OFFICIAL NOTICE OF SALE, OFFICIAL BID FORM
and
PRELIMINARY OFFICIAL STATEMENT

$30,000,000*

LA PORTE INDEPENDENT SCHOOL DISTRICT

(Harris and Chambers Counties, Texas)

Unlimited Tax School Building Bonds
Series 2020

Bids Due
January 22, 2020
at 10:00 A.M. Central Time

**Preliminary, subject to change. See "THE BONDS – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS" herein.*

This Official Notice of Sale does not alone constitute an invitation for bids but is merely notice of sale of the Bonds defined and described herein. The invitation for bids on the Bonds is being made by means of this Official Notice of Sale, the Official Bid Form and the Preliminary Official Statement.

OFFICIAL NOTICE OF SALE

$30,000,000*
LA PORTE INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Harris and Chambers Counties, Texas)

UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2020

THE SALE

BONDS OFFERED FOR SALE AT COMPETITIVE BID: The Board of Trustees (the "Board") of the La Porte Independent School District (the "District" or the "Issuer") is offering for sale at competitive bid its $30,000,000* Unlimited Tax School Building Bonds, Series 2020 (the "Bonds"). Bidders may submit bids for the Bonds by either of the following methods:

(1) Submit bids electronically as described below in "BIDS BY INTERNET;" or
(2) Submit bids by facsimile as described below in "BIDS BY FACSIMILE."

BIDS BY INTERNET: Interested bidders may, at their option and risk, submit their bid by electronic media, as described below, by 10:00 A.M., Central Time, on January 22, 2020. Bidders submitting a bid by internet **shall not** be required to submit signed Official Bid Forms prior to the award. Any prospective bidder that intends to submit an electronic bid must submit its electronic bid via the facilities of the i-Deal, LLC Parity System ("PARITY") and should, as a courtesy, register with PARITY by 9:00 A.M., Central Time, on January 22, 2020 indicating their intent to submit a bid by internet.

In the event of a malfunction in the electronic bidding process, bidders may submit their bids by facsimile, as described below. Any bid received after the scheduled time for their receipt will not be accepted.

The official time for the receipt of bids shall be the time maintained by PARITY. All electronic bids shall be deemed to incorporate the provisions of the Official Notice of Sale, Official Bid Form, and the Preliminary Official Statement. To the extent that any instructions or directions set forth in PARITY conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. For further information about the PARITY System, potential bidders may contact i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone 212-849-5021.

An electronic bid made through the facilities of the PARITY System shall be deemed an irrevocable offer to purchase the Bonds on the terms provided in this Official Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the Issuer. The Issuer shall not be responsible for any malfunction or mistake made by, or as a result of the use of PARITY, the use of such facilities being the sole risk of the prospective bidder.

BIDS BY FACSIMILE: Interested bidders may, at their option and risk, submit their bid by facsimile to the District's Financial Advisor, SAMCO Capital Markets, Inc., Attention: Mr. Doug Whitt at (214) 279-8683 by 10:00 A.M., Central Time, on January 22, 2020. Bidders submitting a bid by facsimile shall not be required to submit signed Official Bid Forms prior to the award. Any prospective bidder that intends to submit a bid by facsimile should, as a courtesy, submit an email message to dwhitt@samcocapital.com by 9:00 A.M., Central Time, on January 22, 2020 indicating their intent to submit a bid by facsimile.

Neither the District nor SAMCO Capital Markets, Inc. is responsible for any failure of the Financial Advisor's or the bidder's fax machine. Bids received by facsimile after the bid deadline will not be accepted. Bidders who fax bids do so at their own risk. All such bids are binding on the bidder.

PLACE AND TIME OF BID OPENING: The bids for the Bonds will be publicly opened and read at the District at 10:00 A.M., Central Time, on January 22, 2020.

AWARD OF THE BONDS: In the order authorizing the Bonds adopted on December 10, 2019 (the "Order"), the Board has delegated authority to certain District officials (each, an "Authorized Official") the authority to execute a pricing certificate (the "Pricing Certificate") and to establish the final terms and effectuate the sale of the Bonds, which terms will be evidenced in the Pricing Certificate. Upon the opening of the bids as described above, the Authorized Official shall award the Bonds by executing the Official Bid Form and the Pricing Certificate. The District, acting through the Authorized Official, reserves the right to reject any and all bids and to waive any irregularities except time of submission.

