OFFICIAL STATEMENT
DATED: JANUARY 19, 2023

NEW ISSUE - Book-Entry Only

Rating: S&P (BAM Insured) "AA"
Underlying Rating: S&P "A"
(See "OTHER INFORMATION – RATINGS" herein)

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

The District has not designated the Bonds as "qualified tax-exempt obligations" for financial institutions.

$81,485,000
SANDS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
(Borden, Dawson, Howard and Martin Counties, Texas)
UNLIMITED TAX SCHOOL BUILDING BONDS
SERIES 2023

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

Sands Consolidated Independent School District (the "District") is issuing its $81,485,000 Unlimited Tax School Building Bonds, Series 2023 (the "Bonds"). The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapter 45, Texas Education Code, as amended, and an election held in the District on November 8, 2022, and are direct obligations of the District. The Bonds are payable from the proceeds of an ad valorem tax levied, without legal limit as to rate or amount, on all taxable property located within the District, as provided in the order authorizing issuance of the Bonds (the "Order") (see "THE BONDS – Authority for Issuance"). **Payment of the Bonds WILL NOT be guaranteed by the corpus of the Permanent School Fund of the State of Texas.**

Interest on the Bonds will accrue from the date of their delivery and will be payable on February 15 and August 15 of each year, commencing February 15, 2024, until maturity or prior redemption. The Bonds will be issued in principal denominations of $5,000 or any integral multiple thereof within a stated maturity. Interest accruing on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months (see "THE BONDS – Description of the Bonds").

The District intends to use the Book-Entry Only System of The Depository Trust Company ("DTC"), but use of such system could be discontinued. Principal, premium, if any, and interest on the Bonds will be payable to Cede & Co., as nominee for DTC, by BOKF, NA, Dallas, Texas, as the initial Paying Agent/Registrar (the "Paying Agent/Registrar") for the Bonds. No physical delivery of the Bonds will be made to the beneficial owners thereof. Such Book-Entry Only System will affect the method and timing of payment and the method of transfer of the Bonds (see "BOOK-ENTRY ONLY SYSTEM").

Proceeds from the sale of the Bonds will be used (i) for designing, constructing, renovating, improving, upgrading, updating, acquiring, and equipping school facilities (and any necessary or related removal of existing facilities) in the District; (ii) for the purchase of any necessary sites for school facilities; (iii) the purchase of new school buses; and (iv) to pay the costs incurred in the issuance of the Bonds. (See "THE BONDS – Purpose" and "THE BONDS – Sources and Uses of Funds").

The District reserves the right to redeem at its option the Bonds maturing on and after February 15, 2034, in whole or from time to time in part, in the principal amount of $5,000 or any integral multiple thereof, before their respective scheduled maturity dates, on February 15, 2033 or on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption.

The scheduled payment of principal and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company ("BAM"). BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P").

See Principal Amounts, Maturities, Interest Rates and Yields on the Inside Cover Page

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The Bonds are offered for delivery when, as, and if issued and received by the underwriters listed below (the "Underwriters") and subject to the approving opinions of the Attorney General of Texas and the legal opinions of Norton Rose Fulbright US LLP, Houston, Texas, Special Tax Counsel, as to the exclusion from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and Leon Alcala, PLLC, Austin, Texas, and Norton Rose Fulbright US LLP, Houston, Texas, as Co-Bond Counsel, as to the validity of the Bonds under the Constitution and the general laws of the State of Texas (see "APPENDIX C – FORM OF CO-BOND COUNSELS' OPINIONS"). Certain legal matters will be passed upon for the Underwriters by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, as counsel to the Underwriters.

It is expected that the Bonds will be available for delivery through DTC on or about February 17, 2023.

RAYMOND JAMES

STEPHENS INC. **ROBERT W. BAIRD**

PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND YIELDS

$81,485,000 Unlimited Tax School Building Bonds, Series 2023

(Interest accrues from date of delivery)

Maturity (2/15)[a]	Principal Amount	Interest Rate	Initial Reoffering Yield[b]	CUSIP No.[c]
2025	$1,795,000	5.000%	2.480%	800103 CZ4
2026	1,375,000	5.000%	2.480%	800103 DA8
2027	1,445,000	5.000%	2.480%	800103 DB6
2028	1,520,000	5.000%	2.490%	800103 DC4
2029	1,600,000	5.000%	2.520%	800103 DD2
2030	1,680,000	5.000%	2.550%	800103 DE0
2031	1,765,000	5.000%	2.560%	800103 DF7
2032	1,855,000	5.000%	2.600%	800103 DG5
2033	1,950,000	5.000%	2.660%	800103 DH3
2034	2,050,000	5.000%	2.790%	800103 DJ9
2035	2,155,000	5.000%	2.940%	800103 DK6
2036	2,265,000	5.000%	3.150%	800103 DL4
2037	2,385,000	5.000%	3.250%	800103 DM2
2038	2,505,000	5.000%	3.330%	800103 DN0
2039	2,635,000	5.000%	3.450%	800103 DP5

Term Bonds

$11,955,000 5.000% Term Bonds due February 15, 2043, Yield 3.600%, CUSIP: 800103DT7 [a][b][c]

$18,255,000 4.000% Term Bonds due February 15, 2048, Yield 4.110%, CUSIP: 800103DU4 [a][b][c]

$22,295,000 4.000% Term Bonds due February 15, 2053, Yield 4.160%, CUSIP: 800103DV2 [a][b][c]

(a) The District reserves the right to redeem at its option the Bonds maturing on and after February 15, 2034, in whole or from time to time in part, in the principal amount of $5,000 or any integral multiple thereof, before their respective scheduled maturity dates, on February 15, 2033 or on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption. (See "THE BONDS – Optional Redemption"). The Bonds maturing in 2043, 2048 and 2053 (the "Term Bonds") are subject to mandatory sinking fund redemption. (See "THE BONDS – Mandatory Sinking Fund Redemption").

(b) The initial yields are established by, and are the sole responsibility of, the Underwriters and may subsequently be changed.

(c) CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Global Services. CUSIP numbers have been assigned by an independent company not affiliated with the District or the Underwriters and are included solely for the convenience of the holders of the Bonds. None of the District or the Underwriters is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Bonds.

USE OF INFORMATION IN THIS OFFICIAL STATEMENT

This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any jurisdiction 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 or solicitation.

Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the District's undertaking to provide certain information on a continuing basis.

THE BONDS ARE EXEMPTED 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 JURISDICTION IN WHICH THESE SECURITIES HAVE BEEN REGISTERED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

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

Neither the District nor the Financial Advisor makes any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company or its Book-Entry Only System.

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

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information set forth in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but none of the Underwriters guarantees the accuracy or completeness of such information.

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 otherwise specified, such web sites and the information or links contained therein are not incorporated into, and are not a part of, this Official Statement.

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

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The cover page hereof, this page, the appendices included herein and any addenda, supplement, or amendment hereto, are part of the Official Statement.

BOND INSURANCE

BOND INSURANCE POLICY

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2022 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $512.5 million, $195.6 million and $316.9 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

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OFFICIAL STATEMENT SUMMARY

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

The District	The Sands Consolidated Independent School District (the "District") is a political subdivision located in Borden, Dawson, Howard and Martin Counties, Texas. The District is governed by a seven-member Board of Trustees (the "Board"). Board trustees serve staggered three-year terms with elections being held in May of each year. 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. Consultants and advisors supply support services. See "INTRODUCTION – Description of the District."
Authority for Issuance	The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapter 45, Texas Education Code, as amended, an election held in the District on November 8, 2022, and the order authorizing the issuance of the Bonds adopted by the Board of Trustees of the District on January 19, 2023 (the "Order") (see "THE BONDS – Authority for Issuance").
The Bonds	The District's Unlimited Tax School Building Bonds, Series 2023 (the "Bonds") shall mature on the dates and in the amounts set forth on the inside cover page of this Official Statement (see "THE BONDS – Description of the Bonds").
Payment of Interest	Interest on the Bonds will accrue from the date of their delivery and will be payable semiannually on February 15 and August 15 of each year, commencing February 15, 2024, until maturity or prior redemption. (See "THE BONDS – Description of the Bonds").
Paying Agent/Registrar	The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see "THE BONDS – Paying Agent/Registrar"). Initially, the District intends to use the Book-Entry Only System of The Depository Trust Company (see "THE BONDS – Book-Entry Only System").
Security For The Bonds	The Bonds are direct obligations of the District, payable from the proceeds of an ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property located within the District. (See "THE BONDS – Security and Source of Payment"). **Payment of the Bonds WILL NOT be guaranteed by the corpus of the Permanent School Fund of the State of Texas.**
Optional Redemption	The District reserves the right to redeem at its option the Bonds maturing on and after February 15, 2034, in whole or from time to time in part, in the principal amount of $5,000 or any integral multiple thereof, before their respective scheduled maturity dates, on February 15, 2033 or on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption (see "THE BONDS – Optional Redemption").
Mandatory Sinking Fund Redemption	The Bonds maturing in 2043, 2048 and 2053 (the "Term Bonds") are subject to mandatory sinking fund redemption (see "THE BONDS – Mandatory Sinking Fund Redemption").
Tax Matters	In the opinion of Special Tax Counsel, interest on the Bonds is excludable from gross income for individual investors for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein. See "TAX MATTERS" for a discussion of the opinion of Tax Counsel. The Opinion of Leon Alcala, PLLC will not address federal tax matters.

Use of Proceeds	Proceeds from the sale of the Bonds will be used (i) for designing, constructing, renovating, improving, upgrading, updating, acquiring, and equipping school facilities (and any necessary or related removal of existing facilities) in the District; (ii) for the purchase of any necessary sites for school facilities; (iii) for the purchase of new school buses; and (iv) to pay the costs incurred in the issuance of the Bonds. (See "THE BONDS – Purpose" and "THE BONDS – Sources and Uses of Funds").
Book-Entry Only System	The 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. The Bonds will be issued in principal denominations of $5,000 or any integral multiple thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. The principal of the Bonds at maturity or on a prior redemption date 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 participating members of DTC for subsequent payment to the beneficial owners of the Bonds. (See "THE BONDS – Book-Entry Only System").
Ratings...	S&P Global Ratings ("S&P") has assigned its municipal bond rating of "AA" to the Bonds based upon the Municipal Bond Insurance Policy to be issued by Build America Mutual Assurance Company. In addition, S&P has assigned its underlying unenhanced rating of "A" to the Bonds. An explanation of the significance of such ratings may be obtained from S&P (See "OTHER INFORMATION – Ratings").
Payment Record	The District has never defaulted on the payment of its bonded indebtedness.

SANDS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 8/31	Tax Year	Estimated Population[1]	Taxable Assessed Valuation[2]	Taxable Assessed Valuation Per Capita	Tax Supported Debt Outstanding	Ratio of Tax Supported Debt to Assessed Valuation	Tax Supported Debt Per Capita
2019	2018	855	$1,121,437,234	$1,311,622	$ 3,405,000	0.30%	$ 3,982
2020	2019	745	1,303,857,055	1,750,144	2,765,000	0.21%	3,711
2021	2020	778	1,691,233,972	2,173,823	0	0.00%	0
2022	2021	711	1,735,208,121	2,440,518	0	0.00%	0
2023	2022	756	4,117,995,391[4]	5,447,084	81,485,000[3]	1.98%	107,784

[1] Source: Municipal Advisory Council of Texas
[2] As reported by Martin County Appraisal District, Howard County Appraisal District, Borden County Appraisal District and Dawson County Central Appraisal District on the District's annual State Property Tax Reports and such values are subject to change during ensuing year.
[3] Includes the Bonds.
[4] The large increase in the District's taxable assessed valuation in tax year 2022 was primarily caused by a dramatic increase in mineral values in Martin County as reported by the Martin County Appraisal District. There were also incremental increases in mineral values in Howard County and Dawson County and a small increase in mineral values in Borden County.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

For Fiscal Year Ended August 31,

	2022	2021	2020	2019	2018
Beginning Balance	$13,582,400	$ 8,654,009	$ 6,637,514	$ 3,995,784	$ 3,864,029
Total Revenue	19,270,840	19,896,373	14,570,043	12,610,630	6,588,959
Total Expenditures	15,014,509	14,967,982	12,553,548	9,968,900	6,456,838
Excess/(Deficiency) of Revenues	4,256,331	4,928,391	2,016,495	2,641,730	132,121
Net Transfers/Adjustments	0	0	0	0	2,158
Ending Balance	$17,838,731	$13,582,400	$ 8,654,009	$ 6,637,514	$ 3,998,308

Source: The District's audited financial statements.

For additional information regarding the District, please contact:

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101 Mustang Drive
Ackerly, Texas 79713
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whenderson@esc17.net

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Government Capital Securities Corporation
559 Silicon Drive, Suite 102
Southlake, Texas 76092
(817) 722-0220
jlawrence@govcapsecurities.com

DISTRICT OFFICIALS, STAFF AND CONSULTANTS

Elected Officials

Board of Trustees	Length of Service	Term Expires	Occupation
Jody Howard, President	12 Years	May, 2025	Farmer/Land Owner
Robin Barraza, Vice President	20 Years	May, 2023	Farmer
Michael Wigington, Secretary	9 Years	May, 2024	Chevron Site Manager
Wes Higgins, Member	6 Years	May, 2025	Nationwide Civil Emergency Response & Disaster Recovery
Matt Snell, Member	10 Years	May, 2024	Farmer/Water Well Driller
Cole Walker, Member	5 Years	May, 2023	Water District Manager
Dustin Gaskins, Member	<1 Year	May, 2024	Farmer/Water Manager

Selected Administrative Staff

Name	Position	Length of Service Within District	Total Industry Experience
Wayne Henderson	Superintendent	19 Years	24 Years
Amy Grumbles	Business Manager	14 Years	16 Years

Consultants and Advisors

Auditors .... Bolinger, Segars, Gilbert & Moss, L.L.P.
Lubbock, Texas

Co-Bond Counsel .... Leon Alcala, PLLC, Austin, Texas
Norton Rose Fulbright US LLP, Houston, Texas

Special Tax Counsel .... Norton Rose Fulbright US LLP, Houston, Texas

Financial Advisor .... Government Capital Securities Corporation
Southlake, Texas

OFFICIAL STATEMENT

RELATING TO

$81,485,000
SANDS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2023

INTRODUCTION

This Official Statement, which includes APPENDICES A, B, C, and D hereto, provides certain information regarding the issuance of the $81,485,000 Sands Consolidated Independent School District Unlimited Tax School Building Bonds, Series 2023 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the order adopted by the Board of Trustees (the "Board") of the Sands Consolidated Independent School District (the "District") authorizing the issuance of the Bonds (the "Order"), except as otherwise indicated herein.

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

Included in this Official Statement are descriptions of the Bonds, the Order, and certain other information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained by writing the Sands Consolidated Independent School District, 101 Mustang Drive, P.O. Box 218, Ackerly, Texas 79713, and, during the offering period, from the District's Financial Advisor, Government Capital Securities Corporation, 559 Silicon Drive, Suite 102, Southlake, Texas 76092, upon payment of reasonable copying, mailing, and handling charges.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. Copies of the Official Statement will be deposited with the Municipal Securities Rulemaking Board (the "MSRB"), 1900 Duke Street, Suite 600, Alexandria, Virginia 22314 and will be available through its Electronic Municipal Market Access ("EMMA") System. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the District's undertaking to provide certain information on a continuing basis.

Description of the District

The District is a political subdivision of the State of Texas located in Borden, Dawson, Howard and Martin Counties, Texas. The District is governed by the Board. Board trustees serve staggered three-year terms with elections being held in May of each year. Policymaking and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the chief administrative officer of the District. Support services are supplied by consultants and advisors.

THE BONDS

Description of the Bonds

The Bonds shall be dated February 15, 2023. Interest will accrue on the Bonds from the date of delivery thereof and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. The Bonds will be issued in principal denominations of $5,000 or any integral multiple thereof within a stated maturity. Interest on the Bonds is payable on February 15 and August 15 of each year, commencing on February 15, 2024, until maturity or prior redemption. The paying agent and transfer agent (the "Paying Agent/Registrar") for the Bonds is initially BOKF, NA, Dallas, Texas.

