,050
2016		1.170000	0.255000	1,948,780,352
2017		1.170000	0.255000	1,904,476,997
2018		1.170000	0.255000	1,974,870,987
2019		1.170000	0.255000	2,006,493,789
2020		1.068300	0.255000	2,063,870,404
2021		1.054700	0.255000	2,272,157,652
2022		1.051700	0.255000	2,276,650,848
2023	(School year under audit)	0.942900	0.255000	2,674,488,506
1000	TOTALS			
8000	Total Taxes Refunded Under Section 26.115, Tax Code			

(10) Beginning Balance 7/1/2022	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2023
$ 293,505	$ -	$ 19,710	$ 2,847	$ (67,484)	$ 203,464
64,552	-	4,383	633	(3,193)	56,343
67,891	-	4,112	896	(2,044)	60,839
76,109	-	8,330	1,816	(2,625)	63,338
95,160	-	13,316	2,902	(840)	78,102
109,376	-	15,397	3,356	(2,600)	88,023
144,098	-	30,071	7,178	(509)	106,340
193,491	-	46,661	11,281	(7,325)	128,224
879,560	-	517,654	125,513	(27,152)	209,241
-	31,436,634	23,457,099	6,343,791	(451,570)	1,184,174
$ 1,923,742	$ 31,436,634	$ 24,116,733	$ 6,500,213	$ (565,342)	$ 2,178,088
		$ 106,462			

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, 2023

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	$ 6,167,298	$ 6,167,298	$ 6,908,060	$ 740,762
5800	State Program Revenues	28,623	-	-	-
5020	Total Revenues	6,195,921	6,167,298	6,908,060	740,762
	EXPENDITURES:				
	Debt Service:				
0071	Principal on Long-Term Liabilities	3,908,869	3,908,440	3,908,440	-
0072	Interest on Long-Term Liabilities	3,024,574	3,024,574	3,024,574	-
0073	Bond Issuance Cost and Fees	-	400,429	432,361	(31,932)
6030	Total Expenditures	6,933,443	7,333,443	7,365,375	(31,932)
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(737,522)	(1,166,145)	(457,315)	708,830
	OTHER FINANCING SOURCES (USES):				
7911	Capital Related Debt Issued	-	1,929,861	1,929,861	-
7915	Transfers In	738,089	1,640,089	1,641,115	1,026
7917	Prepaid Interest	-	349,700	349,700	-
7080	Total Other Financing Sources (Uses)	738,089	3,919,650	3,920,676	1,026
1200	Net Change in Fund Balances	567	2,753,505	3,463,361	709,856
0100	Fund Balance - July 1 (Beginning)	3,628,392	3,628,392	3,628,392	-
3000	Fund Balance - June 30 (Ending)	$ 3,628,959	$ 6,381,897	$ 7,091,753	$ 709,856

TEXARKANA INDEPENDENT SCHOOL DISTRICT
USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2023

	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.	8,575,141
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	4,675,422
	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.	408,046
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25,35)	252,897

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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 7, 2023.

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 2023-001 that we consider to be a significant deficiency.

2900 St. Michael Drive, Suite 302, Texarkana, Texas 75503 Telephone (903) 831-3477 FAX (903) 831-3482 www.thomasthomascpas.com

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 2023-001.

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 7, 2023

THOMAS & THOMAS
PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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

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, 2023. 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, 2023.

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.

2900 St. Michael Drive, Suite 302, Texarkana, Texas 75503 Telephone (903) 831-3477 FAX (903) 831-3482 www.thomasthomascpas.com

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 7, 2023

TEXARKANA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023

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:	
Education Stabilization Funds	AL #84.425
Emergency Connectivity Fund Program	AL #32.009
Dollar Threshold Used to Distinguish between Type A and Type B Programs	$921,263
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
2023-001

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 one function in the Debt Service fund.

Cause
Although the District amends its budget with board approval throughout the fiscal year, additional bond issuance costs were incurred 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, 2023, the District's actual function 71 expenditures exceeded budgeted expenditures by $31,932, respectively in the debt service fund.

Context
The District's actual function 71 expenditures exceeded budgeted expenditures by approximately 1%, respectively in the Debt Service 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.

TEXARKANA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023

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 7, 2023

RE: Finding 2023-001

Corrective Action Plan:

The District will implement additional controls to monitor compliance with budget spending. The District will present quarterly budget amendments to the school board. The end of year budget will be more closely monitored for necessary amendments.

Date Correction Completed:
June 30, 2024

Responsible Official:
Anita Clay

Phone Number:
903-794-3651

TEXARKANA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2023

Finding 2022-001

Significant Deficiency

Internal Control and Compliance

Summary:

In the prior year, our review of internal controls disclosed instances in which the District's actual expenditures exceeded the budgeted expenditures. No costs were questioned.

Conclusion:

This finding reoccurred during the year ended June 30, 2023 and is presented as finding 2023-001.