THE BONDS

DESCRIPTION: The Bonds will be dated February 1, 2020 (the "Dated Date") with interest payable initially on February 15, 2021 and semiannually thereafter on each August 15 and February 15 until stated maturity or prior redemption. The Bonds will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Bonds will be made available for purchase in the principal amount of $5,000 or any integral multiple thereof. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by The Bank of New York Mellon Trust Company, N.A., Dallas, Texas as Paying Agent/Registrar, to the Securities Depository, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" in the Preliminary Official Statement.)

**Preliminary, subject to change. See "THE BONDS – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS" herein.*

The Bonds will be stated to mature on February 15 in each of the following years in the following amounts:

MATURITY SCHEDULE

Maturity 2/15	Principal Amount*	Interest Rate (%)	Maturity 2/15	Principal Amount*	Interest Rate (%)
2022	$980,000		2029	$2,325,000	
2023	1,185,000		2030	2,510,000	
2024	1,395,000		2031	2,655,000	
2025	1,580,000		2032	2,725,000	
2026	1,780,000		2033	2,810,000	
2027	2,005,000		2034	2,895,000	
2028	2,175,000		2035	2,980,000	

ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS: After selecting the winning bid, the aggregate principal amount of the Bonds and the principal amortization schedule may be adjusted as determined by the District and its Financial Advisor in $5,000 increments to reflect the actual interest rates and to create a substantially level debt service schedule for the District. Such adjustments will not change the aggregate principal amount of the Bonds by more than 10% from the amount set forth herein or change the principal amount due on the Bonds in any year by more than 20%. The dollar amount bid for the Bonds by the winning bidder will be adjusted proportionately to reflect any increase or decrease in the aggregate principal amount of the Bonds finally determined to be issued. The District will use its best efforts to communicate to the winning bidder any such adjustment within four (4) hours after the opening of the bids. Purchaser’s compensation will be based upon the final par amount after any adjustment thereto, subsequent to the receipt and tabulation of the winning bid, within the aforementioned parameters.

In the event of any adjustment of the maturity schedule for the Bonds as described above, no rebidding or recalculation of the proposals submitted will be required or permitted. Any such adjustment of the aggregate principal amount of the Bonds and/or the maturity schedule for the Bonds made by the District or its Financial Advisor shall be subsequent to the award of the Bonds to the winning bidder as determined pursuant to “CONDITIONS OF THE SALE – BASIS OF AWARD” herein and shall not affect such determination. The winning bidder may not withdraw its bid as a result of any changes made within the aforementioned limits.

SERIAL BONDS AND/OR TERM BONDS: Bidders may provide that all of the Bonds be issued as serial maturities or may provide that any two or more consecutive annual principal amounts for maturities 2031 through 2035 be combined into one or more term bonds (the “Term Bonds”).

MANDATORY SINKING FUND REDEMPTION: If the successful bidder designates principal amounts of the Bonds to be combined into one or more Term Bonds, each such Term Bond will be subject to mandatory sinking fund redemption commencing on February 15 of the first year which has been combined to form such Term Bond and continuing on February 15 in each year thereafter until the stated maturity date of that Term Bond. The amount redeemed in any year will be equal to the principal amount for such year set forth in the table above under the caption “MATURITY SCHEDULE” (subject to adjustment as provided in “ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS”). Term Bonds to be redeemed in any year by mandatory sinking fund redemption will be redeemed at par and will be selected by lot from among the Term Bonds then subject to redemption. The District, at its option, may credit against any mandatory sinking fund redemption requirement Term Bonds of the maturity then subject to redemption which have been purchased and canceled by the District or have been redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

OPTIONAL REDEMPTION: The District reserves the right to redeem the Bonds maturing on or after February 15, 2031 in whole or in part, in principal amount of $5,000 or any integral multiple thereof on February 15, 2030 or any date thereafter, at a redemption price of par, plus accrued interest to the date fixed for redemption.