Initially, the Bonds will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry Only System described below. No physical delivery of the Bonds will be made to the beneficial owners. Principal of, premium, if any, and accrued interest on the Bonds will be paid by the Paying Agent/Registrar to Cede & Co., which will distribute the amounts paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry Only System" for a more complete description of such system.

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

Optional Redemption

The District reserves the right to redeem at its option the Bonds maturing on and after February 15, 2034, in whole or from time to time in part, in the principal amount of $5,000 or any integral multiple thereof, before their respective scheduled maturity dates, on February 15, 2033 or on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the District shall determine the maturities and the principal amount thereof to be redeemed and shall direct the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) to call by lot or any other customary random selection method such Bonds, or portions thereof, within such maturity for redemption.

Mandatory Sinking Fund Redemption

The Bonds maturing in 2043, 2048 and 2053 (the "Term Bonds") are subject to mandatory sinking fund redemption on the dates and in the amounts set forth below at a redemption price equal to the principal amount redeemed plus accrued interest to the mandatory redemption date:

$11,955,000 Term Bonds Maturing
February 15, 2043

Principal Amount	Redemption Date (February 15)
$2,770,000	2040
2,910,000	2041
3,060,000	2042
3,215,000	2043[(1)]

(1) Final Maturity.

$18,255,000 Term Bonds Maturing
February 15, 2048

Principal Amount	Redemption Date (February 15)
$3,365,000	2044
3,500,000	2045
3,645,000	2046
3,795,000	2047
3,950,000	2048[(1)]

(1) Final Maturity.

$22,295,000 Term Bonds Maturing
February 15, 2053

Principal Amount	Redemption Date (February 15)
$4,110,000	2049
4,275,000	2050
4,450,000	2051
4,635,000	2052
4,825,000	2053[1]

[1] Final Maturity.

Notice of Redemption

At least thirty (30) days prior to a redemption date, a notice of redemption will be sent by U.S. mail, first class postage prepaid, in the name of the District to each registered owner of a Bond to be redeemed in whole or in part at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice.

ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. UPON THE GIVING OF THE NOTICE OF REDEMPTION AND THE DEPOSIT OF THE FUNDS NECESSARY TO REDEEM SUCH BONDS, THE AMOUNTS SO REDEEMED SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED FOR REDEMPTION, AND INTEREST WHICH WOULD OTHERWISE ACCRUE ON THE BONDS OR PORTIONS THEREOF CALLED FOR REDEMPTION SHALL TERMINATE ON THE DATE FIXED FOR REDEMPTION.

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

The Paying Agent/Registrar and the District, so long as a Book-Entry Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Order or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC.

In such event, DTC may implement, through its Book-Entry Only System, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the beneficial owners.

Any such selection of Bonds to be redeemed will not be governed by the Order and will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants, or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds for redemption (see “THE BONDS – Book-Entry Only System”).

Authority for Issuance

The Bonds are being issued pursuant to authority conferred by the Constitution and general laws of the State of Texas, including particularly Chapter 45, Texas Education Code, as amended, an election held in the District on November

8, 2022, and the Order. Capitalized terms used herein have the same meanings, respectively, assigned to such terms in the Order, except as otherwise indicated.

Purpose

Proceeds from the sale of the Bonds will be used (i) for the design, construction, renovation, improvement, upgrading, updating, acquisition, and equipment of school buildings in the District; (ii) for the purchase of any necessary sites for school buildings; (iii) for the purchase of new school buses; and (iv) to pay the costs incurred in the issuance of the Bonds.

Sources and Uses of Funds

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

Sources of Funds:	
Par Amount of the Bonds	$81,485,000.00
Plus: Net Original Issue Premium	4,702,499.20
Total Sources of Funds	$86,187,499.20
Uses of Funds:	
Construction Fund	$85,000,000.00
Underwriters' Discount and Issuance Costs[1]	1,187,499.20
Total Uses of Funds	$86,187,499.20

(1) Includes, among other things, counsel fees and other costs of issuing the Bonds.

Security and Source of Payment

The Bonds are direct and voted obligations of the District, payable from the proceeds of an ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property located within the District, as provided in the Order. See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" herein.

Payment of the Bonds WILL NOT be guaranteed by the corpus of the Permanent School Fund of the State of Texas.

Legality

The Bonds are offered when, as, and if issued, and subject to the approval of legality by the Attorney General of the State of Texas and the opinions of the District's Co-Bond Counsel, Leon Alcala, PLLC, Austin, Texas and Norton Rose Fulbright US LLP, Houston, Texas ("Co-Bond Counsel") (see "OTHER INFORMATION – Legal Matters" and "APPENDIX C – FORM OF CO-BOND COUNSELS' OPINIONS").

Amendments to the Order

The District, may, without the consent of or notice to any holders of the Bonds, from time to time and at any time, amend the Order in any manner not detrimental to the interests of the holders of the Bonds, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of holders of the Bonds holding a majority in aggregate principal amount of the Bonds then outstanding, amend, add to, or rescind any of the provisions of the Order; provided, however, that, without the consent of all holders of outstanding Bonds, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the principal of, premium, if any, and interest on the Bonds, reduce the principal amount thereof or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, redemption premium, if any, or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required to be held by holders for consent to any such amendment, addition, or rescission.

Defeasance

The Order provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on such Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar, or other authorized escrow agent, in trust (i) cash in an amount equal to the principal amount of and interest on such bond to the date of maturity or earlier redemption or (ii) pursuant to an escrow or trust agreement, cash and/or (A) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America; or (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 Board adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, which, in the case of (A) or (B), may be in book-entry form, and the principal of and interest on which will, when due or redeemable at the option of the holder, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon, provide money in an amount which, together with other moneys, if any, held in such escrow at the same time and available for such purpose, will be sufficient to provide for the timely payment of the principal of and interest on the Bonds to the date of maturity or earlier redemption; provided, however, that if any of the Bonds are to be redeemed prior to their dates of maturity, provision will have been made for giving notice of redemption as provided in the Order.

Upon such deposit such Bonds shall no longer be considered as 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. Any surplus amounts not required to accomplish such defeasance shall be returned to the District.

Book-Entry Only System

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

Neither the District nor the Underwriters can give or gives any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the 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 will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Information concerning DTC and the Book-Entry Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the District or the Underwriters.

Paying Agent/Registrar

BOKF, Dallas, Texas has been named to serve as initial Paying Agent/Registrar for the Bonds. In the Order, the District retains the right to replace 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; a trust company organized under applicable law; 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 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.

In the event the Book-Entry Only System should be discontinued, interest on the Bonds will be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest will be paid (i) by check sent United States mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal and redemption payments of the Bonds will be paid to the registered owner at the stated maturity or earlier redemption upon presentation to the designated payment/transfer office of the Paying Agent/Registrar. If the date for the payment of the principal or interest on the Bonds is a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment will be the next succeeding day which is not such a day, and payment on such date will have the same force and effect as if made on the date payment was due. So long as Cede & Co. is the registered owner of the Bonds, principal, interest, and redemption payments on the Bonds will be made as described in "Book-Entry Only System" above.

Transfer, Exchange, and Registration

In the event the Book-Entry Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar and such transfer or exchange 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, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the principal office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new 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 business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "THE BONDS - Book-Entry Only System" for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Neither the District nor the Paying Agent/Registrar shall be required to transfer or exchange Bonds (i) during a period beginning at the close of business on any Record Date and ending with the next interest payment date or (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

Record Date for Interest Payment

The record date ("Record Date") for the interest payable on any interest payment date means the close of business on the last business day of the month next preceding such interest payment date.

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 payment ("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 registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Owners' Remedies

The Order does not provide for the appointment of a trustee to represent the interests of the Bondholders upon any failure of the District to perform in accordance with the terms of the Order or upon any other condition and, in the event of any such failure to perform, the registered owners would be responsible for the initiation and cost of any legal action to enforce performance of the Order. Furthermore, the Order does not establish specific events of default with respect to the Bonds and, under State law, there is no right to the acceleration of maturity of the Bonds upon the failure of the District to observe any covenant under the Order. A registered owner of Bonds could seek a judgment against the District if a default occurred in the payment of principal of or interest on any such Bonds; however, such judgment could not be satisfied by execution against any property of the District and a suit for monetary damages could be vulnerable to the defense of sovereign immunity. A registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the District to levy, assess, and collect an annual ad valorem tax sufficient to pay principal of and interest on the Bonds as it becomes due or perform other material terms and covenants contained in the Order. In general, Texas courts have held that a writ of mandamus may be issued to require a public official to perform legally imposed ministerial duties necessary for the performance of a valid contract, and Texas law provides that, following their approval by the Attorney General and issuance, the Bonds are valid and binding obligations for all purposes according to their terms. However, the enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. The District is also 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 taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions of Co-Bond Counsel and Special Tax Counsel will note that all opinions relative to the enforceability of the Order and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, including rights afforded to creditors under the Bankruptcy Code.

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Litigation Relating to the Texas Public School Finance System

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

On May 13, 2016, the Court issued its opinion in the most recent school finance litigation. *Morath, et al v. The Texas Taxpayer and Student Fairness Coalition, et al*., No. 14-0776 (Tex. May 13, 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 Litigation and Changes in Law on District Bonds

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

Overview

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

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

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

2021 Legislative Session

The 87th Texas Legislature concluded on May 31, 2021. The Legislature meets in regular session in odd numbered years, for 140 days. 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. During this time, the Legislature may enact laws that materially change current law as it relates to the funding of public schools, including the District. Such legislation may include legislation that modifies the process for setting school district tax rates or implements temporary tax relief measures.

During the 87th Texas Legislative Session, the Legislature approved a general appropriations act and legislation affecting the Finance System and ad valorem taxation procedures, among other legislation affecting school districts and the administrative agencies that oversee school districts. Of note, House Bill 1525 contained a number of technical modifications to the Finance System as established under HB 3 during the 86th Legislative Session. During the second called special session, the Legislature approved bills addressing virtual learning, taxation of the elderly and disabled and residence homesteads and related hold harmless provisions for school districts, and other matters that may impact the District. During the third called special session, the Legislature passed Senate Joint Resolution No. 2 ("SJR 2"), which proposes a constitutional amendment to increase the residential homestead exemption from ad valorem taxation for public schools from $25,000 to $40,000, and its enabling legislation Senate Bill 1. On May 7, 2022, the voters approved the constitutional amendment proposed by SJR 2 increasing the residential homestead exemption to $40,000. The District is in the process of evaluating the legislation that passed during the 87th Texas Legislative Session and the called special sessions and how such laws may impact the District. The District can make no representations or predictions regarding the impact of the legislation passed 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, as further discussed under the subcaption "– Local Revenue Level In Excess of Entitlement" herein.

State Compression Percentage. The State Compression Percentage (the "SCP") is a statutorily defined percentage of the rate of $1.00 per $100 that is used to determine a school district's Maximum Compressed Tax Rate (described below). The SCP is the lesser of three alternative calculations: (1) 93% per or a lower percentage set by appropriation for a school year; (2) a percentage determined by formula if the estimated total taxable property value of the State (as submitted annually to the State Legislature by the State Comptroller) has increased by at least 2.5% over the prior year; and (3) the prior year SCP. For any year, the maximum SCP is 93%. For the State fiscal year ending in 2023, the SCP is set at 89.41%.

Maximum Compressed Tax Rate. The Maximum Compressed Tax Rate (the "MCR") is the tax rate per $100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of 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 set to 90% of the maximum MCR, until TEA determines that the difference between the school district's MCR and any other school district's MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase. During the 2021 Texas Legislative Session, a provision of the general appropriations act reduced the maximum MCR for the 2022-2023 school year. It established $0.8941 as the maximum rate and $0.8046 as the floor.

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

Enrichment Tax Rate. The Enrichment Tax Rate is the number of cents a school district levies for M&O in excess of the Tier One Tax Rate, up to an additional $0.17. The Enrichment Tax Rate is divided into two components: (i)

"Golden Pennies" which are the first $0.08 of tax effort in excess of a school district's Tier One Tax Rate; and (ii) "Copper Pennies" which are the next $0.09 in excess of a school district's Tier One Tax Rate plus Golden Pennies.

School districts may levy an Enrichment Tax Rate at a level of their choice, subject to the limitations described under "TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate"; however to levy any of the Enrichment Tax Rate in a given year, a school district must levy a Tier One Tax Rate equal to the school district's MCR 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").

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 discussed herein), and in some instances is required to be used for that purpose (see "TAX RATE LIMITATIONS – I&S Tax Rate Limitations"). Tier Two funding may not be used for the payment of debt service or capital outlay.

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

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

Tier One. Tier One funding is the basic level of 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 serviced 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 Texas' 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 less the allotments that are not derived by a weighted formula, divided by $6,160, is a school district's measure of students in "Weighted Average Daily Attendance" ("WADA"), which serves to calculate Tier Two funding.

For the 2021-2022 school year, the fast growth allotment weight is 0.45 for districts in the top 40% of school districts for growth, 0.30 for districts in the middle 30% of school districts for growth and 0.15 for districts in the bottom 30% of school districts for growth. After the 2021-2022 school year, 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 $270 million for the 2021-2022 school year, $310 million for the 2022-2023 school year and $315 million for the 2023-2024 school year.

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

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

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

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

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

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

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

Local Revenue Level in Excess of Entitlement

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

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

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

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

2023 Legislative Session

The 88th Texas Legislature commenced on January 10, 2023. The Legislature meets in regular session in odd-numbered years, for 140 days. When the Legislature is not in session, the Governor of Texas 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. During a special session, the Legislature may enact laws that materially change current law as it relates to the funding of public schools, including the District. Such legislation may include legislation that modifies the process for setting school district tax rates or implements temporary tax relief measures.

During the 88th Texas Legislative Session, the Legislature will consider a general appropriations act and may consider legislation affecting the Finance System and ad valorem taxation procedures, among other legislation affecting school districts and the administrative agencies that oversee school districts. The District can make no representations or predictions regarding the scope of legislation that may be considered during the 88th Legislative Session or the potential impact of such legislation at this time.

School Finance System as Applied to the District

For the 2022-2023 fiscal year, the District has been designated as an "excess local revenue" district by the TEA. Accordingly, the District has been required to exercise one of the permitted wealth equalization options.

A district's status of any excess local revenue in Tier I and its wealth per student for Copper Penny purposes in Tier II must be tested for each future school year and, if it exceeds the maximum permitted levels, the excess must be reduced by exercising of one 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 ratio of taxable property to debt could become diluted. If the District were to detach property voluntarily, a portion of its outstanding debt (including the Bonds) could be assumed by the district to which the property is annexed, in which case timely payment of the Bonds could become dependent in part on the financial performance of the annexing district.

For the State fiscal year ending in 2023 (the 2022-2023 school year), the local compression percentage was set at 82.20% per $100 of taxable value. The District's local compression percentage was lower than the State Compression Percentage resulting in a MCR of $0.8220.

AD VALOREM TAX PROCEDURES

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

Valuation of Taxable Property

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the District is the responsibility of the Borden, Dawson, Howard and Martin Counties Appraisal Districts (collectively, 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 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. See "—District and Taxpayer Remedies."

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

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

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

State Mandated Homestead Exemptions

State law grants, with respect to each school district in the State, (1) for tax years beginning on or after January 1, 2022, a $40,000 exemption of the appraised value of all homesteads, (2) a $10,000 exemption of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled, and (3) various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

Local Option Homestead Exemptions

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

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.

On May 7, 2022, a constitutional amendment was approved by voters of the State authorizing the legislature to provide for the reduction of the amount of a limitation on the total amount of ad valorem taxes that may be imposed for general elementary and secondary public school purposes on the residence homestead of a person who is elderly or disabled to reflect any statutory reduction from the preceding tax year in the maximum compressed rate of the maintenance and operations taxes imposed for those purposes on the homestead, effective for the tax year beginning January 1, 2023.