TEXARKANA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal Assistance Listing No.	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
DEPARTMENT OF THE TREASURY			
Direct Programs:			
Emergency Connectivity Fund Program	32.009	019907	$ 2,183,823
Total Direct Programs			2,183,823
TOTAL DEPARTMENT OF THE TREASURY			2,183,823
U.S. DEPARTMENT OF EDUCATION			
Passed Through Texas Education Agency			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	22610101019907	191,359
ESEA, Title I, Part A - Improving Basic Programs	84.010A	23610101019907	2,767,313
2021-2023 TTL I, 1002 ESF-Focused Support Grant	84.010A	226101577110057	68,018
TTL I, 1003 School Improvement Grant	84.010A	236610010199076610	29,446
Total Assistance Listing Number 84.010			3,056,136
*IDEA - Part B, Formula	84.027A	226600010199076000	260,506
*IDEA - Part B, Formula	84.027A	236600010199076000	1,356,726
*SSA - IDEA - Part B, Discretionary	84.027A	236600110199076000	17,464
*COVID 19 - IDEA, Part B, Formula - (ARP)	84.027X	225350010199075000	168,823
Total Assistance Listing Number 84.027			1,803,519
*IDEA - Part B, Preschool	84.173A	236610010199076610	31,455
Total Special Education Cluster (IDEA)			1,834,974
Career and Technical - Basic Grant	84.048A	22420006019907	22,705
Career and Technical - Basic Grant	84.048A	23420006019907	80,225
Total Assistance Listing Number 84.048			102,930
Title IV, Pt B-21st Cent. Community Learning Cent.	84.287C	226950307110041	56,784
Title IV, Pt B-21st Cent. Community Learning Cent.	84.287C	236950307110041	1,699,395
Total Assistance Listing Number 84.287			1,756,179
Title III, Part A - English Language Acquisition	84.365A	22671001019907	2,600
Title III, Part A - English Language Acquisition	84.365A	23671001019907	49,594
Total Assistance Listing Number 84.365			52,194
2021-2022 Teacher Leadership Cycle 2	84.367A	23694501019907	8,000
ESEA, Title II, Part A, Teacher Principal Training	84.367A	226945797110032	364,394
Total Assistance Listing Number 84.367			372,394
COVID 19 - ESSER I - School Emergency Relief Fd	84.425D	20521001019907	87,362
COVID 19 - ESSER II - School Emergency Relief	84.425D	21521001019907	3,672,715
COVID 19 - ESSER III - School Emergengy Relief	84.425D	21528001019907	6,415,484
TCLAS High-Quality After School	84.425D	215280587110150	765,791
COVID 19 - Learning Supports - (TCLAS) ESSER III	84.425U	21528042019907	730,913
COVID 19 - ARP Education for Homeless Children	84.425W	21533002019907	24,361
Total Assistance Listing Number 84.425			11,696,626
Title IV, Part A, Subpart I	84.424A	22680101019907	26,244
Title IV, Part A, Subpart I	84.424A	23680101019907	278,545
Total Assistance Listing Number 84.424			304,789
Total Passed Through Texas Education Agency			19,176,222
TOTAL U.S. DEPARTMENT OF EDUCATION			19,176,222
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			

TEXARKANA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal Assistance Listing No.	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
Passed Through Texas Health and Human Services Commission			
Medicaid Administrative Claiming Program - MAC	93.778	529-07-1057-00137	28,794
Child Care and Development Fund	93.596	019907	582,563
Total Passed Through Texas Health and Human Services Commission			611,357
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			611,357
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through the Texas Department of Agriculture			
*School Breakfast Program	10.553	806780706	1,856,738
*National School Lunch Program - Cash Assistance	10.555	806780706	5,166,264
*National School Lunch Prog. - Non-Cash Assistance	10.555	806780706	837,095
Total Assistance Listing Number 10.555			6,003,359
Total Child Nutrition Cluster			7,860,097
Child & Adult Care Food Program - Cash Assistance	10.558	806780706	877,278
Total Passed Through the Texas Department of Agriculture			8,737,375
TOTAL U.S. DEPARTMENT OF AGRICULTURE			8,737,375
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 30,708,777

*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, 2023, 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, 2023, the District received Medicaid funds of $1,059,102 which is not considered a federal award since it is direct cash assistance to individuals.

E-Rate Funding

During the year ending June 30, 2023, the District received a discount on phone and internet bills in the amount of $63,360 in the general fund. These amounts are reflected as federal revenue in the current year.

Indirect Costs

Indirect costs totaling $1,309,206 are in the General Fund. The restricted indirect cost rate for the 2022-2023 fiscal year, as approved by The Division of Federal and Fiscal Compliance and Reporting at the Texas Education Agency (TEA), was 3.969%. 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 12.516%

Reconciliation of Federal Funds

Federal Funds Per K-1	$ 30,708,777
Medicaid SHARS	1,059,102
E-Rate Funding	63,360
	$ 31,831,239

SCHOOLS FIRST QUESTIONNAIRE

Texarkana Independent School District

Fiscal Year 2023

SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement?	No
SF3	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If there was a warrant hold not cleared in 30 days, then not timely.)	Yes
SF4	Was the school district issued a warrant hold? (Yes even if cleared within 30 days.)	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Govenment Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules in effect at the fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year end.	7,229,984

APPENDIX E

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

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

During the 87th Regular Session of the Texas Legislature (the "87th Regular Session"), which concluded on May 31, 2021, Senate Bill 1232 ("SB 1232") was enacted and became effective on September 1, 2021. SB 1232 provided 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 required 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.

The regular session of the 88th Texas Legislature (the "Legislature") was held from January 10, 2023, to May 29, 2023. As of the date of this disclosure, there have been four special sessions held, with the fourth special session ending December 5, 2023. The Texas Governor may call one or more additional special sessions. During this time, the Legislature may enact laws that materially change current law as it relates to the Guarantee Program, the TEA, the SBOE, the Act, the PSF Corporation, and Texas school finance generally. No representation is made regarding any actions the Legislature has taken or may take, but the TEA, SBOE, and PSF Corporation monitor and analyze legislation for any developments applicable thereto.