AUTHORITY FOR ISSUANCE AND SECURITY FOR PAYMENT: The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, including Sections 45.001 and 45.003(b)(1) of the Texas Education Code, as amended, Chapter 1371, Texas Government Code, as amended (“Chapter 1371”), an election held in the District on May 10, 2014 and an order (the “Bond Order”) adopted by the District’s Board on December 10, 2019. As permitted by Chapter 1371, the Board, in the Bond Order, delegated the authority to certain District officials to approve a pricing certificate establishing the pricing terms for the Bonds (the pricing certificate, together with the Bond Order, are collectively referred to herein as the “Order”). The Bonds are direct and voted obligations of the District and are payable as to both principal and interest from ad valorem taxes to be levied annually on all taxable property within the District, without legal limitation as to rate or amount. (See “THE BONDS – Security” in the Preliminary Official Statement.)

PERMANENT SCHOOL FUND GUARANTEE: The District has received conditional approval from the Texas Education Agency for the payment of principal of and interest on the Bonds to be guaranteed under the Permanent School Fund Guarantee Program, which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. (See “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” in the Preliminary Official Statement).

PAYING AGENT/REGISTRAR: The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. In the Order, the District covenants to provide a Paying Agent/Registrar at all times while the Bonds are outstanding, and any Paying Agent/Registrar selected by the District shall be a commercial bank or trust company organized under the laws of the United States and any state and duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds. The Paying Agent/Registrar will maintain the Security Register containing the names and addresses of the registered owners of the Bonds.

In the Order the District retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, such Paying Agent/Registrar, promptly upon the appointment of a successor, is required to deliver the Security Register to the successor Paying Agent/Registrar.

In the event there is a change in the Paying Agent/Registrar, the District has agreed to notify each registered owner of the Bonds by United States mail, first-class postage prepaid, at the address in the Security Register, stating the effective date of the change and the mailing address of the successor Paying Agent/Registrar.

**Preliminary, subject to change. See “THE BONDS – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS” herein.*

BOOK-ENTRY-ONLY SYSTEM: The District intends to utilize the Book-Entry-Only System of DTC with respect to the issuance of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" in the Preliminary Official Statement.

OFFICIAL STATEMENT AND OTHER TERMS AND COVENANTS IN THE ORDER: Further details regarding the Bonds and certain covenants of the District contained in the Order are set forth in the Preliminary Official Statement, to which reference is made for all purposes.

CONDITIONS OF THE SALE

TYPES OF BIDS AND INTEREST RATES: The Bonds will be sold in one block, on an "All or None" basis, and at a price of not less than their par value, plus accrued interest on the Bonds from the Dated Date of the Bonds to the date of Initial Delivery (defined herein) of the Bonds. **No bid producing a cash premium on the Bonds that results in a dollar price of less than $101.00 nor greater than $114.00 will be considered; provided, however, that any bid is subject to adjustment as described under the caption "THE BONDS – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS."** Bidders are invited to name the rate(s) of interest to be borne by the Bonds, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/20 of 1% and the net effective interest rate for the Bonds (calculated in the manner required by Chapter 1204, as amended, Texas Government Code) must not exceed 15%. **The highest rate bid may not exceed the lowest rate bid by more than 300 basis points (or 3.00% in rate)**. **No limitation is imposed upon bidders as to the number of rates or changes which may be used**. All Bonds of one stated maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered.

BASIS OF AWARD: The sale of the Bonds will be awarded to the bidder making a bid that conforms to the specifications herein and which produces the **lowest True Interest Cost (defined herein) rate on the Bonds to the District**. The "True Interest Cost" rate is that rate which, when used to compute the total present value as of the **Dated Date** of all debt service payments on the Bonds on the basis of semi-annual compounding, produces an amount equal to the sum of the par value of the Bonds plus the premium bid (but not interest accrued from the Dated Date to the date of their Initial Delivery). In the event of a bidder's error in interest cost rate calculations, the interest rates, and premium set forth in the Official Bid Form will be considered as the intended bid.

In order to provide the District with information required to enable it to comply with certain conditions of the Internal Revenue Code of 1986, as amended (the "Code") relating to the exclusion of interest on the Bonds from the gross income of their owners, the Purchaser will be required to complete, execute, and deliver to the District (on or before the date of Initial Delivery of the Bonds) a certification as to their "issue price" (the "Issue Price Certificate") in the form and to the effect attached hereto or accompanying this Official Notice of Sale, subject to the conditions set forth in "ESTABLISHMENT OF ISSUE PRICE" below.