Personal Property

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

Freeport and Goods-In-Transit Exemptions

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

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

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

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. The governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. For more information on the exemption, reference is made to Section 11.35 of the Tax Code.

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" and "THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT – Tax Increment Reinvestment Zone".

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 Legislature did not vote to extend this program, which expired by its terms effective December 31, 2022.

For a discussion of how the various exemptions described above are applied by the District, see "TAX INFORMATION – District Application of Tax Code" herein.

District and Taxpayer Remedies

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

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

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

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the District may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

Collection of Taxes – Penalty and Interest Charges

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

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

[a] Includes 20% penalty used to pay delinquent tax attorney's fees.
[b] Taxes delinquent after July 1 incur an additional interest penalty of 20% of the sum of the delinquent taxes plus the penalties and interest to defray attorney collection fees.

Property within the District is assessed as of January 1 of each year (except business inventories which may be assessed as of September 1 and mineral values which are assessed on the basis of a twelve-month average) and taxes become due October 1 of the same year and become delinquent on February 1 of the following year.

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 August 1, 1959 in accordance with the provisions of Article 2784e-1, Texas Revised Civil Statutes Annotated, as amended.

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 (see "TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Funding for School Districts" herein).

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 and Source of Payment").

Section 45.0031, Texas Education Code, as amended ("Section 45.0031"), 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 district voters at an election held on or before April 1, 1991 and issued before September 1, 1992 (or debt issued to refund such bonds, collectively, "exempt bonds"), from a tax levied at a rate of $0.50 per $100 of assessed valuation before bonds may be issued. In demonstrating the ability to pay debt service at a rate of $0.50, a district may take into account EDA and IFA allotments to the district, which effectively reduces the district's local share of debt service, and may also take into account Tier One funds allotted to the district. The District is required to deposit any State allotments provided solely for payment of debt service into the District's interest and sinking fund upon receipt of such amounts. In addition, the District must, prior to levying an I&S fund tax rate that exceeds $0.50 per $100 of assessed valuation, credit to the interest and sinking fund other State assistance, including Tier One funds that may be used for either operating purposes or for payment of debt service, in an amount equal to the amount needed to demonstrate compliance with the threshold tax rate test and which is received or to be received in that year. Once the prospective ability to pay such tax has been shown and the bonds are issued, a district may levy an unlimited tax to pay debt service. Taxes levied to pay refunding bonds issued pursuant to Chapter 1207, Texas Government Code (except refunding bonds issued to refund commercial paper notes), are not subject to the $0.50 tax rate test; however, taxes levied to pay debt service on such bonds (other than bonds issued to refund exempt bonds) are included in maximum annual debt service for calculation of the $0.50 threshold tax rate test when applied to subsequent bond issues. The Bonds are issued for school building purposes pursuant to Chapter 45, Texas Education Code as new debt and are subject to the 50-cent Test.

The District has not used projected property values or State assistance (other than EDA or IFA allotment funding) to satisfy this threshold test. Under current law, a district may demonstrate its ability to comply with the $0.50 threshold tax rate test by applying the $0.50 tax rate to an amount equal to 90% of projected future taxable value of property in the district, as certified by a registered professional appraiser, anticipated for the earlier of the tax year five years after the current tax year or the tax year in which the final payment for the bonds is due. However, if a district uses projected future taxable values to meet the $0.50 threshold tax rate test and subsequently imposes a tax at a rate greater than $0.50 per $100 of valuation to pay for bonds subject to the test, then for subsequent bond issues, the Attorney General must find that the district has the projected ability to pay principal and interest on the proposed bonds and all previously issued bonds subject to the $0.50 threshold tax rate test from a tax rate of $0.45 per $100 of valuation. The District has not used State assistance other than EDA or IFA allotment funding or projected property values to satisfy this threshold test.

Public Hearing and Voter-Approval Tax Rate

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

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

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

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

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

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

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

THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT

For the 2022-2023 fiscal year, the District was designated as an "excess local revenue" district by the TEA. The District was required to pay recapture for the 2021-2022 fiscal year in the amount of $11,029,196.

A district's "excess local revenue" 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 may be required each year to exercise one or more of the wealth reduction options. If the District were to consolidate (or consolidate its tax base for all purposes) with a property-poor district, the outstanding debt of each district could become payable from the consolidated district's combined property tax base, and the District's ratio of taxable properly to debt could become diluted. If the District were to detach property voluntarily, a portion of its outstanding debt (including the Bonds) could be assumed by the district to which the property is annexed, in which case timely payment of the Bonds could become dependent in part on the financial performance of the annexing district.

For a detailed discussion of State funding for school districts, see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - State Funding for School Districts" herein.

Aside from State mandated exemption of $40,000 for general homestead and an additional $10,000 for persons over the age of 65 and the disabled, the District grants an exemption to the market value of the residence homestead of persons 65 years of age and older of $10,000; the disabled are also granted a local exemption of $10,000.

The District has granted an additional exemptions of 20% of the market value of residence homesteads, minimum exemption of $5,000.

Ad valorem taxes are not levied by the District against the exempt value of residence homesteads for the payment of debt.

The District does not tax non-business personal property; and the Martin County Tax Office collects taxes for the District.

The District does not permit split payments of taxes, and discounts for early payment of taxes are not allowed.

The District does tax freeport property.

The District has not taken action to tax goods-in-transit.

The District has not adopted a tax abatement policy.

The District does not participate in any TIFs.

The District has not entered into any appraised value limitation agreements pursuant to the Texas Economic Development Act, Chapter 313, Texas Tax Code.

EMPLOYEES' BENEFIT PLANS

The District's employees participate in a retirement plan (the "Plan") with the State of Texas. The Plan is administered by the Teacher Retirement System of Texas ("TRS"). State contributions are made to cover costs of the TRS retirement plan up to certain statutory limits. The District is obligated for a portion of TRS, costs relating to employee salaries that exceed the statutory limit. (See "APPENDIX B – SANDS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT ANNUAL FINANCIAL REPORT.") In addition to the TRS retirement plan, the District provides health care coverage for its employees.

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

INVESTMENTS

The District may invest its investable funds (including bond proceeds and money pledged to the payment of or as security for bonds or other indebtedness issued by the District or obligations under a lease, installment sale, or other agreement of the District) in investments authorized by State law in accordance with investment policies approved by the governing body of the District. Both State law and the District's investment policies are subject to change.

Legal Investments

Under State law, the District is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal 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 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 Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the District selects from a list the governing body of the District or designated investment committee of the District adopts as required by Section 2256.025, Texas Government

Code; or (ii) a depository institution with a main office or branch office in the State that the District selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the District's account; (C) 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 (D) the District appoints as the District's custodian of the banking deposits issued for the District's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of Chapter 2256, Texas Government Code (the "Public Funds Investment Act"), 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 Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, and are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for District deposits, or (ii) certificates of deposits where (a) the funds are invested by the District through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the District as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the District, (b) the broker or the depository institution selected by the District arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the District, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the District appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d), Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the District with respect to the certificates of deposit; (10) fully collateralized repurchase agreements as defined in the Public Funds Investment Act, that have a defined termination date, are secured by a combination of cash and obligations described in clauses (1) or (13) in this paragraph, require the securities being purchased by the District or cash held by the District to be pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (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 (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers' acceptances with stated maturity of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated not less than "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 365 days or less that is rated not less than "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (14) no-load money market mutual funds registered with and regulated by the SEC that provide the District with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (15) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and have either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract.

A political subdivision such as the District may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, other than the prohibited obligations described below, (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 (13) through (15) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution.

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

Investment Policies

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for District funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Texas Public Funds Investment Act. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, the District's 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 District's investment officers must submit an investment report to the Board detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, and 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 strategies and (b) Texas law. No person may invest District funds without express written authority from the Board.

Additional Provisions

Under Texas law, the District is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the District, (3) require the registered principal of firms seeking to sell securities to the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the District's investment policy, (5) 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 repurchase agreement, (6) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements and (8) provide specific investment training for the Treasurer, the chief financial officer (if not the Treasurer) and the investment officer.

TAX MATTERS

Tax Exemption

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

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

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

Tax Changes

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. It is uncertain whether this legislation will be enacted and, if so, whether it will be enacted in its current form. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Ancillary Tax Consequences

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

For taxable years beginning after 2022, the Code imposes a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than $1 billion in average annual adjusted financial statement income, determined over a three-year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer's applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Bonds. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Bonds.

Tax Accounting Treatment of Discount Bonds

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

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

In the event of the redemption, sale or other taxable disposition of a Discount Bond prior to maturity, the amount realized by such owner in excess of the basis of such 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 Discount Bond was held) is includable in gross income.

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

Tax Accounting Treatment of Premium Bonds

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

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

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 material events, to the MSRB. This information will be available free of charge from the MSRB via the EMMA system at www.emma.msrb.org.

Annual Reports

The District shall provide annually to the MSRB, (1) within six months after the end of each fiscal year of the District, financial information and operating data with respect to the District of the general type included in APPENDIX A of this Official Statement (except with respect to Table 6 – “Estimated Overlapping Debt”), and (2) if not provided as part of such financial information and operating data, audited financial statements of the District, when and if available. Any financial statements to be provided shall be (i) prepared in accordance with the accounting principles described in APPENDIX B hereto or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation, and in substantially the form included in this Official Statement, 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. 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 statements becomes available.

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

Material Event Notices

The District will file with the MSRB notice of any of the following events with respect to the Bonds in a timely manner (not more than 10 business days after 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 (as defined by the Rule, which includes certain debt, debt-like, and debt-related obligations), if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such 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 any such financial obligation of the District, any of which reflect financial difficulties.

Neither the Bonds nor the Order make any provision for debt service reserves, credit enhancement, or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports". The District will provide each notice described in this paragraph to the MSRB.

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

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 material events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that 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 the 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 and beneficial owners of the Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The continuing disclosure agreement may be amended by the District 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 District, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell the Bonds in the primary offering of the Bonds in compliance with Rule 15c2-12 taking into account any amendments or interpretations of Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the Order that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the registered owners and beneficial owners of the Bonds. The District may also amend or repeal the 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, and the District also may amend the agreement in its discretion in any other manner or circumstance, but in any case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds, giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of Rule 15c2-12. If the District so amends the continuing disclosure agreement, it shall include with any amended financial information or operating data next provided in accordance with the agreement an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

Compliance with Prior Undertakings

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

OTHER INFORMATION

Ratings

The Bonds are rated "AA" by S&P Global Ratings ("S&P") based upon the Municipal Bond Insurance Policy to be issued by Build America Mutual Assurance Company ("BAM") concurrently with delivery of the Bonds. In addition, S&P has assigned its underlying unenhanced rating of "A" to the Bonds. An explanation of the significance of such ratings may be obtained from S&P. The ratings reflect only the views of S&P, and the District makes no representation as to the appropriateness of such ratings.

The above ratings are not recommendations to buy, sell, or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of either or both ratings may have an adverse effect on the market price of the Bonds. BAM's financial strength is rated "AA/Stable" by S&P.

No Litigation Certificate

The District is not a party to any litigation or other proceeding pending or to its 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 statements or operations of the District. At the time of the initial delivery of the Bonds, the District will provide the Underwriters with a certificate to the effect that 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 said Bonds.

Legal Investments and Eligibility to Secure Public Funds in Texas

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201), the Bonds (1) are negotiable instruments, (2) are investment securities to which Chapter 8 of the Texas Uniform Commercial Code applies, and (3) are legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, or (C) a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Bonds may have to be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency before such Bonds are eligible investments for sinking funds and other public funds. 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 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.

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 federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and 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 other jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration and 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 in such other jurisdictions.

Legal Matters

The District will furnish a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinions of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the legal opinion of Norton Rose Fulbright US LLP with respect to the Bonds being issued in compliance with the provisions of applicable law and the interest on the Bonds being excludable from gross income for purposes of federal income tax. The form of Norton Rose Fulbright US LLP's opinion is attached hereto as APPENDIX C – FORM OF CO-BOND COUNSELS' OPINIONS.

Norton Rose Fulbright US LLP, Houston, Texas and Leon Alcala, PLLC, Austin, Texas ("Co-Bond Counsel"), were engaged by, and only represent, the District. Except as noted below, Co-Bond Counsel did not take part in the preparation of the Official Statement, and such firms have not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in their capacity as Co-Bond Counsel, such firms have reviewed the information appearing under the following captions or subcaptions, as applicable: "THE BONDS" (except under the subcaptions "Sources and Uses of Funds" and "Book-Entry Only System"), "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" (except "Possible Effects of Litigation and Changes in Law on District Bonds"), "CURRENT PUBLIC SCHOOL FINANCE SYSTEM", "TAX RATE LIMITATIONS", "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance with Prior Undertakings"), "OTHER INFORMATION – Legal Investments and Eligibility to Secure Public Funds in Texas", "OTHER INFORMATION – Registration and Qualification of Bonds for Sale", "TAX MATTERS" with respect to Norton Rose Fulbright US LLP, Houston, Texas, as Tax Counsel, "ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS," "OTHER INFORMATION – Legal Matters", and "OTHER INFORMATION – Legal Matters" (except for the last two sentences of the second paragraph thereof) and such firms are of the opinion that the information relating to the Bonds and legal matters contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Order. Co-Bond Counsel has not independently verified factual information contained in this Official Statement, nor have such firms conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firms' limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to the accuracy or completeness of any of the other information contained herein. The legal fees to be paid to Co-Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. The legal opinions of Co-Bond Counsel may accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry Only System. Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Houston, Texas. The legal fee of such firm is contingent upon the sale and delivery of the Bonds.

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

Financial Advisor

In its role as Financial Advisor, Government Capital Securities Corporation has relied on the District for certain information concerning the District and the Bonds. The fee of the Financial Advisor for services with respect to the Bonds is contingent upon the issuance and sale of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

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

Forward Looking Statements

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

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

Use of Audited Financial Statements

Bolinger, Segars, Gilbert & Moss, L.L.P., the District's independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Bolinger, Segars, Gilbert & Moss, L.L.P. also has not performed any procedures relating to this Official Statement.

Underwriting

Raymond James & Co., Inc., Stephens, Inc. and Robert W. Baird & Co. Incorporated (collectively, the "Underwriters") have agreed, subject to certain conditions, to purchase the Bonds from the District, at the respective prices indicated on the inside front cover of this Official Statement, less an underwriting discount of $518,433.20, and no accrued interest. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriters.

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

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

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information set forth in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Infectious Disease Outbreak – COVID-19

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

On March 13, 2020, the Governor declared a state of disaster for all counties in the State in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting State business or any order or rule of a State agency (including TEA) that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. Under executive orders in effect as of the date of this Official Statement, there are no COVID-19 related operating limits for any business or other establishments, including the District. The Governor retains the right to impose additional restrictions on activities. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

The full extent of the ongoing impact of COVID-19 on the District's longer-term operational and financial performance will depend on future developments, many of which are outside of its control, including the effectiveness of the mitigation strategies discussed above, the duration and spread of COVID-19, and future governmental actions, all of which are highly uncertain and cannot be predicted. The continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition or its ratings. See "OTHER INFORMATION – Ratings".

The Pandemic negatively affected travel, commerce, and financial markets globally, and may continue to negatively affect economic growth and financial markets worldwide. A continuation of the Pandemic and the economic impact of the Pandemic could in the future reduce or negatively affect property values within the District. With the changes made to the Finance System in HB 3, school funding is increasingly tied to ADA. As a result, student enrollment will be an important factor for M&O funding for the District going forward. A continuation of the Pandemic could negatively affect enrollment and attendance. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

Additionally, State funding of District operations and maintenance in future fiscal years could be adversely impacted by the negative effects on economic growth and financial markets resulting from the Pandemic as well as ongoing disruptions in the global oil markets. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" herein.

Concentration of Tax Base and Exposure to Oil and Gas Industry

As shown in APPENDIX A - FINANCIAL INFORMATION REGARDING THE DISTRICT, Table 5 – "Ten Largest Taxpayers," the top ten taxpayers in the District currently account for, in the aggregate, over 65% of the District's tax base. In addition, the top taxpayer in the District currently accounts for 19.16% of the District's tax base, thereby creating a concentration risk for the District.