History and Purpose

The PSF supports the State's public school system in two major ways: distributions to the constitutionally established Available School Fund (the "ASF"), as described below, and the guarantee of school district and charter district issued bonds through the Guarantee Program. The PSF was created in 1845 and received its first significant funding with a $2,000,000 appropriation by the Legislature in 1854 expressly for the benefit of the public schools of Texas, with the sole purpose of assisting in the funding of public education for present and future generations. The Constitution of 1876 described that the PSF would be "permanent," and stipulated that certain lands and all proceeds from the sale of these lands should also constitute the PSF. Additional acts later gave more public domain land and rights to the PSF. In 1953, the U.S. Congress passed the Submerged Lands Act that relinquished to coastal states all rights of the U.S. navigable waters within state boundaries. If the State, by law, had set a larger boundary prior to or at the time of admission to the Union, or if the boundary had been approved by Congress, then the larger boundary applied. After three years of litigation (1957-1960), the U.S. Supreme Court on May 31, 1960, affirmed Texas' historic three marine leagues (10.35 miles) seaward boundary. Texas proved its submerged lands property rights to three leagues into the Gulf of Mexico by citing historic laws and treaties dating back to 1836. All lands lying within that limit belong to the PSF. The proceeds from the sale and the mineral-related rental of these lands, including bonuses, delay rentals and royalty payments, become the corpus of the Fund. Prior to the approval by the voters of the State of an amendment to the constitutional provision under which the Fund was established and administered, which occurred on September 13, 2003 (the "Total Return Constitutional Amendment"), and which is further described below, only the income produced by the PSF could be used to complement taxes in financing public education, which primarily consisted of income from securities, capital gains from securities transactions, and royalties from the sale of oil and natural gas. The Total Return Constitutional Amendment provides that interest and dividends produced by Fund investments will be additional revenue to the PSF.

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

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

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

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

Audited financial information for the PSF is provided annually through the PSF Corporation's Annual Comprehensive Financial Report (the "Annual Report"), which is filed with the Municipal Securities Rulemaking Board ("MSRB"). Due to the establishment of the PSF Corporation, the most recent financial statements include several restatements related thereto. The SLB's land and real assets investment operations, which are part of the PSF as described below, are also included in the annual financial report of the Texas General Land Office (the "GLO") that is included in the annual comprehensive report of the State of Texas. The Annual Report includes the Message of the Chief Executive Officer of the PSF Corporation (the "Message") and the Management's Discussion and Analysis ("MD&A"). The Annual Report for the year ended August 31, 2023, as filed with the MSRB in accordance with the PSF undertaking and agreement made in accordance with Rule 15c2-12 ("Rule 15c2-12") of the United States Securities and Exchange Commission (the "SEC"), as described below, is hereby incorporated by reference into this disclosure. Information included herein for the year ended August 31, 2023, is derived from the audited financial statements of the PSF, which are included in the Annual Report as it is filed and posted. Reference is made to the Annual Report for the complete Message and MD&A for the year ended August 31, 2023, and for a description of the financial results of the PSF for the year ended August 31, 2023, the most recent year for which audited financial information regarding the Fund is available. The 2023 Annual Report speaks only as of its date and the TEA has not obligated itself to update the 2023 Annual Report or any other Annual Report. The PSF Corporation posts (i) each Annual Report, which includes statistical data regarding the Fund as of the close of each fiscal year, (ii) the most recent disclosure for the Guarantee Program, (iii) the PSF Corporation's Investment Policy Statement (the "IPS"), and (iv) monthly updates with respect to the capacity of the Guarantee Program (collectively, the "Web Site Materials") on the PSF Corporation's web site at https://texaspsf.org/bond-guarantee-program/ and with the MSRB at www.emma.msrb.org. Such monthly updates regarding the Guarantee Program are also incorporated herein and made a part hereof for all purposes. In addition to the Web Site Materials, the Fund is required to make quarterly filings with the SEC under Section 13(f) of the Securities Exchange Act of 1934. Such filings, which consist of a list of the Fund's holdings of securities specified in Section 13(f), including exchange-traded (*e.g.*, NYSE) or NASDAQ-quoted stocks, equity options and warrants, shares of closed-end investment companies and certain convertible debt securities, are available from the SEC at www.sec.gov/edgar. A list of the Fund's equity and fixed income holdings as of August 31 of each year is posted to the PSF Corporation's web site and filed with the MSRB. Such list excludes holdings in the Fund's securities lending program. Such list, as filed, is incorporated herein and made a part hereof for all purposes.

Management and Administration of the Fund

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

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

The Texas Constitution provides that the Fund shall be managed 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"). In accordance with the Texas Constitution, the SBOE views the PSF as a perpetual endowment, and the Fund is managed as an endowment fund with a long-term investment horizon. For a detailed description of the PSFC Board's investment objectives, as well as a description of the PSFC's roles and responsibilities in managing and administering the fund, see the IPS (available on the PSF Corporation's website).

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

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

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

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

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

The Total Return Constitutional Amendment

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

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

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

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

Annual Distributions to the Available School Fund[1]

Fiscal Year Ending	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023[2]
PSF(CORP) Distribution	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,076
PSF(SBOE) Distribution	839	839	1,056	1,056	1,236	1,236	1,102	1,102	1,731	-
PSF(SLB) Distribution	0	0	0	0	0	300	600	600[3]	415	115
Per Student Distribution	175	173	215	212	247	306	347	341	432	440

[1] In millions of dollars. Source: Annual Report for year ended August 31, 2023.

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

[3] In September 2020, the SBOE approved a special, one-time transfer of $300 million from the portion of the PSF managed by the SBOE to the portion of the PSF managed by the SLB, which amount is to be transferred to the ASF by the SLB in fiscal year

2021. In approving the special transfer, the SBOE determined that the transfer was in the best interest of the PSF due to the historic nature of the public health and economic circumstances resulting from the COVID-19 pandemic and its impact on the school children of Texas.