ESTABLISHMENT OF ISSUE PRICE:
(a) The winning bidder shall assist the District in establishing the issue price of the Bonds and shall execute and deliver to the District by the date of Initial Delivery an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public, together with the supporting pricing wires or equivalent communications, such issue price certificate substantially in the form attached hereto, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the District, and Hunton Andrews Kurth LLP, the District's Bond Counsel (but not to the extent that would preclude the establishment of issue price of the Bonds under applicable federal regulations). All actions to be taken by the District under this Official Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the District by the District's Financial Advisor and any notice or report to be provided to the District may be provided to the District's Financial Advisor.

(b) The District intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

(1) the District shall disseminate this Official Notice of Sale to potential underwriters (defined below) in a manner that is reasonably designed to reach potential underwriters;

(2) all bidders shall have an equal opportunity to bid;

(3) the District may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and

(4) the District anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Official Notice of Sale.

Any bid submitted pursuant to this Official Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

(c) In the event that the competitive sale requirements are not satisfied, the District shall so advise the winning bidder. In such event, the District intends to treat the initial offering price to the public (defined below) as of the sale date (defined below) of each maturity of the Bonds as the issue price of that maturity (the "hold-the-offering-price rule"). The District shall promptly advise the winning bidder, at or before the time of award of the Bonds, if the competitive sale requirements were not satisfied, in which case the hold-the-offering-price rule shall apply to the Bonds. **Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied and the hold-the-offering-price rule applies**. In the event that the competitive sale requirements are not satisfied, resulting in the application of the hold-the-offering price rule, the issue price certificate shall be modified as necessary in the reasonable judgment of Bond Counsel and the District.

(d) By submitting a bid, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule applies to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

(1) the close of the fifth (5^{th}) business day after the sale date; or

(2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder shall promptly advise the District when the underwriters have sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

(e) If the competitive sale requirements are not satisfied, then until the 10% test has been satisfied as to each maturity of the Bonds, the winning bidder agrees to promptly report to the District the prices at which the unsold Bonds of that maturity have been sold to the public. That reporting obligation shall continue, whether or not the date of Initial Delivery has occurred, until the 10% test has been satisfied as to the Bonds of that maturity or until all Bonds of that maturity have been sold. The 10% test shall be considered satisfied with respect to a maturity when at least 10% of the Bonds of that maturity have been sold to the public at a particular price.

(f) The District acknowledges that, in making the representation set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The District further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

(g) By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder or such underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

(h) Sales of any Bonds to any person that is a related party (defined below) to an underwriter shall not constitute sales to the public for purposes of this Official Notice of Sale. Further, for purposes of this section of the Official Notice of Sale entitled "ESTABLISHMENT OF ISSUE PRICE":

(1) "public" means any person other than an underwriter or a related party,

(2) "underwriter" means (A) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public),

(3) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(4) "sale date" means the date that the Bonds are awarded by the District to the winning bidder.

GOOD FAITH DEPOSIT: A bank cashier's check, payable to the order of "La Porte Independent School District", in the amount of $600,000 which is 2% of the proposed par value of the Bonds (the "Good Faith Deposit"), is required to accompany any bid. The Good Faith Deposit of the Purchaser (as defined herein) will be retained uncashed by the District pending the Purchaser's compliance with the terms of its bid and this Official Notice of Sale. In the event the Purchaser should fail or refuse to take up and pay for the Bonds in accordance with its bid, then said check shall be cashed and accepted by the District as full and complete liquidated damages. The Good Faith Deposit may accompany the Official Bid Form or it may be submitted separately; however, if submitted separately, it shall be made available to the District prior to the opening of the bids, and shall be accompanied by instructions from the bank on which it is drawn which authorizes its use as a Good Faith Deposit by the Purchaser who shall be named in such instructions. **The Good Faith Deposit of the Purchaser will be returned to the Purchaser on the date of Initial Delivery**. No interest will be allowed on the Good Faith Deposit. Checks accompanying bids other than the winning bid will be returned promptly after the bids are opened, and an award of the Bonds has been made by the District.