A portion of the District's assessed valuation is comprised of industries related to oil and gas, which are subject to fluctuation in terms of market valuation and availability (and recent events such as COVID-19 significantly increased the volatility in this market sector see "Infections Disease Outbreak – COVID-19" herein). Accordingly, the District makes no representation regarding the continued valuation of any of top ten taxpayers or the generation of future tax revenues therefrom. If any major taxpayer (or a combination of taxpayers) were to default in the payment of taxes, 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 "THE BONDS – Owners' Remedies" and "THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT."

Recent declines in oil prices in the United States and globally may lead to adverse conditions in the oil and gas industry. Such adverse conditions may result in reduced revenues, declines in capital and operating expenditures, business failures, and the layoff of workers within the oil and gas industry. Adverse conditions in the oil and gas industry and spillover effects into other industries could adversely impact the businesses of ad valorem property taxpayers and the property values in the District, resulting in a reduction in property tax revenue. The Bonds are secured by an ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds. Reductions in oil and gas revenues may also have an adverse effect on State revenues available during the next biennium, which may impact how the State funds education.

Cybersecurity

The District, like other school districts in the State, utilize technology in conducting its operations. As a user of technology, the District potentially faces cybersecurity threats (e.g., hacking, phishing, viruses, malware and ransomware) on its technology systems. Accordingly, the District may be the target of a cyber-attack on its technology systems that could result in adverse consequences to the District. The District employs a multi-layered approach to combating cybersecurity threats. While the District deploys layered technologies and requires employees to receive cybersecurity training, as required by State law, among other efforts, cybersecurity breaches could cause material disruptions to the District's finances or operations. The costs of remedying such breaches or protecting against future cyber-attacks could be substantial and there is no assurance that these costs will be covered by insurance. Further, cybersecurity breaches could expose the District to litigation and other legal risks, which could cause the District to incur other costs related to such legal claims or proceedings.

Miscellaneous

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

Concluding Statement

The information set forth herein has been obtained from the District's records, audited financial statements, and other sources which are considered to be reliable. There is no guarantee that any of assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents, and the Order contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and the Order. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects. The Order authorizing the issuance of the Bonds also will approve the form and content of this Official Statement and any addenda, supplement, or amendment thereto and authorize its further use in the re-offering of the Bonds by the Underwriters. This Official Statement has been approved by the Board for distribution in accordance with the provisions of Rule 15c2-12.

ATTEST:

/s/ Michael Wigington
Secretary, Board of Trustees
Sands Consolidated Independent School District

/s/ Jody Howard
President, Board of Trustees
Sands Consolidated Independent School District

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APPENDIX A

FINANCIAL INFORMATION REGARDING THE DISTRICT

The Tax Code as it Applies to the District

Aside from State mandated exemption of $40,000 for general homestead and an additional $10,000 for persons over the age of 65 and the disabled, the District grants an exemption to the market value of the residence homestead of persons 65 years of age and older of $10,000; the disabled are also granted a local exemption of $10,000.

The District has granted an additional exemptions of 20% of the market value of residence homesteads, minimum exemption of $5,000.

Ad valorem taxes are not levied by the District against the exempt value of residence homesteads for the payment of debt.

The District does not tax non-business personal property; and the Martin County Tax Office collects taxes for the District.

The District does not permit split payments of taxes, and discounts for early payment of taxes are not allowed.

The District does tax freeport property.

The District has not taken action to tax goods-in-transit.

The District has not adopted a tax abatement policy.

The District does not participate in any TIFs.

The District has not entered into any appraised value limitation agreements pursuant to the Texas Economic Development Act, Chapter 313, Texas Tax Code.

TABLE 1 - VALUATION, EXEMPTIONS, AND TAX SUPPORTED DEBT

District Direct Debt

2022/23 Certified Net Taxable Assessed Valuation[1] (100% of Estimated Market Value)	$4,117,995,391
Outstanding Debt	0
Plus: The Bonds	81,485,000
Total Direct Debt	$81,485,000
As a % of 2022/23 Certified Taxable Assessed Valuation	1.98%

[1] Provided by Martin County Appraisal District, Howard County Appraisal District, Borden County Appraisal District and Dawson County Central Appraisal District.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Tax Year 2022	Tax Year 2021	Tax Year 2020	Tax Year 2019	Tax Year 2018
Gross Value	$4,246,827,840	$1,860,885,530	$1,817,118,203	$1,423,582,354	$1,193,879,370
Less Exemptions	128,832,449	125,677,409	125,884,231	119,725,299	72,442,136
Net Taxable Value	$4,117,995,391[1]	$1,735,208,121	$1,691,233,972	$1,303,857,055	$1,121,437,234

[1] The large increase in the District's taxable assessed valuation in tax year 2022 was primarily caused by a dramatic increase in mineral values in Martin County as reported by the Martin County Appraisal District. There were also incremental increases in mineral values in Howard County and Dawson County and a small increase in mineral values in Borden County.

TABLE 3 - VALUATION AND TAX SUPPORTED DEBT HISTORY

Fiscal Year Ended 8/31	Tax Year	Estimated Population[1]	Taxable Assessed Valuation[2]	Taxable Assessed Valuation Per Capita	Tax Supported Debt Outstanding	Ratio of Tax Supported Debt to Assessed Valuation	Tax Supported Debt Per Capita
2019	2018	855	$1,121,437,234	$1,311,622	$ 3,405,000	0.30%	$ 3,982
2020	2019	745	1,303,857,055	1,750,144	2,765,000	0.21%	3,711
2021	2020	778	1,691,233,972	2,173,823	0	0.00%	0
2022	2021	711	1,735,208,121	2,440,518	0	0.00%	0
2023	2022	756	4,117,995,391	5,447,084	81,485,000[3]	1.98%	107,784

[1] Source: Municipal Advisory Council of Texas
[2] As reported by Martin County Appraisal District, Howard County Appraisal District, Borden County Appraisal District and Dawson County Central Appraisal District on the District's annual State Property Tax Reports and such values are subject to change during ensuing year.
[3] Includes the Bonds.

TABLE 4 - TAX RATE, LEVY, AND COLLECTION HISTORY

Fiscal Year Ended 8/31	Tax Year	Taxable Assessed Valuation[1]	Tax Rate	Tax Levy[2]	Percent Collected Current	Percent Collected Total
2019	2018	$1,121,437,234	$1.1500	$12,992,631	98.86%	98.86%
2020	2019	1,303,857,055	1.0800	15,628,933	98.85%	98.85%
2021	2020	1,691,233,972	0.9847	14,879,076	96.98%	96.98%
2022	2021	1,735,208,121	0.8720	14,756,365	97.00%	97.00%
2023	2022	4,117,995,391	0.8546	35,192,445	(In process of collection)	

[1] Net of exemptions. Assessed valuations do not include adjustments in supplemental rolls made after the end of each fiscal year.
[2] Excludes penalties and interest.

TABLE 5 - TEN LARGEST TAXPAYERS[1]

Taxpayers	Type of Property	2022/23 Net Taxable Assessed Valuations	% of Total 2022/23Assessed Valuation
1. SM Energy Company	Oil & Gas	$ 789,040,242	19.16%
2. Diamondback E&P LLC	Oil & Gas	501,622,840	12.18%
3. Endeavor Energy Resources	Oil & Gas	484,079,263	11.76%
4. Surge Operating LLC	Oil & Gas	252,335,560	6.13%
5. Crownquest Operating LLC	Oil & Gas	215,244,910	5.23%
6. Pioneer Natural Resources	Oil & Gas	128,516,550	3.12%
7. Birch Resources	Oil & Gas	126,625,140	3.07%
8. Callon Petroleum Operating Co	Oil & Gas	114,468,150	2.78%
9. Viper Energy Partners	Oil & Gas	34,437,280	0.84%
10. Helmerich & Payne International	Oil & Gas Drilling Services	31,038,000	0.75%
Total		$2,677,407,935	65.02%

TABLE 6 - ESTIMATED OVERLAPPING DEBT

Expenditures of the various taxing entities within the territory of the District are paid out of ad valorem taxes levied by such entities on properties within the District. Such entities are independent of the District and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax debt ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional Tax Debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the District.

Taxing Jurisdiction	As Of	Total Debt[a]	Estimated % Overlapping	Overlapping Debt
Borden County, Texas	10/31/22	$ 1,180,000	2.34%	$ 27,612
Dawson County, Texas	10/31/22	$ 0	6.07%	0
Dawson County Hospital District	10/31/22	$ 6,810,000	6.07%	413,367
Howard County, Texas	10/31/22	$ 6,705,000	21.09%	1,414,085
Howard County Junior College District	10/31/22	$ 7,550,000	18.81%	1,420,155
Martin County, Texas	10/31/22	$56,930,000	4.03%	2,294,279
Martin County Hospital District	10/31/22	$14,515,000	2.08%	301,912
Estimated (Net) Overlapping Debt				$ 5,871,410
Sands Consolidated ISD		81,485,000		81,485,000
Total Direct & Estimated Overlapping Debt				$87,356,410
As a % of Certified 2022/23 Taxable Assessed Valuation				2.12%

[a] Gross Debt

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DEBT INFORMATION

TABLE 7 - TAX SUPPORTED DEBT SERVICE REQUIREMENTS

FISCAL YEAR ENDED 8/31	THE BONDS PRINCIPAL	INTEREST	TOTAL DEBT SERVICE
2024	$ -	$ 5,482,743.06	$ 5,482,743.06
2025	1,795,000.00	3,623,875.00	5,418,875.00
2026	1,375,000.00	3,544,625.00	4,919,625.00
2027	1,445,000.00	3,474,125.00	4,919,125.00
2028	1,520,000.00	3,400,000.00	4,920,000.00
2029	1,600,000.00	3,322,000.00	4,922,000.00
2030	1,680,000.00	3,240,000.00	4,920,000.00
2031	1,765,000.00	3,153,875.00	4,918,875.00
2032	1,855,000.00	3,063,375.00	4,918,375.00
2033	1,950,000.00	2,968,250.00	4,918,250.00
2034	2,050,000.00	2,868,250.00	4,918,250.00
2035	2,155,000.00	2,763,125.00	4,918,125.00
2036	2,265,000.00	2,652,625.00	4,917,625.00
2037	2,385,000.00	2,536,375.00	4,921,375.00
2038	2,505,000.00	2,414,125.00	4,919,125.00
2039	2,635,000.00	2,285,625.00	4,920,625.00
2040	2,770,000.00	2,150,500.00	4,920,500.00
2041	2,910,000.00	2,008,500.00	4,918,500.00
2042	3,060,000.00	1,859,250.00	4,919,250.00
2043	3,215,000.00	1,702,375.00	4,917,375.00
2044	3,365,000.00	1,554,700.00	4,919,700.00
2045	3,500,000.00	1,417,400.00	4,917,400.00
2046	3,645,000.00	1,274,500.00	4,919,500.00
2047	3,795,000.00	1,125,700.00	4,920,700.00
2048	3,950,000.00	970,800.00	4,920,800.00
2049	4,110,000.00	809,600.00	4,919,600.00
2050	4,275,000.00	641,900.00	4,916,900.00
2051	4,450,000.00	467,400.00	4,917,400.00
2052	4,635,000.00	285,700.00	4,920,700.00
2053	4,825,000.00	96,500.00	4,921,500.00
	$81,485,000.00	$67,157,818.06	$148,642,818.06

Estimated Average Annual Debt Service Requirements $4,955,678.32
Maximum Annual Debt Service Requirement $5,482,743.06

TABLE 8 – AUTHORIZED BUT UNISSUED UNLIMITED TAX BONDS

After the issuance of the Bonds, the District will have no authorized but unissued unlimited tax bonds. The District does not anticipate issuing additional debt this fiscal year.

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TABLE 9 – SCHEDULE OF GENERAL FUND REVENUES AND EXPENDITURE HISTORY

For Fiscal Year Ended August 31st

	2022	2021	2020	2019	2018
REVENUES:					
Local and Intermediate Sources	$ 16,347,274	$ 19,503,316	$ 14,207,091	$ 12,242,621	$ 6,184,023
State Program Revenues	2,739,159	285,655	237,318	267,620	306,286
Federal Program Revenues	184,407	107,402	125,634	100,389	98,650
Total Revenues	$ 19,270,840	$ 19,896,373	$ 14,570,043	$ 12,610,630	$ 6,588,959
EXPENDITURES:					
Instruction	$ 1,668,594	$ 1,609,858	$ 1,482,580	$ 1,356,669	$ 1,290,244
Instructional Resources and Media Services	26,225	18,685	25,551	22,509	17,181
Curriculum and Staff Development	-	-	730	29	100
Instructional Leadership	89,892	89,736	70,540	85,505	13,426
School Leadership	151,353	145,390	141,217	134,853	124,892
Guidance, Counseling & Evaluation Services	10,493	44,421	41,749	36,600	47,765
Health Services	1,106	1,856	2,127	1,592	4,592
Student Transportation	208,746	189,977	174,317	199,605	193,009
Food Services	204,016	198,683	177,476	179,247	180,267
Extracurricular Activities	334,605	262,109	251,104	289,749	251,442
General Administration	283,475	271,791	267,248	245,294	244,532
Plant Maintenance and Operations	703,462	639,720	587,515	577,411	510,162
Security and Monitoring Services	6,267	3,167	2,669	2,665	2,631
Data Processing Services	126,021	120,138	112,280	107,777	102,422
Community Services	-	-	-	5,200	-
Facilities Acquisition and Construction	10,000	236,272	5,800	-	-
Contracted Instructional Services Between Schools	11,029,196	10,972,754	9,065,862	6,628,231	3,352,022
Payments to Fiscal Agent/Member Districts of SSA	-	-	-	1,198	33,309
Other Intergovernmental Charges	161,058	163,425	144,783	94,766	88,842
Total Expenditures	$ 15,014,509	$ 14,967,982	$ 12,553,548	$ 9,968,900	$ 6,456,838
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,256,331	4,928,391	2,016,495	2,641,730	132,121
OTHER FINANCING SOURCES (USES):					
Sale of Real and Personal Property	-	-	-	-	2,158
Transfers In	-	-	-	62,971	64,685
Transfers Out (Use)	-	-	-	(62,971)	(64,685)
Total Other Financing Sources (Uses)	-	-	-	-	2,158
Net Change in Fund Balances	4,256,331	4,928,391	2,016,495	2,641,730	134,279
September 1 - Fund Balance	13,582,400	8,654,009	6,637,514	3,995,784	3,864,029
August 31 - Fund Balance	$ 17,838,731	$ 13,582,400	$ 8,654,009	$ 6,637,514	$ 3,998,308

Source: The District's audited financial statements.

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TABLE 10 - GENERAL OPERATING FUND COMPARATIVE BALANCE SHEET[(a)]

As of Fiscal Year Ended August 31st

	2022	2021	2020	2019	2018
ASSETS:					
Cash and Temporary Investments	$20,044,453	$14,187,998	$ 8,581,707	$ 4,114,630	$ 1,525,905
Investments - Current	-	-	-	2,810,867	2,742,196
Property Taxes - Delinquent	953,575	875,716	419,742	323,318	228,733
Allowance for Uncollectible Taxes	(24,613)	(16,385)	(11,779)	(92,088)	(77,983)
Due from Other Governments	52,286	127,441	214,681	48,411	17,583
Due from Other Funds	74,152	6,700	31,687	-	-
Other Receivables	-	-	1,200	-	41,169
Inventories	-	-	2,526	-	-
Total Assets	$21,099,853	$15,181,470	$ 9,239,764	$ 7,205,138	$ 4,477,603
LIABILITIES:					
Accounts Payable	$ 14,039	$ 14,380	$ 34,094	$ 18,070	$ -
Accrued Wages Payable	69,264	89,059	83,750	78,698	57,471
Due to Other Funds	-	-	-	-	-
Due to Other Governments	473,066	598,211	55,092	237,933	269,858
Accrued Expenditures	1,486	1,888	1,746	1,693	1,217
Unearned Revenues	1,774,305	36,201	3,110	-	-
Total Liabilities	$ 2,332,160	$ 739,739	$ 177,792	$ 336,394	$ 328,546
DEFERRED INFLOWS OF RESOURCES:					
Unavailable Revenue – Property Taxes	928,962	859,331	407,963	231,230	150,750
Total Deferred Inflows	928,962	859,331	407,963	231,230	150,750
FUND BALANCES:					
Nonspendable for:					
Inventories	-	-	2,526	-	-
Restricted for:					
Food Service	91	-	-	-	-
Retirement of Long-Term Debt	-	-	-	-	-
Other Purposes	-	-	-	-	-
Assigned for:					
Construction	13,500,000	10,000,000	6,000,000	-	-
Campus Activity Funds	-	-	-	-	-
Unassigned	4,338,640	3,582,400	2,651,483	6,637,514	3,998,308
Total Fund Balances	$17,838,731	$13,582,400	$ 8,654,009	$ 6,637,514	$ 3,998,308
Total Liabilities, Deferred Inflows & Fund Balances	$21,099,853	$15,181,470	$ 9,239,764	$ 7,205,138	$ 4,477,604

(a) Source: The District's audited financial reports.