In November 2022, the SBOE approved a $3.1 billion distribution to the ASF for State fiscal biennium 2024-2025. In making its determination of the 2024-2025 Distribution Rate, the SBOE took into account the announced planned distribution to the ASF by the SLB of $1.2 billion for the biennium.

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

State Fiscal Biennium	2008-09	2010-11	2012-13	2014-15	2016-17	2018-19	2020-21	2022-23	2024-25
SBOE Distribution Rate[1]	3.5%	2.5%	4.2%	3.3%	3.5%	3.7%	2.974%	4.18%	3.32%[2]

[1] Includes only distributions made to the ASF by the SBOE; see the immediately preceding table for amounts of direct SLB distributions to the ASF. In addition, the SLB approved transfers of $600 million per year directly to the ASF for fiscal biennium 2024-25.

[2] The distribution rate approved by the SBOE for fiscal biennium 2024-25 was based on a number of assumptions, including a mid- to long-term expected return rate for the Fund of 6.35% and a rate of inflation measured by the consumer price index of 2.70% according to the policy adopted by the SBOE in June 2022.

PSF Corporation Strategic Asset Allocation

The PSFC Board sets the asset allocation policy for the Fund, including determining the available asset classes for investment and approving target percentages and ranges for allocation to each asset class, with the goal of delivering a long-term risk adjusted return through all economic and market environments. Effective January 1, 2023, the IPS includes a combined asset allocation for all Fund assets (consisting of assets transferred for management to the PSF Corporation from the SBOE and the SLB). The IPS provides that the Fund's investment objectives are as follows:

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

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

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

The table below sets forth the comparative investments of the PSF for the fiscal years ending August 31, 2022 and 2023, as set forth in the Annual Report for the 2023 fiscal year. As of January 1, 2023, the assets of the PSF(SBOE) and the PSF (SLB) were generally combined (referred to herein as the PSF(CORP)) for investment management and accounting purposes.

Comparative Investment Schedule – PSF(CORP)

Fair Value (in millions) August 31, 2023 and 2022

ASSET CLASS	August 31, 2023	August 31, 2022	Amount of Increase (Decrease)	Percent Change
EQUITY				
Domestic Small Cap	$ 2,975.1	$ 2,858.4	$ 116.7	4.1%
Domestic Large Cap	7,896.5	6,402.1	1,494.4	23.3%
Total Domestic Equity	10,871.6	9,260.5	1,611.1	17.4%
International Equity	7,945.5	7,197.9	747.6	10.4%
TOTAL EQUITY	18,817.1	16,458.4	2,358.7	14.3%
FIXED INCOME				
Domestic Fixed Income	5,563.7	5,867.5	(303.8)	-5.2%
U.S. Treasuries	937.5	1,140.2	(202.7)	-17.8%
High Yield Bonds	1,231.6	1,142.5	89.1	7.8%
Emerging Market Debt	869.7	1,190.9	(321.2)	-27.0%
TOTAL FIXED INCOME	8,602.5	9,341.1	(738.6)	-7.9%
ALTERNATIVE INVESTMENTS				
Absolute Return	3,175.8	2,932.3	243.5	8.3%
Real Estate	6,525.2	6,286.9	238.3	3.8%
Private Equity	8,400.7	7,933.1	467.6	5.9%
Emerging Manager Program	134.5	29.9	104.6	349.8%
Real Return	1,663.7	1,620.3	43.4	2.7%
Real Assets	4,712.1	4,341.3	370.8	8.5%
TOT ALT INVESTMENTS	24,612.0	23,143.8	1,468.2	6.3%
UNALLOCATED CASH	348.2	231.7	116.5	50.3%
TOTAL PSF(CORP) INVESTMENTS	$ 52,379.8	$ 49,175.0	$ 3,204.8	6.5%

Source: Annual Report for year ended August 31, 2023.

The table below sets forth the investments of the PSF(SLB) for the year ended August 31, 2023.

Investment Schedule - PSF(SLB)[1]

Fair Value (in millions) August 31, 2023

	As of 8-31-23	
Investment Type Investments in Real Assets		
Sovereign Lands	$ 276.14	
Discretionary Internal Investments	264.32	
Other Lands	167.97	
Minerals (2), (3)	5,435.62	(6)
Total Investments(4)	6,144.05	
Cash in State Treasury (5)	508.38	
Total Investments & Cash in State Treasury	$ 6,652.44	

[1]Unaudited figures from Table 5 in the FY 2023 Unaudited Annual Financial Report of the Texas General Land Office and Veterans Land Board.

[2] Historical Cost of investments at August 31, 2023 was: Sovereign Lands $838,776.71; Discretionary Internal Investments $129,728,504.04; Other Lands $38,241,863.70; and Minerals $13,437,063.73.

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

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

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

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

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

The School District Bond Guarantee Program

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

In the event of default, holders of guaranteed school district bonds will receive all payments 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. The SDBGP Rules include certain accreditation criteria for districts applying for a guarantee of their bonds, and limit guarantees to districts that have less than the amount of annual debt service per average daily attendance that represents the 90th percentile of annual debt service per average daily attendance for all school districts, but such limitation will not apply to school districts that have enrollment growth of at least 25% over the previous five school years. As noted, above, in connection with the Regulatory Recodification, the SDBGP Rules are now codified in the Texas Administrative Code at 19 TAC section 33.6 and are available at https://tea.texas.gov/finance-and- grants/state-funding/facilities-funding-and-standards/bond-guarantee-program.