ADDITIONAL CONDITION OF AWARD — DISCLOSURE OF INTERESTED PARTY FORM:
New obligation of the District to receive information from winning bidder if bidder is not a publicly traded business entity (a "Privately Held Bidder"). Effective January 1, 2018, pursuant to Texas Government Code Section 2252.908 (the "Interested Party Disclosure Act"), the District may not award the Bonds to a winning bidder which is a Privately Held Bidder unless such party submits a

Certificate of Interested Parties Form 1295 (the “Disclosure Form”) to the District as prescribed by the Texas Ethics Commission (“TEC”). In the event that a Privately Held Bidder’s bid for the Bonds is the best bid received, the District, acting through its financial advisor, will promptly notify the winning Privately Held Bidder. That notification will serve as the District’s conditional verbal acceptance of the bid, and will obligate the winning Privately Held Bidder to establish (unless such winning Privately Held Bidder has previously so established) an account with the TEC, and promptly file a completed Disclosure Form, as described below, in order to allow the District to complete the award.

Process for completing the Disclosure Form. For purposes of illustration, the Disclosure Form is attached hereto, and reference should be made to such form for the following information needed to complete it: (a) item 2 – name of the governmental entity (La Porte Independent School District) and (b) item 3 – the identification number assigned to this contract by the District (0001) and description of the goods or services (Purchase of the La Porte Independent School District Unlimited Tax School Building Bonds, Series 2020). The Interested Party Disclosure Act and the rules adopted by the TEC with respect thereto (the “Disclosure Rules”) require a non-publicly traded business entity contracting with the District to complete the Disclosure Form electronically at https://www.ethics.state.tx.us/main/file.htm, print, sign, and deliver, in physical form, the certified Disclosure Form that is generated by the TEC’s “electronic portal” to the District. The Disclosure Form must be sent by email, to the District’s financial advisor at dwhitt@samcocapital.com, as soon as possible following the notification of conditional verbal acceptance and prior to the final written award. Upon receipt of the final written award, the Disclosure Form with original signatures must be submitted by mail to Tom Sage, c/o Hunton Andrews Kurth, 600 Travis Street, Suite 4200, Houston, Texas 77002.

Preparations for completion, and the significance of, the reported information. In accordance with the Interested Party Disclosure Act, the information reported by the winning Privately Held Bidder must be declared by an authorized agent of the Privately Held Winning Bidder. No exceptions may be made to that requirement. The Interested Party Disclosure Act and the Disclosure Form provides that such acknowledgment is made “under penalty of perjury.” Consequently, a winning Privately Held Bidder should take appropriate steps prior to completion of the Disclosure Form to familiarize itself with the Interested Party Disclosure Act, the Disclosure Rules and the Disclosure Form. Time will be of the essence in submitting the form to the District, and no final award will be made by the District regarding the sale of the Bonds until a completed Disclosure Form is received. If applicable, the District reserves the right to reject any bid that does not satisfy the requirement of a completed Disclosure Form, as described herein. Neither the District nor its consultants have the ability to verify the information included in a Disclosure Form, and neither party has an obligation nor undertakes responsibility for advising any bidder with respect to (1) the bidder’s obligation to submit the Disclosure Form or (2) the proper completion of the Disclosure Form. Consequently, an entity intending to bid on the Bonds should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form, if required, promptly upon notification from the District that its bid is the conditional winning bid. Instructional videos on logging in and creating a certificate are provided on the TEC’s website at https://www.ethics.state.tx.us/whatsnew/elf_info_form1295.htm.

ADDITIONAL CONDITION OF AWARD – COMPLIANCE WITH H.B. 89 AND S.B. 252, 85TH TEXAS LEGISLATURE: Each bidder, through submittal of an executed Official Bid Form, hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, to the extent this Notice of Sale and Official Bid Form is a contract for goods or services, will not boycott Israel during the term of this agreement. The foregoing verification is made solely to comply with Section 2271.002, Texas Government Code, and to the extent such Section does not contravene applicable Texas or Federal law. As used in the foregoing verification, ‘boycott Israel’ means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. Each bidder, through submittal of an executed Official Bid Form, understands ‘affiliate’ to mean an entity that controls, is controlled by, or is under common control with the bidder and exists to make a profit.

Each bidder, through submittal of an executed Official Bid Form, hereby represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer’s internet website:

https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf,
https://comptroller.texas.gov/purchasing/docs/iran-list.pdf, or
https://comptroller.texas.gov/purchasing/docs/fto-list.pdf.