TABLE 11 - CURRENT INVESTMENTS

As of October 31, 2022, the District's investable funds amounted to $$8,947,810.06. The following summary itemizes the District's investment portfolio by type of security:

	Percent	Market Value
Texpool[(1)]	100.00%	$8,947,810.06
Total	100.00%	$8,947,810.06

(1) The investment pools in which the District invests were created for Texas governmental entities. Such investment pools operate as money-market equivalents.

No funds of the District are invested in derivative securities, i.e., securities whose rate of return is determined by reference to another instrument, index or commodity.

APPENDIX B

SANDS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT ANNUAL FINANCIAL REPORT

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SANDS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2022

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
LUBBOCK, TEXAS

SANDS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2022

SANDS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2022

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SANDS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2022

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CERTIFICATE OF BOARD

Sands Consolidated Independent School District	Dawson	058-909
Name of School District	County	Co. - Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) ✓ approved _____ disapproved for the year ended August 31, 2022, at a meeting of the Board of Trustees of such school district on the 15th day of December, 2022.

Signature of Board Secretary

Jody Howard
Signature of Board President

If the Board of Trustees disapproved of the Auditor's Report, the reason(s) for disapproving it is (are): (attach list as necessary)

FINANCIAL SECTION

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
PHONE: (806) 747-3806
FAX: (806) 747-3815
8215 NASHVILLE AVENUE
LUBBOCK, TEXAS 79423-1954

Independent Auditor's Report

UNMODIFIED OPINIONS ON THE BASIC FINANCIAL STATEMENTS

Board of School Trustees
Sands Consolidated Independent School District
Ackerly, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sands Consolidated Independent School District (the District), as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Sands Consolidated Independent School District, as of August 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 GAAP, 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.

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 GAAS 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 GAAS 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

GAAP requires that the management's discussion and analysis on pages 4-9, budgetary comparison information on page 43, and the pension and other post-employment benefit (OPEB) related information on pages 44-48 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.

We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 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 combining non-major fund financial statements and required Texas Education Agency (TEA) schedules are presented for purposes of additional analysis and are 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 GAAS. In our opinion, the combining non-major fund financial statements and required TEA schedules are fairly stated, in all material aspects, 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 10, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

November 10, 2022

SANDS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

Our discussion and analysis of the Sands Consolidated Independent School District's financial performance provides an overview of the District's financial performance for the year ended August 31, 2022. It should be read in conjunction with the District's Basic Financial Statements and Independent Auditor's Report.

The Management's Discussion and Analysis (MD&A) is an element of the financial reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.*

FINANCIAL HIGHLIGHTS

· The net position of the District increased by $3,732,974. This increase was attributable to additional state funding. The District's statement of activities showed total revenues were $19,606,280, and expenses totaled $15,873,306.

· The District ended the year, August 31, 2022, with total net position of $27,096,602, and unrestricted net position of $17,123,830. The balance of cash and investments at August 31, 2022, was $21,562,302, which does not include the fiduciary cash and investment accounts since these funds are not for District operations.

· Total general fund expenditures were $15,014,509 for the year ended August 31, 2022, and this compares with general fund expenditures of $14,967,982 for the year ended August 31, 2021 and is due to increases in the recapture payments to the state during the current year.

· The District's total revenues on the fund financial statements decreased from $22,550,924 in 2020-21 to $19,768,353 in 2021-22. This decrease is due to decreases in property values and no longer receiving property tax revenue for debt service since all outstanding bonds were paid off in the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a whole, and then proceed to provide an increasingly detailed look at specific financial activities.

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. 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 report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short-term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The fiduciary statements provide financial information about activities for which the District acts solely as a trustee.

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

The combining statements for nonmajor funds contain information about the District's individual nonmajor funds.

The sections labeled Texas Education Agency Required Schedules 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

Government-Wide Financial Statements

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

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities 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 them. The District's net position (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial 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, the District is reporting its governmental activities. The District currently has no business-type activities or component units as defined in the GASB Statement No. 34.

· Governmental activities – All 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.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements 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 from the U.S. Department of Education through TEA. The District's administration establishes many other funds to help it control and manage money for particular purposes.

The District's two fund types–governmental and fiduciary–use different accounting approaches.

· Governmental funds – Most of the District's basic services are included 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 the fund financial statements.

· Fiduciary funds – The District is the trustee, or fiduciary, for money raised by student activities. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes, and by those to whom the assets belong. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Table I
Sands Consolidated Independent School District
Net Position
August 31, 2022 and 2021

	August 31, 2022	August 31, 2021
Cash and Temporary Investments	$ 21,562,302	$ 15,650,942
Receivables	1,150,437	1,134,918
Capital Assets	8,392,171	9,085,881
Total Assets	$ 31,104,910	$ 25,871,741
Deferred Outflows of Resources	$ 423,505	$ 400,638
Total Deferred Outflows	$ 423,505	$ 400,638
Current Liabilities	$ 2,360,785	$ 763,208
Long-Term Liabilities	1,100,197	1,381,180
Total Liabilities	$ 3,460,982	$ 2,144,388
Deferred Inflows of Resources	$ 970,831	$ 764,363
Total Deferred Inflows	$ 970,831	$ 764,363
Net Position		
Net Investment in Capital Assets	$ 8,392,171	$ 9,085,881
Restricted for Food Service	91	
Restricted for Debt Service	1,575,376	1,574,979
Restricted for Other Purposes	5,134	1,857
Unrestricted Net Position	17,123,830	12,700,911
Total Net Position	$ 27,096,602	$ 23,363,628

Changes in Net Position

The District’s net position increased during the year ended August 31, 2022. The net position increased by $3,732,974 (See Table II). Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased $4,422,919 from $12,700,911 in 2021 to $17,123,830 in 2022. This increase is attributable to the continued high property value base and additional state funding.

Table II
Sands Consolidated Independent School District
Changes in Net Position
For the Years Ended August 31, 2022 and 2021

	August 31, 2022	August 31, 2021
Revenues:		
Program Revenues:		
Charges For Services	$ 75,315	$ 51,184
Operating Grants and Contributions	610,277	500,966
General Revenues:		
Maintenance and Operations Taxes	16,125,160	19,833,921
Debt Service Taxes	37,461	2,496,943
State Formula Aid	2,578,699	122,765
Investment Earnings	68,853	21,223
Miscellaneous	110,515	50,371
Total Revenue	$ 19,606,280	$ 23,077,373
Expenses:		
Instruction and Instructional-Related Services	$ 2,197,688	$ 2,108,152
Instructional and School Leadership	258,049	277,617
Student Support Services	85,742	69,254
Student Transportation	233,822	223,086
Food Services	233,141	232,769
Extracurricular Activities	377,423	307,547
General Administration	318,234	326,385
Plant Maintenance	822,233	739,873
Security, Data Processing, and Community Services	156,720	185,965
Debt Service		53,681
Contracted Instructional Services Between Schools	11,029,196	10,972,754
Other Intergovernmental Charges	161,058	163,425
Total Expenses	$ 15,873,306	$ 15,660,508
Increase (Decrease) in Net Position	$ 3,732,974	$ 7,416,865

The District's total revenues decreased from $23,077,373 in fiscal year 2021 to $19,606,280 in 2022, a decrease of $3,471,093. This decrease is due to the decline in property values. The total expenditures of the District increased by $212,798 from $15,660,508 to $15,873,306 and is comparable to the prior year.

Other factors impacting the District's financial position include the following:

- The District's total property tax rate decreased from $0.9847 in the prior year to $0.8720 in the current year, which is comprised of a decrease of $0.0027 in the M&O rate and $0.1100 in the I&S rate. The District's tax rate for M&O is $0.8720. The District paid off all outstanding bonds in the prior year, so the District no longer collects taxes for I&S. The District's appraised valuation of taxable property decreased from $2,256,902,267 to $1,848,166,124, a decrease of $408,736,143 or 18.11%. The total school property taxes assessed for school year 2022 were $16,116,009. This is a decrease of $6,107,708 from the $22,223,717 assessed in 2021.

- The District's average daily attendance (ADA) is the basis for most of the State funding received. The ADA went from 253.546 in 2021 to 231.717 in 2022. Although ADA decreased, state revenues increased $2,455,934 from $122,765 in 2021 to $2,578,699 in 2022 and is due to additional state funding.

Fund Balances

The District's total Governmental Funds fund balance was $19,359,840. This fund balance is reported in the various Governmental funds as follows:

<u>General Fund</u>
Restricted for Food Service - $91. These funds are restricted for food service costs under the mandate of the National School Lunch and Breakfast Program.

Assigned for Construction - $13,500,000. This represents amounts the Superintendent has earmarked for future construction around the district.

Unassigned – $4,338,640. This balance is available for current spending; it has been the practice of the District to try and maintain a fund balance that is at least several months operating expenses.

<u>Debt Service Fund</u>
Restricted for Retirement of Long-Term Debt – $1,512,225. These funds are restricted by debt service covenants to fund the principal and interest payments of the bond issue.

<u>Other Funds</u>
Restricted for Other Purposes – $5,134. This represents assets that have constraints placed on their use by the grantors.

Assigned for Campus Activity Funds – $3,750. This represents amounts that management assigned for the use of Campus Activity Funds.

Budgetary Highlights

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments were necessary to reflect the revised estimates of revenues and expenses. There were no individually significant amendments. The majority of amendments were to reclassify expenditures in various functions.

CAPITAL ASSET ADMINISTRATION

Capital Assets

Financial statement footnote No. 6 discloses the capital asset activity of the District for the year ended August 31, 2022.

FACTORS BEARING ON THE DISTRICT’S FUTURE

The District has budgeted $34,635,817 in general fund revenues for fiscal year 2022-2023. This is up $15,364,977 from the $19,270,840 actual general fund revenue for the 2021-2022 fiscal year. This increase is attributable to significant increases in property values.

The District also budgeted $34,159,789 in general fund expenditures for 2022-2023. This is up $19,145,280 from the actual 2021-2022 general fund expenditures of $15,014,509, and is mainly attributable to increases in anticipated recapture payments.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, 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 Sands Consolidated Independent School District, 101 1st Street, Ackerly, Texas 79713.

BASIC FINANCIAL STATEMENTS

SANDS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET POSITION
GOVERNMENT-WIDE
AUGUST 31, 2022

Data Control Codes			Primary Government Governmental Activities
	ASSETS:		
1110	Cash and Temporary Investments	$	21,562,302
1220	Property Taxes - Delinquent		1,019,493
1230	Allowance for Uncollectible Taxes		(27,379)
1240	Due from Other Governments		158,323
	Capital Assets:		
1510	Land		123,132
1520	Buildings and Improvements, Net		7,574,215
1530	Furniture and Equipment, Net		286,612
1540	Vehicles, Net		408,212
1000	Total Assets	$	31,104,910
	DEFERRED OUTFLOWS OF RESOURCES:		
1705	Deferred Outflow Related to TRS Pension Liability	$	216,344
1706	Deferred Outflow Related to TRS OPEB Liability		207,161
1700	Total Deferred Outflows of Resources	$	423,505
	LIABILITIES:		
2110	Accounts Payable	$	14,039
2160	Accrued Wages Payable		95,790
2180	Due to Other Governments		473,066
2200	Accrued Expenses		3,585
2300	Unearned Revenues		1,774,305
	Noncurrent Liabilities:		
2540	Net Pension Liability (District's Share)		300,540
2545	Net OPEB Liability (District's Share)		799,657
2000	Total Liabilities	$	3,460,982
	DEFERRED INFLOWS OF RESOURCES:		
2605	Deferred Inflow Related to TRS Pension Liability	$	395,416
2606	Deferred Inflow Related to TRS OPEB Liability		575,415
2600	Total Deferred Inflows of Resources	$	970,831
	NET POSITION:		
3200	Net Investment in Capital Assets	$	8,392,171
3820	Restricted for Food Service		91
3850	Restricted for Debt Service		1,575,376
3890	Restricted for Other Purposes		5,134
3900	Unrestricted Net Position		17,123,830
3000	Total Net Position	$	27,096,602

The accompanying notes are an integral part of this financial statement.

SANDS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

Exhibit B-1

STATEMENT OF ACTIVITIES
GOVERNMENT-WIDE
FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes		1 Expenses	Program Revenues: 3 Charges for Services	Program Revenues: 4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: 6 Total Governmental Activities
0011	Instruction	$ 2,154,811	$	$ 298,444	$ (1,856,367)
0012	Instructional Resources and Media Services	29,703			(29,703)
0013	Curriculum and Staff Development	13,174		11,257	(1,917)
0021	Instructional Leadership	95,189			(95,189)
0023	School Leadership	162,860		1,340	(161,520)
0031	Guidance, Counseling, and Evaluation Services	84,448		63,774	(20,674)
0033	Health Services	1,294			(1,294)
0034	Student Transportation	233,822			(233,822)
0035	Food Services	233,141	10,014	186,703	(36,424)
0036	Extracurricular Activities	377,423	34,026		(343,397)
0041	General Administration	318,234		5,792	(312,442)
0051	Plant Maintenance and Operations	822,233	31,275	32,942	(758,016)
0052	Security and Monitoring Services	7,193			(7,193)
0053	Data Processing Services	137,794			(137,794)
0061	Community Services	11,733		10,025	(1,708)
0091	Contracted Instructional Services Between Schools	11,029,196			(11,029,196)
0099	Other Intergovernmental Charges	161,058			(161,058)
TP	Total Primary Government	$ 15,873,306	$ 75,315	$ 610,277	$ (15,187,714)

Data Control Codes	General Revenues:	
MT	Property Taxes, Levied for General Purposes	$ 16,125,160
DT	Property Taxes, Levied for Debt Service	37,461
SF	State Aid Formula Grants	2,578,699
IE	Investment Earnings	68,853
MI	Miscellaneous Local and Intermediate Revenue	110,515
TR	Total General Revenues	$ 18,920,688
CN	Change in Net Position	$ 3,732,974
NB	Net Position - Beginning	23,363,628
NE	Net Position - Ending	$ 27,096,602

The accompanying notes are an integral part of this financial statement.