The Charter District Bond Guarantee Program

The Charter District Bond Guarantee Program became effective March 3, 2014. The SBOE published final regulations in the Texas Register that provide for the administration of the Charter District Bond Guarantee Program (the "CDBGP Rules"). As noted, above, in connection with the Regulatory Recodification, the CDBGP Rules are now codified at 19 TAC section 33.7 and are available at https://tea.texas.gov/finance-and-grants/state-funding/facilities-funding-and- standards/bond-guarantee-program.

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

Pursuant to the CDBGP Rules, the Education Commissioner annually determines the ratio of charter district students to total public school students, for the 2024 fiscal year, the ratio is 7.69%. At February 26, 2024, there were 186 active open-enrollment charter schools in the State and there were 1,128 charter school campuses authorized under such charters, though as of such date, 212 of such campuses are not currently serving students for various reasons; therefore, there are 916 charter school campuses actively serving students in Texas. Section 12.101, Texas Education Code, limits the number of charters that the Education Commissioner may grant to a total number of 305 charters. While legislation limits the number of charters that may be granted, it does not limit the number of campuses that may operate under a particular charter. For information regarding the capacity of the Guarantee Program, see "Capacity Limits for the Guarantee Program." The Act provides that the Education Commissioner may not approve the guarantee of refunding or refinanced bonds under the Charter District Bond Guarantee Program in a total amount that exceeds one-half of the total amount available for the guarantee of charter district bonds under the Charter District Bond Guarantee Program.

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

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

In the event of default, holders of guaranteed charter district bonds will receive all payments due from the corpus of the PSF. Following a determination that a charter district will be or is unable to pay maturing or matured principal or interest on any guaranteed bond, the Act requires a charter district to notify the Education Commissioner not later than the fifth day before the stated maturity date of such bond or interest payment and provides that immediately following receipt of notice that a charter district will be or is unable to pay maturing or matured principal or interest on a guaranteed bond, the Education Commissioner is required to instruct the Comptroller to transfer from the Charter District Reserve Fund to the district's paying agent an amount necessary to pay the maturing or matured principal or interest. 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. The Charter District Bond Guarantee Program Capacity (the "CDBGP Capacity") is made available from the capacity of the Guarantee Program but is not reserved exclusively for the Charter District Bond Guarantee Program. See "Capacity Limits for the Guarantee Program." Other factors that could increase the CDBGP Capacity include Fund investment performance, future increases in the Guarantee Program multiplier, changes in State law that govern the calculation of the CDBGP Capacity, as described below, changes in State or federal law or regulations related to the Guarantee Program limit, growth in the relative percentage of students enrolled in open-enrollment charter schools to the total State scholastic census, legislative and administrative changes in funding for charter districts, changes in level of school district or charter district participation in the Guarantee Program, or a combination of such circumstances.

Capacity Limits for the Guarantee Program

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

Prior to 2007, various legislation was enacted modifying the calculation of the State Capacity limit; however, in 2007, Senate Bill 389 ("SB 389") was enacted, providing for increases in the capacity of the Guarantee Program, and specifically providing that the SBOE may by rule increase the capacity of the Guarantee Program from two and one-half times the cost value of the PSF to an amount not to exceed five times the cost value of the PSF, provided that the increased limit does not violate federal law and regulations and does not prevent bonds guaranteed by the Guarantee Program from receiving the highest available credit rating, as determined by the SBOE. SB 389 further provided that the SBOE shall at least annually consider whether to change the capacity of the Guarantee Program. Additionally, on May 21, 2010, the SBOE modified the SDBGP Rules, and increased the State Capacity Limit to an amount equal to three times the cost value of the PSF.

Such modified regulations, including the revised capacity rule, became effective on July 1, 2010. The SDBGP Rules provide that the Education Commissioner will estimate the available capacity of the PSF each month and may increase or reduce the State Capacity Limit multiplier to prudently manage fund capacity and maintain the AAA credit rating of the Guarantee Program but also provide that any changes to the multiplier made by the Education Commissioner are to be ratified or rejected by the SBOE at the next meeting following the change. See "Valuation of the PSF and Guaranteed Bonds" below.

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

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

Since December 16, 2009, the IRS Limit was a static limit set at 500% of the total cost value of the assets held by the PSF as of December 16, 2009; however, on May 10, 2023, the IRS released Notice 2023-39 (the "IRS Notice"), stating that the IRS would issue regulations amending the existing regulations to amend the calculation of the IRS limit to 500% of the total cost value of assets held by the PSF as of the date of sale of new bonds, effective as of May 10, 2023.

The IRS Notice changed the IRS Limit from a static limit to a dynamic limit for the Guarantee Program based upon the cost value of Fund assets, multiplied by five. As of December 31, 2023 the cost value of the Guarantee Program was $44,034,322,531 (unaudited), thereby producing an IRS Limit of $220,171,612,655 in principal amount of guaranteed bonds outstanding.

As of December 31, 2023, the estimated State Capacity Limit is $154,120,128,859, which is lower than the IRS Limit, making the State Capacity Limit the current Capacity Limit for the Fund.

Since July 1991, when the SBOE amended the Guarantee Program Rules to broaden the range of bonds that are eligible for guarantee under the Guarantee Program to encompass most Texas school district bonds, the principal amount of bonds guaranteed under the Guarantee Program has increased sharply. In addition, in recent years a number of factors have caused an increase in the amount of bonds issued by school districts in the State. See the table "Permanent School Fund Guaranteed Bonds" below. Effective March 1, 2023, the Act provides that the SBOE may establish a percentage of the Capacity Limit to be reserved from use in guaranteeing bonds (the "Capacity Reserve"). The SDBGP Rules provide for a maximum Capacity Reserve for the overall Guarantee Program of 5% and provide that the amount of the Capacity Reserve may be increased or decreased by a majority vote of the SBOE based on changes in the cost value, asset allocation, and risk in the portfolio, or may be increased or decreased by the Education Commissioner as necessary to prudently manage fund capacity and preserve the AAA credit rating of the Guarantee Program (subject to ratification or rejection by the SBOE at the next meeting for which an item can be posted). The CDBGP Rules provide for an additional reserve of CDBGP Capacity determined by calculating an equal percentage as established by the SBOE for the Capacity Reserve, applied to the CDBGP Capacity. Effective March 1, 2023, the Capacity Reserve is 0.25%. The Capacity Reserve is noted in the monthly updates with respect to the capacity of the Guarantee Program on the PSF Corporation's web site at https://texaspsf.org/monthly-disclosures/, which are also filed with the MSRB.