The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Texas or Federal law and excludes the bidder and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization Each bidder, through submittal of an executed Official Bid Form, understands “affiliate” to mean any entity that controls, is controlled by, or is under common control with the bidder and exists to make a profit.

IMPACT OF BIDDING SYNDICATE ON AWARD: For purposes of contracting for the sale of the Bonds, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Bonds. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the District is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

OFFICIAL STATEMENT

To assist the winning bidder (the “Initial Purchaser” or “Purchaser”) in complying with Rule 15c2-12, as amended (the “Rule”), of the United States Securities and Exchange Commission ("SEC"), the Issuer and the Initial Purchaser contract and agree, by the submission and acceptance of the winning bid, as follows:

COMPLIANCE WITH RULE 15c2-12 OF THE SECURITIES AND EXCHANGE COMMISSION: The Issuer has approved and authorized distribution of the accompanying Preliminary Official Statement for dissemination to potential purchasers of the Bonds, but does not presently intend to prepare any other document or version thereof for such purpose, except as described below. Accordingly, the Issuer deems the accompanying Preliminary Official Statement to be final as of its date, within the meaning of the Rule, except for information relating to the offering prices, interest rates, final debt service schedule, selling compensation, identity of the Purchaser and other similar information, terms and provisions to be specified in the competitive bidding process. The Initial Purchaser shall be responsible for promptly informing the Issuer of the initial offering yields of the Bonds.

Thereafter, the Issuer will complete and authorize distribution of the final Official Statement, being a modification of the Preliminary Official Statement, identifying the Initial Purchaser and containing such omitted information. The Issuer does not intend to amend or supplement the Official Statement otherwise, except to take into account certain subsequent events, if any, as described below. By delivering the final Official Statement or any amendment or supplement thereto in the requested quantity to the Initial Purchaser on or after the sale date, the Issuer intends the same to be final as of such date, within the meaning of the Rule. Notwithstanding the foregoing, the Issuer makes no representation concerning the absence of material misstatements or omissions from the Official Statement, except only as and to the extent under "CERTIFICATION OF THE OFFICIAL STATEMENT" as described below.

FINAL OFFICIAL STATEMENT: The Issuer will furnish to the Purchaser, within seven (7) business days after the sale date, an aggregate maximum of one hundred (100) copies of the Official Statement (and one hundred (100) copies of any addenda, supplement or amendment thereto), together with information regarding interest rates, and other terms relating to the reoffering of the Bonds. In addition, the District agrees to provide, or cause to be provided, to the Purchaser, the Preliminary Official Statement and the Official Statement and any amendments or supplements thereto in a “designated electronic format” (or printed format with respect to the final Official Statement) as may be required for the Purchaser to comply with the Rule or the rules of the Municipal Securities Rulemaking Board (“MSRB”). The District consents to the distribution of such documents in a “designated electronic format.” Upon receipt, the Purchaser shall promptly file the Official Statement with the MSRB in accordance with the applicable MSRB rules. The Purchaser may arrange at its own expense to have the Official Statement reproduced and printed if it requires more copies and may also arrange, at its own expense and responsibility, for completion and perfection of the first or cover page of the Official Statement so as to reflect interest rates and other terms and information related to the reoffering of the Bonds. The Purchaser will be responsible for providing information concerning the Issuer and the Bonds to subsequent purchasers of the Bonds, and the Issuer will undertake no responsibility for providing such information other than to make the Official Statement available to the Purchaser as provided herein. The Issuer's obligation to supplement the Official Statement to correct key representations determined to be omitted or materially misleading, after the date of the Official Statement, shall terminate twenty-five (25) days after the sale date.

CHANGES TO OFFICIAL STATEMENT: If, subsequent to the date of the Official Statement, the Issuer learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchaser of any adverse event which causes the Official Statement to be incomplete or materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, as described below under "DELIVERY AND ACCOMPANYING DOCUMENTS – CONDITIONS TO DELIVERY,” the Issuer will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement in a “designated electronic format” satisfactory to the Initial Purchaser.