SANDS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

Exhibit C-1

BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2022

Data Control Codes		10 General Fund	Other Governmental Funds	98 Total Governmental Funds
	ASSETS:			
1110	Cash and Temporary Investments	$ 20,044,453	$ 1,517,849	$ 21,562,302
1220	Property Taxes - Delinquent	953,575	65,918	1,019,493
1230	Allowance for Uncollectible Taxes	(24,613)	(2,766)	(27,379)
1240	Due from Other Governments	52,286	106,037	158,323
1260	Due from Other Funds	74,152		74,152
1000	Total Assets	$ 21,099,853	$ 1,687,038	$ 22,786,891
	LIABILITIES:			
2110	Accounts Payable	$ 14,039	$	$ 14,039
2160	Accrued Wages Payable	69,264	26,526	95,790
2170	Due to Other Funds		74,152	74,152
2180	Due to Other Governments	473,066		473,066
2200	Accrued Expenditures	1,486	2,099	3,585
2300	Unearned Revenues	1,774,305		1,774,305
2000	Total Liabilities	$ 2,332,160	$ 102,777	$ 2,434,937
	DEFERRED INFLOWS OF RESOURCES:			
2601	Unavailable Revenue - Property Taxes	$ 928,962	$ 63,152	$ 992,114
2600	Total Deferred Inflows	$ 928,962	$ 63,152	$ 992,114
	FUND BALANCES:			
	Restricted for:			
3450	Food Service	$ 91	$	$ 91
3480	Retirement of Long-Term Debt		1,512,225	1,512,225
3490	Other Purposes		5,134	5,134
	Assigned for:			
3550	Construction	13,500,000		13,500,000
3590	Campus Activity Funds		3,750	3,750
3600	Unassigned	4,338,640		4,338,640
3000	Total Fund Balances	$ 17,838,731	$ 1,521,109	$ 19,359,840
4000	Total Liabilities, Deferred Inflows, and Fund Balances	$ 21,099,853	$ 1,687,038	$ 22,786,891

The accompanying notes are an integral part of this financial statement.

SANDS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

Exhibit C-2

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
AUGUST 31, 2022

Data Control Codes		
	Total Fund Balances - Governmental Funds (Exhibit C-1)	$ 19,359,840
1	Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was $17,212,731, and the accumulated depreciation was ($8,126,850). The net effect of including the beginning balances for capital assets, net of depreciation, in the governmental activities is to increase net position.	9,085,881
2	Current year capital outlays are expenditures in the fund financial statement, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of including the 2022 capital outlays $33,520 is to increase net position.	33,520
3	The 2022 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(727,230)
4	Included in the items related to debt is the recognition of the District's proportionate share of the net pension liabilities required by GASB 68 in the amount of ($300,540), a Deferred Resource Inflow related to TRS in the amount of ($395,416), and a Deferred Resource Outflow related to TRS in the amount of $216,344. This amounted to a decrease in net position.	(479,612)
5	Included in the items related to debt is the recognition of the District's proportionate share of the OPEB liabilities required by GASB 75 in the amount of ($799,657), a Deferred Resource Inflow related to TRS in the amount of ($575,415), and a Deferred Resource Outflow related to TRS in the amount of $207,161. This amounted to a decrease in net position.	(1,167,911)
6	Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This includes recognizing deferred property tax revenue of $992,114 as revenue. The effect of this reclassification is to increase net position.	992,114
19	Net Position of Governmental Activities (Exhibit A-1)	$ 27,096,602

The accompanying notes are an integral part of this financial statement.

SANDS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

Exhibit C-3

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes		10 General Fund	Other Governmental Funds	98 Total Governmental Funds
	REVENUES:			
5700	Local and Intermediate Sources	$ 16,347,274	$ 45,563	$ 16,392,837
5800	State Program Revenues	2,739,159	13,813	2,752,972
5900	Federal Program Revenues	184,407	438,137	622,544
5020	Total Revenues	$ 19,270,840	$ 497,513	$ 19,768,353
	EXPENDITURES:			
0011	Instruction	$ 1,668,594	$ 322,023	$ 1,990,617
0012	Instructional Resources and Media Services	26,225		26,225
0013	Curriculum and Instructional Staff Development		11,257	11,257
0021	Instructional Leadership	89,892	828	90,720
0023	School Leadership	151,353	3,239	154,592
0031	Guidance, Counseling, and Evaluation Services	10,493	63,834	74,327
0033	Health Services	1,106		1,106
0034	Student Transportation	208,746		208,746
0035	Food Services	204,016		204,016
0036	Extracurricular Activities	334,605		334,605
0041	General Administration	283,475	8,280	291,755
0051	Plant Maintenance and Operations	703,462	35,706	739,168
0052	Security and Monitoring Services	6,267		6,267
0053	Data Processing Services	126,021		126,021
0061	Community Services		10,025	10,025
0081	Facilities Acquisition and Construction	10,000		10,000
0091	Contracted Instructional Services Between Schools	11,029,196		11,029,196
0099	Other Intergovernmental Charges	161,058		161,058
6030	Total Expenditures	$ 15,014,509	$ 455,192	$ 15,469,701
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	$ 4,256,331	$ 42,321	$ 4,298,652
1200	Net Change in Fund Balance	$ 4,256,331	$ 42,321	$ 4,298,652
0100	September 1 - Fund Balance	13,582,400	1,478,788	15,061,188
3000	August 31 - Fund Balance	$ 17,838,731	$ 1,521,109	$ 19,359,840

The accompanying notes are an integral part of this financial statement.

SANDS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

Exhibit C-4

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED AUGUST 31, 2022

Net Change in Fund Balances - Total Governmental Funds (Exhibit C-3)	$ 4,298,652
Amounts reported for governmental activities in the statement of activities (Exhibit B-1) are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation ($727,230) exceeded capital outlays $33,520 in the current period.	(693,710)
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the net amount by which deferred property tax revenue changed between the current year $992,114 and the prior year ($961,464).	30,650
Current year changes due to GASB 68 decreased revenues in the amount of ($122,776) and decreased expenses in the amount of $181,061 resulting in an increase in the change in ending net position of $58,285.	58,285
Current year changes due to GASB 75 decreased revenues in the amount of ($69,947) and decreased expenses in the amount of $109,044 resulting in an increase in the change in ending net position of $39,097.	39,097
Change in Net Position of Governmental Activities (Exhibit B-1)	$ 3,732,974

The accompanying notes are an integral part of this financial statement.

SANDS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

Exhibit E-1

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
AUGUST 31, 2022

	Custodial Funds
ASSETS:	
Cash and Temporary Investments	$ 66,816
Total Assets	$ 66,816
NET POSITION:	
Unrestricted Net Position	$ 66,816
Total Net Position	$ 66,816

The accompanying notes are an integral part of this financial statement.

SANDS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

Exhibit E-2

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED AUGUST 31, 2022

	Custodial Funds
ADDITIONS:	
Other Revenues	$ 144,244
Total Additions	$ 144,244
DEDUCTIONS:	
Student Activities	$ 167,393
Total Deductions	$ 167,393
Change in Net Position	$ (23,149)
Net Position - September 1 (Beginning)	89,965
Net Position - August 31 (Ending)	$ 66,816

The accompanying notes are an integral part of this financial statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sands Consolidated Independent School District (the District) is a public education agency operating under the applicable laws and regulations of the State of Texas. The District prepares its basic financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) applicable to governmental units. The District also complies with the appropriate version of the Texas Education Agency's (TEA) Financial Accountability System Resource Guide (FAR) and the requirements of contracts and grants of agencies from which it receives funds. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

A. REPORTING ENTITY

The Board of School Trustees (the Board), a seven-member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the District. All powers and duties not specifically delegated by statute to the TEA or to the State Board of Education are reserved for the Board, and TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District is not included in any other governmental reporting entity as defined in governmental accounting and financial reporting standards. There are no component units included within the reporting entity.

The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding entities.

B. BASIS OF ACCOUNTING AND PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities display information about the government-wide entity as a whole. These statements report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental Activities, which normally are supported by taxes, state foundation funds, grants, and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support (i.e., internal service funds are considered governmental activities and not business-type activities). The District currently has no business-type activities.

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

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or Statement of Net Position. The District currently does not have any long-term debt other than pension and OPEB liabilities.

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. The operating grants and contributions column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions but are reported separately in the Statement of Activities. Depreciation expense is specifically identified by function and is included in the direct expense to each function allocated. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Interfund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds, if any, remain as due to/due from on the government-wide Statement of Net Position.

FUND FINANCIAL STATEMENTS

Separate financial statements are provided for governmental funds and fiduciary funds. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. Major governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues from local sources consist primarily of property taxes. Amounts have been recorded for property tax revenues collected through August 31, 2022. State revenues are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, claims and judgments are recorded only when payment is due.

The fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

GOVERNMENTAL FUND TYPES

The District reports the following major governmental funds:

General Fund – This fund is established to account for resources used for general operations. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. This is a budgeted fund and unassigned fund balances are considered resources available for current operations.

For the year ended August 31, 2022, the District accounted for its Food Service Fund in the general fund. Students are not charged for meals, and when necessary, the general fund subsidizes the Food Service Fund for all amounts required in excess of amounts received from the National School Lunch and Breakfast Programs.

Additionally, the government reports the following fund types:

Debt Service Fund – This fund is used to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which tax has been dedicated. This is a budgeted fund and any unused sinking fund balances will be transferred to the general fund after all of the related debt obligations have been met.

Special Revenue Funds – These funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal financial assistance generally is accounted for in a special revenue fund. Unused balances are returned to the grantor at the close of specified project periods.

FIDUCIARY FUND TYPES

Custodial Funds – These custodial funds are used to account for activities of student groups. Student activity organizations exist with the explicit approval of, and are subject to revocation by, the District's Board of Trustees. If any unused resources are declared surplus by the student groups, they are transferred to the general fund with a recommendation to the Board for an appropriate utilization through a budgeted program.

C. BASIS OF ACCOUNTING APPLICABLE TO ALL FINANCIAL STATEMENTS

Capital assets, which include land, buildings and improvements, furniture and equipment, and vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of more than $5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets' useful lives are not capitalized.

Revenues from state and federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant. Funds received but unexpended are reflected as deferred revenues, and funds expended but not yet received are shown as receivables. If balances have not been expended by the end of the project period, grantors generally require the District to refund all or part of the unused amount.

Supplies and materials are recorded as expenditures when purchased.

It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District.

When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

In accordance with the FAR, the District has adopted and installed an accounting system which exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Accounting Code Section of the FAR. Mandatory codes are utilized in the form provided in that section.

D. BUDGETARY DATA

The official budget was prepared on the modified accrual basis of accounting, which is consistent with GAAP, for the general fund and debt service fund. The special revenue funds adopt project-length budgets which do not correspond to the District's fiscal year. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

a. Prior to August 20th of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1st. The operating budget includes proposed expenditures and the means of financing them.

b. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least 10 days public notice of the meeting must be given.

c. Prior to September 1st, the budget is legally enacted through passage of a resolution by the Board.

The budget is prepared and controlled at the function level within each fund and is amended at this level as needed. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. Such amendments are made before the fact, and they are reflected in the official minutes of the Board. During the year, several amendments were necessary.

E. ENCUMBRANCE ACCOUNTING

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31st, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no outstanding encumbrances at August 31, 2022.

F. FUND BALANCES

Fund balances of the governmental funds are classified as follows:

Restricted – Amounts that can be spent only for specific purposes because of restrictions by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Assigned – Amounts that can be used for a specific purpose as expressed by the authorized administrator, the Superintendent.

Unassigned – Amounts not included in other spendable classifications.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

G. NET POSITION ON THE STATEMENT OF NET POSITION

Net Position on the Statement of Net Position includes the following:

Net Investment in Capital Assets – this component of net position represents the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding any unspent bond proceeds that is directly attributable to the acquisition, construction, or improvement of those assets.

Restricted for Food Service – this component of net position represents the difference between assets and liabilities of the food service fund under the mandate of the National School Lunch and Breakfast Program.

Restricted for Debt Service – this component of net position represents the difference between assets and liabilities of the debt service fund that consists of assets with constraints placed on their use by creditors.

Restricted for Other Purposes – this component of net position represents the difference between assets and liabilities in the other local special revenue funds that consists of assets with constraints placed on their use by the grantors.

Unrestricted – the difference between assets and liabilities that is not reported in the previous categories.

H. 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.

I. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The fiduciary net position of the TRS Care Plan 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 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.

J. MANAGEMENT'S USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

2. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The **Public Funds Investment Act** (Government Code Chapter 2256) (the Act) 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, and (9) 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 and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas, (3) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality not less than an “A”, (4) no load money market funds with a weighted average maturity of 90 days or less, (5) fully collateralized repurchase agreements, (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies or one nationally recognized credit agency and is fully secured by an irrevocable letter of credit, (7) secured corporate bonds rated not lower than “AA-“ or the equivalent, (8) public investment pools, and (9) guaranteed investment contracts for bond proceeds investment only, with defined termination date and secured by U.S. Government direct or agency obligations approved by the Act in an amount equal to the bond proceeds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

Policies Governing Deposits and Investments

In compliance with the **Public Funds Investment Act**, the District has adopted a deposit and investment policy. That policy does not address the following risks:

a. Custodial Credit Risk – Deposits and Investments: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits and investments in certificates of deposits may not be returned to it. The District's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state or local governments by pledging securities in excess of the highest cash balance of the government. The District is not exposed to custodial credit risk for its deposits and investments in certificates of deposit, because they are all covered by depository insurance and pledged securities held by a third party in the District’s name.

b. Concentration of Credit Risk – The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. At August 31, 2022, all of the District's investments are in external investment pools and as such the District has no risk.

c. Credit Risk – The risk that an issuer of another counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At August 31, 2022, the District was not significantly exposed to credit risk.

d. Interest Rate Risk – Not applicable

e. Foreign Currency Risk – Not applicable

The carrying amount of the District's cash and temporary investments at August 31, 2022 approximates fair value and consisted of the following with respective maturities and credit rating:

	Amount	Percent	Maturity in Less than 1 Year	Credit Rating
Cash in Bank	$ 4,421,110	20.44%	$ 4,421,110	N/A
Money Market	8,303,653	38.39%	8,303,653	N/A
Texpool	8,904,355	41.17%	8,904,355	AAAm
	$ 21,629,118	100.00%	$ 21,629,118	

Public Funds Investment Pools

Public funds investment pools in Texas (Pools) are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the Pool and other persons who do not have a business relationship with the Pool and are qualified to advise the Pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investment in Pools are reported at an amount determined by the fair value per share of the Pool's underlying portfolio, unless the Pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

3. PROPERTY TAXES

Property taxes are levied by October 1st on the assessed value listed as of the prior January 1st for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1st of the year following the year in which imposed. On January 1st of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. All property taxes remaining uncollected after ten years are provided for in the allowance for uncollectible 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.

4. DUE FROM/TO OTHER GOVERNMENTS

The amount due from other governments consisted of $158,323 due primarily for property taxes collected and not remitted until after year end and for unreimbursed grant expenditures.

The amount of $473,066 due to other governments represents the 2021-22 remaining recapture amount due to the state.

5. INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at August 31, 2022, consisted of the following individual fund receivables and payables:

	Due from Other Funds	Due to Other Funds
General Fund		
Special Revenue Funds	$ 74,152	$ 0
Special Revenue Funds		
General Fund	$ 0	$ 74,152
	$ 74,152	$ 74,152

6. CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2022, was as follows:

	9/1/2021	Additions	Deletions	8/31/2022
Capital Assets:				
Land	$ 113,132	$ 10,000	$	$ 123,132
Building and Improvements	15,346,827		20,618	15,326,209
Furniture and Equipment	577,571	23,520		601,091
Vehicles	1,175,201			1,175,201
	$ 17,212,731	$ 33,520	$ 20,618	$ 17,225,633
Accumulated Depreciation:				
Buildings and Improvements	$ 7,154,826	$ 617,786	$ 20,618	$ 7,751,994
Furniture and Equipment	275,149	39,330		314,479
Vehicles	696,875	70,114		766,989
	$ 8,126,850	$ 727,230	$ 20,618	$ 8,833,462
	$ 9,085,881	$ (693,710)	$ 0	$ 8,392,171

Depreciation expense of $727,230 was charged to functions of the primary government as follows:

Instruction	$ 339,070
Instruction Resources and Media Services	4,467
Curriculum and Instructional Staff Development	1,917
Instructional Leadership	15,453
School Leadership	26,332
Guidance, Counseling, and Evaluation Services	12,660
Health Services	188
Student (Pupil) Transportation	35,556
Food Services	34,751
Cocurricular/Extracurricular Activities	56,994
General Administration	49,696
Plant Maintenance and Operations	125,905
Security and Monitoring Services	1,067
Data Processing Services	21,466
Community Service	1,708
	$ 727,230

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

Buildings and Improvements	15 - 30 years
Furniture and Equipment	5 - 15 years
Vehicles	5 - 15 years

7. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The financial statements report separate sections for deferred outflows and inflows of resources. Deferred outflows represent an acquisition of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. Deferred inflows represent an acquisition of fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred Outflows on the Statement on Net Position consists of the District's proportionate share of TRS pension deferred outflows of $216,344 (See Note 11), and the District's proportionate share of TRS OPEB deferred outflows of $207,161 (See Note 12).