Based upon historical performance of the Fund, the legal restrictions relating to the amount of bonds that may be guaranteed has generally resulted in a lower ratio of guaranteed bonds to available assets as compared to many other types of credit enhancements that may be available for Texas school district bonds and charter district bonds. However, the ratio of Fund assets to guaranteed bonds and the growth of the Fund in general could be adversely affected by a number of factors, including Fund investment performance, investment objectives of the Fund, an increase in bond issues by school districts in the State or legal restrictions on the Fund, changes in State laws that implement funding decisions for school districts and charter districts, which could adversely affect the credit quality of those districts, the implementation of the Charter District Bond Guarantee Program, or significant changes in distributions to the ASF. The issuance of the IRS Notice and the Final IRS Regulations resulted in a substantial increase in the amount of bonds guaranteed under the Guarantee Program.

No representation is made as to how the capacity will remain available, and the capacity of the Guarantee Program is subject to change due to a number of factors, including changes in bond issuance volume throughout the State and some bonds receiving guarantee approvals may not close. If the amount of guaranteed bonds approaches the State Capacity Limit, the SBOE or Education Commissioner may increase the State Capacity Limit multiplier as discussed above.

2017 Legislative Changes to the Charter District Bond Guarantee Program

The CDBGP Capacity is established by the Act. During the 85th Texas Legislature, which concluded on May 29, 2017, Senate Bill 1480 ("SB 1480") was enacted. SB 1480 amended the Act to modify how the CDBGP Capacity is established effective as of September 1, 2017, and made other substantive changes to the Charter District Bond Guarantee Program. Prior to the enactment of SB 1480, the CDBGP Capacity was calculated as the Capacity Limit <u>less</u> 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 <u>prior to</u> the subtraction of the outstanding bond guarantees, thereby increasing the CDBGP Capacity.

The percentage of the charter district scholastic population to the overall public school scholastic population has grown from 3.53% in September 2012 to 7.69% in February 2024. TEA is unable to predict how the ratio of charter district students to the total State scholastic population will change over time.

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

Since the initial authorization of the Charter District Bond Guarantee Program, the Act has established a bond guarantee reserve fund in the State treasury (the "Charter District Reserve Fund"). Formerly, the Act provided that each charter district that has a bond guaranteed must annually remit to the Education Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 10% of the savings to the charter district that is a result of the lower interest rate on its bonds due to the guarantee by the PSF. SB 1480 modified the Act insofar as it pertains to the Charter District Reserve Fund. Effective September 1, 2017, the Act provides that a charter district that has a bond guaranteed must remit to the Education Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 20% of the savings to the charter district that is a result of the lower interest rate on the bond due to the guarantee by the PSF. The amount due shall be paid on receipt by the charter district of the bond proceeds. However, the deposit requirement will not apply if the balance of the Charter District Reserve Fund is at least equal to 3.00% of the total amount of outstanding guaranteed bonds issued by charter districts. At January 31, 2024, the Charter District Reserve Fund contained $97,636,048, which represented approximately 2.32% of the guaranteed charter district bonds. The Reserve Fund is held and invested as a non-commingled fund under the administration of the PSF Corporation staff.

Charter District Risk Factors

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

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

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

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

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.

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 January 2024, 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.

Ratings of Bonds Guaranteed Under the Guarantee Program

Moody's Investors Service, Inc., S&P Global Ratings, and Fitch Ratings, Inc. rate bonds guaranteed by the PSF "Aaa," "AAA" and "AAA," respectively. Not all districts apply for multiple ratings on their bonds, however. See the applicable rating section within the offering document to which this is attached for information regarding a district's underlying rating and the enhanced rating applied to a given series of bonds.

Valuation of the PSF and Guaranteed Bonds

Permanent School Fund Valuations

Fiscal Year Ended 8/31	Book Value(1)	Market Value(1)
2019	$35,288,344,219	$46,464,447,981
2020	36,642,000,738	46,764,059,745
2021	38,699,895,545	55,582,252,097
2022	42,511,350,050	56,754,515,757
2023(2)	43,915,792,841	59,020,536,667

(1) SLB managed assets are included in the market value and book value of the Fund. In determining the market value of the PSF from time to time during a fiscal year, the current, unaudited values for PSF investment portfolios and cash held by the SLB are used. With respect to SLB managed assets shown in the table above, market values of land and mineral interests, internally managed real estate, investments in externally managed real estate funds and cash are based upon information reported to the

PSF Corporation by the SLB. The SLB reports that information to the PSF Corporation on a quarterly basis. The valuation of such assets at any point in time is dependent upon a variety of factors, including economic conditions in the State and nation in general, and the values of these assets, and, in particular, the valuation of mineral holdings administered by the SLB, can be volatile and subject to material changes from period to period.

(2) At August 31, 2023, mineral assets, sovereign and other lands and discretionary internal investments, and cash managed by the SLB had book values of approximately $13.4 million, $168.8 million, and $708.4 million, respectively, and market values of approximately $5,435.6 million, $678.4 million, and $508.4 million, respectively.