CERTIFICATION OF THE OFFICIAL STATEMENT: At the time of payment for and delivery of the hereinafter defined Initial Bond (“Initial Delivery”), the Initial Purchaser will be furnished a certificate, executed by proper officials of the Issuer, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the Issuer contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Bonds, on the date of such Official Statement, on the date of sale of said Bonds and the acceptance of the best bid therefor, and on the date of Initial Delivery, were and are true and correct in all material respects; (b) insofar as the Issuer and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the Issuer, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the Issuer believes to be reliable and the Issuer has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the Issuer, since June 30, 2019, the date of the last financial statements of the Issuer appearing in the Official Statement. The Official Statement and this Official Notice of Sale will be approved as to form and content and the use thereof in the offering of the Bonds will be authorized, ratified and approved by the Board on the date of sale, and the Initial Purchaser will be furnished, upon request, at the time of payment for and the Initial Delivery of the Bonds, a certified copy of such approval, duly executed by the proper officials of the Issuer.

CONTINUING DISCLOSURE AGREEMENT: The District has agreed in the Order to provide certain periodic information and notices of certain events in accordance with the Rule, as described in the Official Statement under "CONTINUING DISCLOSURE OF INFORMATION". The Purchaser's obligation to accept and pay for the Bonds is conditioned upon delivery to the Purchaser or its agent of a certified copy of the Order containing the agreement described under such heading.

COMPLIANCE WITH PRIOR UNDERTAKINGS: During the past five (5) years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

DELIVERY AND ACCOMPANYING DOCUMENTS

INITIAL DELIVERY OF INITIAL BOND: Initial Delivery will be accomplished by the issuance of one or more fully registered Bonds in the aggregate principal amount of the Bonds payable to the Purchaser (the "Initial Bond" or "Initial Bonds"), signed by the duly appointed officers of the Board, by their manual or facsimile signatures, approved by the Texas Attorney General, and registered and manually signed by the Texas Comptroller of Public Accounts. Initial Delivery will be at the corporate trust office of the Paying Agent/Registrar. Upon delivery of the Initial Bonds, they shall be immediately canceled and one definitive Bond for each maturity in the aggregate principal amount of the Bonds payable to Cede & Co. will be delivered to DTC in connection with DTC's Book-Entry-Only System. Payment for the Bonds must be made in immediately available funds for unconditional credit to the District, or as otherwise directed by the District. The Purchaser will be given six business days' notice of the time fixed for delivery of the Bonds. It is anticipated that the delivery of the Initial Bond can be made on or about February 19, 2020, but if for any reason the District is unable to make delivery by March 18, 2020, then the District shall immediately contact the Purchaser and offer to allow the Purchaser to extend its obligation to take up and pay for the Bonds an additional thirty days. If the Purchaser does not elect to extend its offer within six (6) days thereafter, then its Good Faith Deposit will be returned, and both the District and the Purchaser shall be relieved of any further obligation. In no event shall the District be liable for any damages by reason of its failure to deliver the Bonds, provided that such failure is due to circumstances beyond the District's reasonable control.

CUSIP NUMBERS: It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Initial Purchaser to accept delivery of and pay for the Bonds in accordance with the terms of the Official Bid Form and this Official Notice of Sale. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid by the Issuer; however, the CUSIP Service Bureau's charge for the assignment of the numbers shall be paid by the Initial Purchaser.

CONDITIONS TO DELIVERY: The obligation to take up and pay for the Bonds is subject to the following conditions: the issuance of an approving opinion of the Attorney General of the State of Texas, the Initial Purchaser's receipt of the legal opinion of Bond Counsel and the certificate regarding the Official Statement, and the non-occurrence of the events described below under the caption "NO MATERIAL ADVERSE CHANGE". In addition, if the Issuer fails to comply with its obligations described under "OFFICIAL STATEMENT" above, the Initial Purchaser may terminate its contract to purchase the Bonds by delivering written notice to the Issuer within five (5) days thereafter.

NO MATERIAL ADVERSE CHANGE: The obligations of the Initial Purchaser to take up and pay for the Bonds, and of the Issuer to deliver the Initial Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Initial Bonds, there shall have been no material adverse change in the affairs of the Issuer subsequent to the date of sale from that set forth in the Official Statement, as it may have been finalized, supplemented or amended through the date of Initial Delivery.

LEGAL OPINIONS: The District will furnish the Purchaser a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas as to the Bonds, 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 approving legal opinion of Bond Counsel, regarding the legality and validity of the Bonds issued in compliance with the provisions of the Order. (See "LITIGATION" and "LEGAL MATTERS" in the Official Statement and "Appendix C – Form of Legal Opinion of Bond Counsel" attached to the Official Statement.)