Deferred Inflows on the Statement on Net Position consists of the District's proportionate share of TRS pension deferred inflows of $395,416 (See Note 11), and District's proportionate share of TRS OPEB deferred inflows of $575,415 (See Note 12).

Deferred Inflows on the Balance Sheet – Governmental Funds consists of:

	General Fund	Debt Service Fund	Total
Property Taxes - Delinquent	$ 953,575	$ 65,918	$ 1,019,493
Less: Allowance for Uncollectible Taxes	(24,613)	(2,766)	(27,379)
Total Unavailable Revenue	$ 928,962	$ 63,152	$ 992,114

8. UNEARNED REVENUES

Unearned revenue is associated with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Unearned revenues consisted of State Foundation overpayments of $1,774,305.

9. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Debt Service Fund	Other Funds	Total
Property Taxes, Penalties, Interest, and Other Tax-Related Income	$ 16,094,510	$ 37,461	$	$ 16,131,971
Food Sales	10,014			10,014
Interest Income	67,205	1,648		68,853
Cocurricular Student Activities	34,025			34,025
Rent	31,275			31,275
Other	110,245		6,454	116,699
	$ 16,347,274	$ 39,109	$ 6,454	$ 16,392,837

10. GENERAL FUND FEDERAL SOURCED REVENUES

The District recognized revenues from certain federal programs in the general fund. These programs are reimbursement type programs. Reimbursement revenues received during the year ended August 31, 2022 are as follows:

	Assistance Listing Number	Current Year Revenues
School Breakfast Program	10.553	$ 49,318
National School Lunch Program	10.555	134,475
Texas Department of Agriculture Reimbursements	10.649	614
General Fund - Federal Source Revenues		$ 184,407

11. DEFINED BENEFIT PENSION PLAN

Plan Description
The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). 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 TRS's fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov; 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 2021 and 2020 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2021 and 2020:

Net Pension Liability	2021	2020
Total Pension Liability	$ 227,273,463,630	$ 218,974,205,084
Less: Plan Fiduciary Net Position	(201,807,002,496)	(165,416,245,243)
Net Pension Liability	$ 25,466,461,134	$ 53,557,959,841
Net Position as Percentage of Total Pension Liability	88.79%	75.54%

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 five 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 five years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS's 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.

State law requires the plan to be actuarially sound in order for the Legislature to consider a benefit enhancement, such as supplemental payment to the retirees. The pension became actuarially sound in May 2019 with the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provided gradual contribution increases from the state, participating employers, and active employees for the fiscal years 2020 through 2025.

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 through 2025.

	Contribution Rates	
	2021	2022
Member	7.70%	8.00%
Non-Employer Contributing Entity (State)	7.50%	7.75%
Employers	7.50%	7.50%

2022 Employer Contributions	$	77,305
2022 Member Contributions		172,965
2021 NECE On-Behalf Contributions		126,739

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

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers including public schools are required to pay the employer contribution rate in the following instances:

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

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

- All public schools, charter schools, and regional educational service centers must contribute 1.6% of the member's salary beginning in fiscal year 2021, gradually increasing to 2% in fiscal year 2025. The surcharge for fiscal year 2022 is 1.7%.
- When employing a retiree of the TRS, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions
Roll Forward – The actuarial valuation was performed as of August 31, 2020. Update procedures were used to roll forward the total pension liability to August 31, 2021.

The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumptions were selected by the Board of Trustees based upon analysis and recommendations by the System's actuary. The Board of Trustees has the sole authority to determine the actuarial assumptions used for the Plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the three-year period ending August 31, 2017 and were adopted in July 2018.

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 most recently published projection scale U-MP. The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females, also with full generational mortality.

The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The following table discloses the assumptions that were applied to the measurement period:

Valuation Date	August 31, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.25%
Long-Term Expected Rate	7.25%
Municipal Bond Rate as of August 2020	1.95% - Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index"
Last year ending August 31 in Projection Period (100 years)	2120
Inflation	2.30%
Salary Increases	3.05% to 9.05% including inflation
Ad Hoc Post-Employment Benefit Changes	None

Discount Rate

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

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Asset Class*	Target Allocation %**	Long-Term Expected Geometric Real Rate of Return***	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.00%	3.60%	0.94%
Non-U.S. Developed	13.00%	4.40%	0.83%
Emerging Markets	9.00%	4.60%	0.74%
Private Equity	14.00%	6.30%	1.36%
Stable Value			
Government Bonds	16.00%	0.02%	0.01%
Absolute Return		1.10%	
Stable Value Hedge Funds	5.00%	2.20%	0.12%
Real Return			
Real Estate	15.00%	4.50%	1.00%
Energy, Natural Resources, and Infrastructure	6.00%	4.70%	0.35%
Commodities		1.70%	
Risk Parity	8.00%	2.80%	0.28%
Asset Allocation Leverage Cash			
Cash	2.00%	-0.70%	-0.01%
Asset Allocation Leverage	-6.00%	-0.50%	0.03%
Inflation Expectation			2.20%
Volatility Drag****			-0.95%
Expected Return	100.00%		6.90%

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

Discount Rate Sensitivity Analysis
The following table presents the Net Pension Liability of the plan using the discount rate of 7.25%, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
District's Proportionate Share of the Net Pension Liability	$ 656,728	$ 300,540	$ 11,564

Pension Liabilities and Pension Expense
At August 31, 2022, the District reported a liability of $300,540 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	$	300,540
State's Proportionate Share that is Associated with the District		756,325
Total	$	1,056,865

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

At August 31, 2021, the employer's proportion of the collective net pension liability was 0.001180% which was an increase of 0.000058% from its proportion measured as of August 31, 2020.

For the year ended August 31, 2022, the District recognized pension expense of $3,024 and revenue of $126,739 for support provided by the State in the Government Wide Statement of Activities.

Changes since the Prior Actuarial Valuation
There were no changes in assumptions since the prior measurement date.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At August 31, 2022, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences Between Expected and Actual Actuarial Experience	$	503	$	21,158
Changes in Actuarial Assumptions		106,235		46,309
Difference Between Projected and Actual Investment Earnings				251,999
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions		32,301		75,950
Contributions Paid to TRS Subsequent to the Measurement Date		77,305		
Total	$	216,344	$	395,416

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

	Pension (Benefit) Expense
2023	$ (48,836)
2024	(50,261)
2025	(69,906)
2026	(85,791)
2027	(2,322)
Thereafter	739

12. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description

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

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

OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in the separately issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov; 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, 2021 and 2020 are as follows:

Net OPEB Liability	2021	2020
Total OPEB Liability	$ 41,113,711,083	$ 40,010,833,815
Less: Plan Fiduciary Net Position	(2,539,242,470)	(1,996,317,932)
Net OPEB Liability	$ 38,574,468,613	$ 38,014,515,883
Net Position as Percentage of Total OPEB Liability	6.18%	4.99%

Benefits Provided
TRS-Care provides health insurance coverage to all retirees from public schools 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 General Appropriations Act passed by the 86th Legislature included funding to maintain TRS-Care premiums at their current level through 2021. The 86th Legislature also passed SB 1682 which requires TRS to establish a contingency reserve in the TRS-Care fund equal to 60 days of expenditures.

The premium rates for retirees are presented below:

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.

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 following table shows contributions to the TRS-Care plan by type of contributor:

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

2022 Employer Contributions	$	19,752
2022 Member Contributions		14,054
2021 NECE On-Behalf Contributions		21,698

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

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

Actuarial Assumptions

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

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2020 TRS pension actuarial valuation that was rolled forward to August 31, 2021:

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

The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. 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 morality projection scale MP-2018.

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	1.95% as of August 31, 2021
Aging Factors	Based on Plan Specific Experience
Election Rates	Normal Retirement: 65% participation prior to age 65 and 40% participation after age 65, 25% of pre-65 retirees are assumed to discontinue coverage at age 65
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% to 9.05%, including inflation
Ad Hoc Post-Employment Benefit Changes	None

The initial medical trend rates were 8.50% for Medicare retirees and 7.10% for non-Medicare retirees. There was an initial prescription drug trend rate of 8.50% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 12 years.

Discount Rate

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

The source of the municipal bond rate is the Fidelity “20-year Municipal GO AA Index” as of August 31, 2021, using the fixed-income 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% point lower and 1% point higher than the discount rate that was used (1.95%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (0.95%)	Discount Rate (1.95%)	1% Increase in Discount Rate (2.95%)
District's Proportionate Share of the Net OPEB Liability	$ 964,570	$ 799,657	$ 669,864

Healthcare Cost Trend Rates Sensitivity Analysis
The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's Proportionate Share of the Net OPEB Liability	$ 647,695	$ 799,657	$ 1,003,551

OPEB Liabilities and OPEB Expense
At August 31, 2022, the District reported a liability of $799,657 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	$ 799,657
State's Proportionate Share that is Associated with the District	1,071,362
Total	$ 1,871,019

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

At August 31, 2021, the employer's proportion of the collective net OPEB liability was 0.002073% compared to the 0.002052% as of August 31, 2020. This is an increase of 0.000021%.

For the year ended August 31, 2022, the District recognized OPEB expense of $39,541 and revenue of $21,698 for support provided by the State.

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:

- This discount rate changed from 2.33% as of August 31, 2020 to 1.95% as of August 31, 2021. This change increased the Total OPEB Liability.

There were no changes of benefit terms that affected measurement of the total OPEB liability since the prior measurement date.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs
At August 31, 2022, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Actuarial Experience	$ 34,429	$ 387,090
Changes in Actuarial Assumptions	88,571	169,113
Difference Between Projected and Actual Investment Earnings	868	
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	63,541	19,212
Contributions Paid to TRS Subsequent to the Measurement Date	19,752	
Total	$ 207,161	$ 575,415

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

	OPEB (Benefit) Expense
2023	$ (76,576)
2024	(76,596)
2025	(76,591)
2026	(55,542)
2027	(27,045)
Thereafter	(75,656)

13. RISK MANAGEMENT

The District’s risk management program includes coverage, through various third party insurance providers, to protect the District against losses related to torts, errors and omissions, theft and damage or destruction of property, employee health, and natural disasters. For the year ended August 31, 2022, there were no significant reductions in insurance coverage from the previous year.

14. HEALTH CARE COVERAGE

During the year ended August 31, 2022, employees of the District were covered by a health insurance plan through TRS Active Care. The District contributed $325 of the employee-only premium per month and employees, at their option, authorized payroll withholdings to pay contributions for dependents. Under this plan, the District is not liable for costs incurred beyond the premiums paid.

Additionally, payments made on behalf of the District by the State for Medicare Part D fringe benefits and salaries amounted to $6,649 and $9,430 for the years ended August 31, 2022 and 2021, respectively.

15. COMMITMENTS AND CONTINGENCIES

Federal and State Funding
The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

16. LITIGATION

Management represents there is no litigation pending against the District which would have a material effect on the financial statements.

17. SUBSEQUENT EVENTS

The District's management has evaluated subsequent events though November 10, 2022, the date which the financial statements were available for issue.

At the November 2022 election, the District’s voters approved $85,000,000 of Unlimited Tax School Building Bonds. As of the date of this audit report, the bonds have not been issued.

REQUIRED SUPPLEMENTARY INFORMATION

SANDS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

Exhibit G-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes		1 Budgeted Amounts Original	2 Budgeted Amounts Amended	3 Actual	Variance With Final Budget Favorable (Unfavorable)
	REVENUES:				
5700	Local and Intermediate Sources	$ 14,559,051	$ 15,592,213	$ 16,347,274	$ 755,061
5800	State Program Revenues	263,254	263,254	2,739,159	2,475,905
5900	Federal Program Revenues	110,000	125,000	184,407	59,407
5020	Total Revenues	$ 14,932,305	$ 15,980,467	$ 19,270,840	$ 3,290,373
	EXPENDITURES:				
0011	Instruction	$ 1,730,128	$ 1,805,831	$ 1,668,594	$ 137,237
0012	Instructional Resources and Media Services	25,422	28,422	26,225	2,197
0013	Curriculum and Instructional Staff Development	1,250	1,250		1,250
0021	Instructional Leadership	93,276	93,276	89,892	3,384
0023	School Leadership	155,960	155,960	151,353	4,607
0031	Guidance, Counseling, and Evaluation Services	14,416	14,416	10,493	3,923
0033	Health Services	2,050	2,050	1,106	944
0034	Student Transportation	194,239	219,239	208,746	10,493
0035	Food Services	194,901	210,901	204,016	6,885
0036	Extracurricular Activities	451,143	361,143	334,605	26,538
0041	General Administration	312,159	302,159	283,475	18,684
0051	Plant Maintenance and Operations	650,173	735,173	703,462	31,711
0052	Security and Monitoring Services	3,000	8,000	6,267	1,733
0053	Data Processing Services	126,487	127,487	126,021	1,466
0061	Community Services	9,000	4,000		4,000
0081	Facilities Acquisition and Construction	222,000	47,000	10,000	37,000
0091	Contracted Instructional Services Between Schools	10,600,160	11,700,160	11,029,196	670,964
0099	Other Intergovernmental Charges	170,000	164,000	161,058	2,942
6030	Total Expenditures	$ 14,955,764	$ 15,980,467	$ 15,014,509	$ 965,958
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	$ (23,459)	$ 0	$ 4,256,331	$ 4,256,331
1200	Net Change in Fund Balance	$ (23,459)	$ 0	$ 4,256,331	$ 4,256,331
0100	September 1 - Fund Balance	13,582,400	13,582,400	13,582,400	0
3000	August 31 - Fund Balance	$ 13,558,941	$ 13,582,400	$ 17,838,731	$ 4,256,331

SANDS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

Exhibit G-2

SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY TEACHERS RETIREMENT SYSTEM FOR THE YEARS ENDED AUGUST 31

	2022 Plan Year 2021	2021 Plan Year 2020	2020 Plan Year 2019	2019 Plan Year 2018	2018 Plan Year 2017	2017 Plan Year 2016	2016 Plan Year 2015	2015 Plan Year 2014
District's Proportion of the Net Pension Liability	0.001180%	0.001122%	0.001345%	0.001298%	0.001363%	0.001370%	0.001439%	0.000865%
District's Proportionate Share of Net Pension Liability	$ 300,540	$ 601,154	$ 699,119	$ 714,576	$ 435,676	$ 517,746	$ 508,597	$ 230,973
State's Proportionate Share of the Net Pension Liability Associated with the District	756,325	1,549,418	1,395,806	1,478,593	867,235	1,067,177	1,078,692	940,152
Total	$ 1,056,865	$ 2,150,572	$ 2,094,925	$ 2,193,169	$ 1,302,911	$ 1,584,923	$ 1,587,289	$ 1,171,125
District's Covered Payroll	$ 1,979,154	$ 1,873,702	$ 1,780,026	$ 1,678,470	$ 1,644,123	$ 1,627,580	$ 1,587,289	$ 1,171,125
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	15.19%	32.08%	39.28%	42.57%	26.50%	31.81%	32.04%	19.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

Note: The information on this schedule is presented as of the measurement date of the plan (August 31, 20XX). Therefore, amounts reported for FY 2022 are for the measurement date of August 31, 2021.