Permanent School Fund Guaranteed Bonds

At 8/31	Principal Amount[1]
2019	$84,397,900,203
2020	90,336,680,245
2021	95,259,161,922
2022	103,239,495,929
2023	115,730,826,682[2]

(1) Represents original principal amount; does not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities). The amount shown excludes bonds that have been refunded and released from the Guarantee Program. The TEA does not maintain records of the accreted value of capital appreciation bonds that are guaranteed under the Guarantee Program.

(2) At August 31, 2023 (the most recent date for which such data is available), the TEA expected that the principal and interest to be paid by school districts and charter districts over the remaining life of the bonds guaranteed by the Guarantee Program was $178,520,723,868, of which $62,789,897,186 represents interest to be paid. As shown in the table above, at August 31, 2023, there were $115,730,826,682 in principal amount of bonds guaranteed under the Guarantee Program. Using the State Capacity Limit of $154,120,128,859 (the State Capacity Limit is currently the Capacity Limit), net of the Capacity Reserve, as of December 31, 2023, 7.36% of the Guarantee Program's capacity was available to the Charter District Bond Guarantee Program. As of December 31, 2023, the amount of outstanding bond guarantees represented 76.36% of the Capacity Limit (which is currently the State Capacity Limit). December 31, 2023 values are based on unaudited data, which is subject to adjustment.

Permanent School Fund Guaranteed Bonds by Category[1]

Fiscal Year Ended 8/31	School District Bonds No. of Issues	School District Bonds Principal Amount ($)	Charter District Bonds No. of Issues	Charter District Bonds Principal Amount ($)	Totals No. of Issues	Totals Principal Amount ($)
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	3,346	91,951,175,922	83	3,307,986,000	3,429	95,259,161,922
2022	3,348	99,528,099,929	94	3,711,396,000	3,442	103,239,495,929
2023[2]	3,339	111,647,914,682	102	4,082,912,000	3,441	115,730,826,682

(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 December 31, 2023 (based on unaudited data, which is subject to adjustment), there were $117,374,697,034 in principal amount of bonds guaranteed under the Guarantee Program, representing 3,369 school district issues, aggregating $113,174,765,034 in principal amount and 105 charter district issues, aggregating $4,199,932,000 in principal amount. At December 31, 2023 the projected guarantee capacity available was $26,935,589,587(based on unaudited data, which is subject to adjustment).

Discussion and Analysis Pertaining to Fiscal Year Ended August 31, 2023

The following discussion is derived from the Annual Report for the year ended August 31, 2023, including the Message from the Chief Executive Officer of the Fund, the Management's Discussion and Analysis, and other schedules contained therein. Reference is made to the Annual Report, as filed with the MSRB, for the complete Message and MD&A. Investment assets managed by the PSFC Board are referred to throughout this MD&A as the PSF(CORP). The Fund's non-financial real assets are managed by the SLB and these assets are referred to throughout as the PSF(SLB) assets.

At the end of fiscal year 2023, the PSF(CORP) net position was $52.3 billion. During the year, the PSF(CORP) continued implementing the long-term strategic asset allocation, diversifying the investment mix to strengthen the Fund. The asset allocation is projected to increase returns over the long run while reducing risk and portfolio return volatility. The PSF(CORP) is invested in global markets and liquid assets experience volatility commensurate with the related indices. The PSF(CORP) is broadly diversified and benefits from the cost structure of its investment program. Changes continue to be researched, crafted, and implemented to make the cost structure more effective and efficient. The PSF(CORP) annual rates of return for the one-year, five-year, and ten- year periods ending August 31, 2023, net of fees, were 6.14%, 6.19%, and 6.78%, respectively (total return takes into consideration the change in the market value of the Fund during the year as well as the interest and dividend income generated by the Fund's investments). See "Comparative Investment Schedule - PSF(CORP)" for the PSF(CORP) holdings as of August 31, 2023.

Beginning January 1, 2023, Texas PSF transitioned into the PSF Corporation combining all PSF financial investment assets under the singular management of the PSF Corporation. The new structure of the PSF Corporation updated the strategic asset allocation among public equities, fixed income, and alternative assets, as discussed herein. Alternative assets now include absolute return, private equity, real estate, natural resources, infrastructure, and real return (TIPS and commodities). The inauguration of the PSF Corporation as a discretely presented component unit of the State of Texas for fiscal year 2023 required a change in the basis of accounting to full accrual. For a description of the full accrual basis of accounting and more information about performance, including comparisons to established benchmarks for certain periods, please see the 2023 Annual Report which is included by reference herein.

PSF Returns Fiscal Year Ended 8-31-2023[1]

Portfolio	Return	Benchmark Return[2]
Total PSF(CORP) Portfolio	6.14	4.38
Domestic Large Cap Equities	16.09	15.94
Domestic Small/Mid Cap Equities	9.31	9.14
International Equities	12.38	11.89
Emerging Market Equity	2.48	1.25
Fixed Income	(1.30)	(1.19)
U.S. Treasuries	(9.21)	(9.69)
Absolute Return	7.59	3.58
Real Estate	(1.96)	(3.13)
Private Equity	4.55	0.20
Real Return	(5.51)	(5.88)
Emerging Market Debt	12.68	11.34
High Yield	7.80	7.19
Emerging Manager Program	33.35	0.97
Natural Resources	5.70	3.67
Infrastructure	14.22	3.67

[1] Time weighted rates of return adjusted for cash flows for the PSF(CORP) investment assets. Does not include SLB managed real estate or real assets. Returns are net of fees. Source: Annual Report for year ended August 31, 2023.
[2] Benchmarks are as set forth in the Annual Report for year ended August 31, 2023.