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

SANDS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

Exhibit G-3

**SCHEDULES OF DISTRICT CONTRIBUTIONS
FOR PENSIONS
TEACHERS RETIREMENT SYSTEM
FOR THE YEARS ENDED AUGUST 31**

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	$ 77,305	$ 49,034	$ 44,393	$ 45,976	$ 41,842	$ 44,637	$ 41,581	$ 40,766
Contribution in Relation to the Contractually Required Contribution	(77,305)	(49,034)	(44,393)	(45,976)	(41,842)	(44,637)	(41,581)	(40,766)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
District's Covered Payroll	$ 2,162,062	$ 1,979,154	$ 1,873,702	$ 1,780,136	$ 1,678,470	$ 1,644,123	$ 1,627,580	$ 1,631,006
Contributions as a Percentage of Covered Payroll	3.58%	2.48%	2.37%	2.58%	2.49%	2.71%	2.55%	2.50%

Note: The information on this schedule is presented as of the District's respective fiscal years.

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

SANDS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

Exhibit G-4

SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY TEACHERS RETIREMENT SYSTEM FOR THE YEARS ENDED AUGUST 31

	2022 Plan Year 2021	2021 Plan Year 2020	2020 Plan Year 2019	2019 Plan Year 2018	2018 Plan Year 2017
District's Proportion of the Net OPEB Liability	0.002073%	0.002052%	0.002091%	0.001998%	0.001959%
District's Proportionate Share of Net OPEB Liability	$ 799,657	$ 780,026	$ 988,906	$ 997,740	$ 851,991
State's Proportionate Share of the Net OPEB Liability Associated with the District	1,071,362	1,048,168	1,314,034	1,434,774	1,272,653
Total	$ 1,871,019	$ 1,828,194	$ 2,302,940	$ 2,432,514	$ 2,124,644
District's Covered Payroll	$ 1,979,154	$ 1,873,702	$ 1,780,026	$ 1,678,570	$ 1,644,123
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	40.40%	41.63%	55.56%	59.44%	51.82%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	6.18%	4.99%	2.66%	1.57%	0.91%

Note: The information on this schedule is presented as of the measurement date of the plan (August 31, 20XX). Therefore, amounts reported for FY 2022 are for the measurement date of August 31, 2021.

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

SANDS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

Exhibit G-5

SCHEDULES OF DISTRICT CONTRIBUTIONS
FOR OTHER POST-EMPLOYMENT BENEFITS
TEACHERS RETIREMENT SYSTEM
FOR THE YEARS ENDED AUGUST 31

	2022	2021	2020	2019	2018
Contractually Required Contribution	$ 19,752	$ 15,872	$ 14,987	$ 14,574	$ 13,740
Contribution in Relation to the Contractually Required Contribution	(19,752)	(15,872)	(14,987)	(14,574)	(13,740)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0
District's Covered Payroll	$ 2,162,062	$ 1,979,154	$ 1,873,702	$ 1,780,136	$ 1,678,470
Contributions as a Percentage of Covered Payroll	0.91%	0.80%	0.80%	0.82%	0.82%

Note: The information on this schedule is presented as of the District's respective fiscal years.

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

SANDS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

A. NOTES TO SCHEDULES FOR THE TRS PENSION

Changes of Benefit Terms

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

Changes of Assumptions

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

B. NOTES TO SCHEDULES FOR THE TRS OPEB PLAN

Changes of Benefit Terms

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

Changes of Assumptions

The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

- This discount rate changed from 2.33% as of August 31, 2020 to 1.95% as of August 31, 2021. This change increased the Total OPEB Liability.

SUPPLEMENTARY INFORMATION

EXHIBITS H-1 THROUGH J-4

SANDS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

Exhibit H-1
(Continued)

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2022

	Special Revenue Funds					
	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	255 ESEA II,A Training and Recruiting	281 CRRSA Act ESSER II	282 ARP Act ESSER III	284 ARP Act IDEA-B Formula
ASSETS:						
Cash and Temporary Investments	$	$	$	$	$	$
Property Taxes - Delinquent						
Allowance for Uncollectible Taxes						
Due from Other Governments	9,549	3,287	5,966	38,051	35,766	8,000
Total Assets	$ 9,549	$ 3,287	$ 5,966	$ 38,051	$ 35,766	$ 8,000
LIABILITIES:						
Accrued Wages Payable	$ 3,884	$ 2,512	$ 713	$ 9,968	$ 8089	$
Due to Other Funds	5,221	501	5,171	27,864	26,752	8,000
Accrued Expenditures	444	274	82	219	925	
Total Liabilities	$ 9,549	$ 3,287	$ 5,966	$ 38,051	$ 35,766	$ 8,000
DEFERRED INFLOWS OF RESOURCES:						
Unavailable Revenue - Property Taxes	$	$	$	$	$	$
Total Deferred Inflows	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
FUND BALANCES:						
Restricted for:						
Retirement of Long-Term Debt	$	$	$	$	$	$
Other Purposes						
Assigned for:						
Campus Activity Funds						
Total Fund Balances	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Total Liabilities, Deferred Inflows, and Fund Balances	$ 9,549	$ 3,287	$ 5,966	$ 38,051	$ 35,766	$ 8,000

SANDS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

Exhibit H-1
(Concluded)

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2022

	Special Revenue Funds						
	285 ARP Act Preschool Formula	289 Other Federal Special Revenue Funds	461 Campus Activity Funds	499 Other Local Special Revenue Funds	Total Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental August 31, 2022
ASSETS:							
Cash and Temporary Investments	$	$	$ 3,750	$ 5,134	$ 8,884	$ 1,508,965	$ 1,517,849
Property Taxes - Delinquent					0	65,918	65,918
Allowance for Uncollectible Taxes					0	(2,766)	(2,766)
Due from Other Governments	47	2,111			102,777	3,260	106,037
Total Assets	$ 47	$ 2,111	$ 3,750	$ 5,134	$ 111,661	$ 1,575,377	$ 1,687,038
LIABILITIES:							
Accrued Wages Payable	$	$ 1360	$	$	$ 26,526	$	$ 26,526
Due to Other Funds	47	596			74,152		74,152
Accrued Expenditures		155			2,099		2,099
Total Liabilities	$ 47	$ 2,111	$ 0	$ 0	$ 102,777	$ 0	$ 102,777
DEFERRED INFLOWS OF RESOURCES:							
Unavailable Revenue - Property Taxes	$	$	$	$	$ 0	$ 63,152	$ 63,152
Total Deferred Inflows	$ 0	$ 0	$ 0	$ 0	$ 0	$ 63,152	$ 63,152
FUND BALANCES:							
Restricted for:							
Retirement of Long-Term Debt	$	$	$	$	$ 0	$ 1,512,225	$ 1,512,225
Other Purposes				5,134	5,134		5,134
Assigned for:							
Campus Activity Funds			3,750		3,750		3,750
Total Fund Balances	$ 0	$ 0	$ 3,750	$ 5,134	$ 8,884	$ 1,512,225	$ 1,521,109
Total Liabilities, Deferred Inflows, and Fund Balances	$ 47	$ 2,111	$ 3,750	$ 5,134	$ 111,661	$ 1,575,377	$ 1,687,038

SANDS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

Exhibit H-2
(Continued)

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED AUGUST 31, 2022

	Special Revenue Funds							
	211 ESEA I, A Improving Basic Program	212 ESEA ESEA, Title I Part C Migrant	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	255 ESEA II,A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income	281 CRRSA Act ESSER II	282 ARP Act ESSER III
REVENUES:								
Local and Intermediate Sources	$	$	$	$	$	$	$	$
State Program Revenues								
Federal Program Revenues	53,522	15,175	59,327	300	9,995	24,621	93,341	164,024
Total Revenues	$ 53,522	$ 15,175	$ 59,327	$ 300	$ 9,995	$ 24,621	$ 93,341	$ 164,024
EXPENDITURES:								
Instruction	$ 39,142	$ 5,150	$ 37,376	$ 300	$ 9,995	$ 24,621	$ 54,396	$ 119,715
Curriculum and Instructional Staff Development	9,612		1,645					
Instructional Leadership			828					
School Leadership							3,239	
Guidance, Counseling, and Evaluation Services			19,478					44,309
General Administration	4,768							
Plant Maintenance and Operations							35,706	
Community Services		10,025						
Total Expenditures	$ 53,522	$ 15,175	$ 59,327	$ 300	$ 9,995	$ 24,621	$ 93,341	$ 164,024
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Net Change in Fund Balance	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Fund Balance - September 1 (Beginning)								
Fund Balance - August 31 (Ending)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0

SANDS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

Exhibit H-2
(Concluded)

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED AUGUST 31, 2022

	Special Revenue Funds								
	284 ARP Act IDEA-B Formula	285 ARP Act Preschool Formula	289 Other Federal Special Revenue Funds	410 State Textbook Fund	461 Campus Activity Funds	499 Other Local Special Revenue Funds	Total Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES:									
Local and Intermediate Sources	$	$	$	$	$ 3,177	$ 3,277	$ 6,454	$ 39,109	$ 45,563
State Program Revenues				13,543			13,543	270	13,813
Federal Program Revenues	8,000	47	9,785				438,137		438,137
Total Revenues	$ 8,000	$ 47	$ 9,785	$ 13,543	$ 3,177	$ 3,277	$ 458,134	$ 39,379	$ 497,513
EXPENDITURES:									
Instruction	$ 8,000	$	$ 9,785	$ 13,543	$	$	$ 322,023	$	$ 322,023
Curriculum and Instructional Staff Development							11,257		11,257
Instructional Leadership							828		828
School Leadership							3,239		3,239
Guidance, Counseling, and Evaluation Services		47					63,834		63,834
General Administration					3,512		8,280		8,280
Plant Maintenance and Operations							35,706		35,706
Community Services							10,025		10,025
Total Expenditures	$ 8,000	$ 47	$ 9,785	$ 13,543	$ 3,512	$ 0	$ 455,192	$ 0	$ 455,192
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ 0	$ 0	$ 0	$ 0	$ (335)	$ 3,277	$ 2,942	$ 39,379	$ 42,321
Net Change in Fund Balance	$ 0	$ 0	$ 0	$ 0	$ (335)	$ 3,277	$ 2,942	$ 39,379	$ 42,321
Fund Balance - September 1 (Beginning)					4,085	1,857	5,942	1,472,846	1,478,788
Fund Balance - August 31 (Ending)	$ 0	$ 0	$ 0	$ 0	$ 3,750	$ 5,134	$ 8,884	$ 1,512,225	$ 1,521,109

SANDS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

Exhibit J-1

SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2022

	1	2	3	10	20	31	32	40	50
Last Ten Years Ended August 31,	Tax Rates Maintenance	Tax Rates Debt Service	Assessed/ Appraised Value for School Tax Purposes	Beginning Balance 9/1/2021	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 8/31/2022
2013 and Prior Years	Various	Various	$ Various	$ 30,755	$	$ 1,846	$ 177	$ (1,353)	$ 27,379
2014	1.06000	0.08000	1,038,096,822	19,485		3,482	263		15,740
2015	1.06000	0.08000	1,287,592,727	30,304		5,464	412		24,428
2016	1.06000	0.09000	858,886,670	26,731		2,862	243	(814)	22,812
2017	1.06000	0.14700	551,209,300	15,501		3,137	435	(12)	11,917
2018	1.06000	0.14700	562,430,163	30,836		5,301	735	82	24,882
2019	1.04000	0.11000	1,129,793,989	70,536		11,071	1,171	323	58,617
2020	0.97000	0.11000	1,446,200,939	114,968		15,094	1,712	(3,353)	94,809
2021	0.87470	0.11000	2,256,902,267	640,814		238,735	30,023	(24,704)	347,352
2022 (School Year Under Audit)	0.87200	0.00000	1,848,166,124		16,116,009	15,724,452			391,557
1000 TOTALS				$ 979,930	$ 16,116,009	$ 16,011,444	$ 35,171	$ (29,831)	$ 1,019,493

SANDS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

Exhibit J-4

STATE COMPENSATORY EDUCATION AND BILINGUAL EDUCATION PROGRAM EXPENDITURES FOR THE YEAR ENDED AUGUST 31, 2022

	Section A: Compensatory Education Programs		
AP1	Did the district expend any state compensatory education program state allotment funds during the district's fiscal year?		Yes
AP2	Does the district 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.	$	227,073
AP 4	List the actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	$	373,333
	Section B: Bilingual Education Programs		
AP5	Did the district expend any bilingual education program state allotment funds during the district's fiscal year?		Yes
AP6	Does the district 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 district's fiscal year.	$	16,940
AP 8	List the actual direct program expenditures for bilingual education programs during the district's fiscal year. (PICs 25, 35)	$	11,757

OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION

Bolinger, Segars, Gilbert & Moss, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
PHONE: (806) 747-3806
FAX: (806) 747-3815
8215 Nashville Avenue
Lubbock, Texas 79423-1954

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*

Independent Auditor's Report

Board of School Trustees
Sands Consolidated Independent School District
Ackerly, Texas

We have audited, in accordance with the auditing standards generally accepted in the Unites States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sands Consolidated Independent School District (the District) as of and for the year ended August 31, 2022, and related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 10, 2022.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

November 10, 2022

SANDS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2022

Current Year Findings –

None

Corrective Action Plan –

N/A

Status of Prior Year Findings –

N/A

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APPENDIX C

FORM OF CO-BOND COUNSELS' OPINIONS

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NORTON ROSE FULBRIGHT

Norton Rose Fulbright US LLP
1301 McKinney, Suite 5100
Houston, Texas 77010-3095
United States

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nortonrosefulbright.com

February 17, 2023

IN REGARD to the authorization and issuance of the "Sands Consolidated Independent School District Unlimited Tax School Building Bonds, Series 2023" (the *Bonds*), dated February 15, 2023, in the aggregate original principal amount of $81,485,000 we have reviewed the legality and validity of the issuance thereof by the Sands Consolidated Independent School District (the *Issuer*). The Bonds are issuable in fully registered form only, in denominations of $5,000 or any integral multiple thereof within a Stated Maturity. The Bonds have Stated Maturities of February 15 in each of the years 2025 through 2039, 2043, 2048 and 2053 unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the order (the *Order*) authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Order.

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

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

Legal Opinion of Norton Rose Fulbright US LLP, Houston, Texas, in connection with the authorization and issuance of "SANDS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2023"

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Bonds are valid and legally binding obligations of the Issuer enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Bonds are payable from the proceeds of an ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the Issuer.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that, assuming continuing compliance after the date hereof by the Issuer with the provisions of the Order and in reliance upon the representations and certifications of the Issuer made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Bonds, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Bonds will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the *Code*), of the owners thereof for federal income tax purposes, pursuant to section 103 of the Code, and (2) interest on the Bonds will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals.

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

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Norton Rose Fulbright US LLP

LEON | ALCALA
ATTORNEYS AT LAW

February 17, 2023

Re: Sands Consolidated Independent School District Unlimited Tax School Building Bonds, Series 2023

To Whom it May Concern:

With regard to the authorization and issuance of the "Sands Consolidated Independent School District Unlimited Tax School Building Bonds, Series 2023" (the *Bonds*), dated February 15, 2023, in the aggregate original principal amount of $81,485,000 we have reviewed the legality and validity of the issuance thereof by the Sands Consolidated Independent School District (the *Issuer*). The Bonds are issuable in fully registered form only, in denominations of $5,000 or any integral multiple thereof (within a Stated Maturity). The Bonds have Stated Maturities of February 15 in each of the years set forth within the Order (as defined below) unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the order (the *Order*) authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Order.

We have served as Co-Bond Counsel for the Issuer solely to pass upon the legality and validity of the issuance of the Bonds under the laws of the State of Texas and for no other purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Bonds. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Bonds. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

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

AUSTIN | HOUSTON | ARLINGTON
2901 Via Fortuna, Building 6, Suite 475, Austin, Texas 78746 | 512.637.4244 | leonalcala.com

Based on our examination, it is our opinion that that the Bonds have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Bonds are valid and legally binding obligations of the Issuer enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity.

We express no opinion with respect to: (1) whether the interest on the Bonds is excluded from the gross income of the owners thereof for federal income tax purposes, or (2) any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds.

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

Respectfully submitted,

Leon | Alcala, PLLC

AUSTIN | HOUSTON | ARLINGTON

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APPENDIX D

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _________

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ______________________________________
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

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

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