The SLB is responsible for the investment of money in the Real Estate Special Fund Account (RESFA) of the PSF (also referred to herein as the PSF(SLB)). Pursuant to applicable law, money in the PSF(SLB) may be invested in land, interest in real estate, mineral and royalty interest, and real property holdings. For more information regarding the investments of the PSF(SLB), please see the 2023 Unaudited Annual Financial Report of the Texas General Land Office and Veterans Land Board.

The Fund directly supports the public school system in the State by distributing a predetermined percentage of its asset value to the ASF. In fiscal year 2023, $2.1 billion was distributed to the ASF, $345 million of which was distributed by the PSF(CORP) on behalf of the SLB.

Other Events and Disclosures

State ethics laws govern the ethics and disclosure requirements for financial advisors and other service providers who advise certain State governmental entities, including the PSF. The SBOE code of ethics provides ethical standards for SBOE members, the Education Commissioner, TEA staff, and persons who provide services to the SBOE relating to the Fund. The PSF Corporation developed its own ethics policy that provides basic ethical principles, guidelines, and standards of conduct relating to the management and investment of the Fund in accordance with the requirements of §43.058 of the Texas Education Code, as amended. The SBOE code of ethics is codified in the Texas Administrative Code at 19 TAC sections 33.4 et seq. and is available on the TEA web site at https://tea.texas.gov/sites/default/files/ch033a.pdf. The PSF Corporation's ethics policy is posted to the PSF Corporation's website at texaspsf.org.

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

As of August 31, 2023, 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 Regulatory Recodification included the codification of the TEA's undertaking pursuant to Rule 15c2-12 (the "TEA Undertaking") pertaining to the PSF and the Guarantee Program. As of March 1, 2023, the TEA Undertaking is codified at 19 TAC 33.8, which relates to the Guarantee Program and is available at available at https://tea.texas.gov/sites/default/files/ch033a.pdf.

Through the codification of the TEA Undertaking and its commitment to guarantee bonds, the TEA has made the following agreement for the benefit of the issuers, holders, and beneficial owners of guaranteed bonds. The TEA (or its successor with respect to the management of the Guarantee Program) is required to observe the agreement for so long as it remains an "obligated person," within the meaning of Rule 15c2-12, with respect to guaranteed bonds. Nothing in the TEA Undertaking obligates the TEA to make any filings or disclosures with respect to guaranteed bonds, as the obligations of the TEA under the TEA Undertaking pertain solely to the Guarantee Program. The issuer or an "obligated person" of the guaranteed bonds has assumed the applicable obligation under Rule 15c2-12 to make all disclosures and filings relating directly to guaranteed bonds, and the TEA takes no responsibility with respect to such undertakings. Under the TEA Undertaking, the TEA is obligated to provide annually certain updated financial information and operating data, and timely notice of specified material events, to the MSRB.

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

Annual Reports

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

The TEA and the PSF Corporation may provide updated information in full text or may incorporate by reference certain other publicly-available documents, as permitted by Rule 15c2-12. The updated information includes audited financial statements of, or relating to, the State or the PSF, when and if such audits are commissioned and available. In the event audits are not available by the filing deadline, unaudited financial statements will be provided by such deadline, and audited financial statements will be provided when available. Financial statements of the State will be prepared in accordance with generally accepted accounting principles as applied to state governments, as such principles may be changed from time to time, or such other accounting principles as the State Auditor is required to employ from time to time pursuant to State law or regulation. The financial statements of the Fund are required to be prepared to conform to U.S. Generally Accepted Accounting Principles as established by the Governmental Accounting Standards Board.

The Fund is composed of two primary segments: the financial assets (PSF(CORP)) managed by PSF Corporation, and the non-financial assets (PSF(SLB)) managed by the SLB. Each of these segments is reported separately und different bases of accounting.

The PSF Corporation classified as a proprietary endowment fund and reported by the State of Texas as a discretely presented component unit and accounted for on an economic resources measurement focus and the full accrual basis of accounting. Measurement focus refers to the definition of the resource flows measured. Under the full accrual basis of accounting, all revenues reported are recognized in the period they are earned or when the PSF Corporation has a right to receive them. Expenses are recognized in the period they are incurred, and the subsequent amortization of any deferred outflows. Additionally, costs related to capital assets are capitalized and subsequently depreciated over the useful life of the assets. Both current and long-term assets and liabilities are presented in the statement of net position.

The SLB manages the Fund's non-financial assets (PSF(SLB)), is classified as a governmental permanent fund and accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, amounts are recognized as revenues in the period in which they are available to finance expenditures of the current period and are measurable. Amounts are considered measurable if they can be estimated or otherwise determined. Expenditures are recognized in the period in which the related liability is incurred, if measurable.

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

Event Notices

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

Availability of Information

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

Limitations and Amendments

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

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

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

Compliance with Prior Undertakings

Except as stated below, during the last five years, the TEA and the PSF Corporation have not failed to substantially comply with their previous continuing disclosure agreements in accordance with Rule 15c2-12. On April 28, 2022, TEA became aware that it had not timely filed its 2021 Annual Report with EMMA due to an administrative oversight. TEA took corrective action and filed the

2021 Annual Report with EMMA on April 28, 2022, followed by a notice of late filing made with EMMA on April 29, 2022. TEA notes that the 2021 Annual Report was timely filed on the TEA website by the required filing date and that website posting has been incorporated by reference into TEA's Bond Guarantee Program disclosures that are included in school district and charter district offering documents.

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.

(this page intentionally left blank)

Financial Advisory Services
Provided By:

SAMCO Capital