CHANGE IN TAX-EXEMPT STATUS: At any time before the Bonds are tendered for Initial Delivery to the Initial Purchaser, the Initial Purchaser may withdraw its bid if the interest on obligations such as the Bonds shall be declared to be includable in the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes, either by Treasury regulations, by ruling or administrative guidance of the Internal Revenue Service, by a decision of any federal court, or by the terms of any federal income tax legislation enacted subsequent to the date of this Official Notice of Sale.

GENERAL CONSIDERATIONS

RATING: The Bonds are rated "AAA" by S&P Global Ratings ("S&P"), based upon the Texas Permanent School Fund Guarantee Program. (See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" in the Official Statement.) The District's unenhanced, underlying rating, including the Bonds, is "AA" by S&P. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of said rating company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds. Neither the District nor the Purchaser has undertaken any responsibility to advise owners of the Bonds of any lowering or withdrawal of such rating.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE: No registration statement relating to the Bonds has been filed with the SEC under the Securities Act of 1933, as amended, in reliance upon exemptions provided in such Act. The Bonds have not been approved or disapproved by the SEC, nor has the SEC passed upon the accuracy or adequacy of the Official Statement. Any representation to the contrary is a criminal offense. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon exemptions contained therein, nor have the Bonds been registered or qualified under the securities acts of any other jurisdiction. The Issuer assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

It is the obligation of the Purchaser to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The Issuer agrees to cooperate, at the Purchaser's written request and expense and within reasonable limits, in registering or qualifying the Bonds, or in obtaining an exemption from registration or qualification in any state where such action is necessary, but the District will in no instance execute a general consent to service of process in any state in which the Bonds are offered for sale.

ADDITIONAL COPIES: Subject to the limitations described herein, additional copies of this Official Notice of Sale, the Official Bid Form, and the Official Statement may be obtained from SAMCO Capital Markets, Inc., 5800 Granite Parkway, Suite 210, Plano, Texas 75024.

In the Order, the Board delegated to the Authorized Official the authority to approve the form and content of the Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the reoffering of the Bonds by the Purchaser.

LA PORTE INDEPENDENT SCHOOL DISTRICT

/s/ Kathy Green
President, Board of Trustees

ATTEST:

/s/ Dennis Slate
Secretary, Board of Trustees

Dated: January 15, 2020

OFFICIAL BID FORM

President and Board of Trustees
La Porte Independent School District
1002 San Jacinto Street
La Porte, Texas 77571

January 22, 2020

Ladies & Gentlemen:

Reference is made to your Official Notice of Sale and Preliminary Official Statement dated January 15, 2020 of $30,000,000* LA PORTE INDEPENDENT SCHOOL DISTRICT Unlimited Tax School Building Bonds, Series 2020 (the "Bonds"), both of which constitute a part hereof (the terms of which are hereto agreed as evidenced by our submission of this bid).

For your legally issued Bonds, as described in said Official Notice of Sale and Preliminary Official Statement, we will pay you a price of par value thereof plus accrued interest from their date to the date of delivery to us, plus a cash premium of $_______________ **(no bid producing a cash premium that results in a dollar price of less than $101.00 nor greater than $114.00 will be considered)** for Bonds maturing and bearing interest as follows:

Maturity 2/15	Principal Amount*	Interest Rate (%)	Maturity 2/15	Principal Amount*	Interest Rate (%)
2022	$980,000		2029	$2,325,000	
2023	1,185,000		2030	2,510,000	
2024	1,395,000		2031	2,655,000	
2025	1,580,000		2032	2,725,000	
2026	1,780,000		2033	2,810,000	
2027	2,005,000		2034	2,895,000	
2028	2,175,000		2035	2,980,000	

(Interest to Accrue from the Dated Date)

Of the principal maturities set forth in the table above, we have created term bonds for stated maturities ____ through ____ (the "Term Bonds") as indicated in the following table (which may include multiple Term Bonds, one Term Bond or no Term Bond if none is indicated). For those years which have been combined into a Term Bond, the principal amount shown in the table above will be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the Term Bond maturity date will mature in such year. The Term Bonds created are as follows:

Term Bond Maturity Date February 15	Year of First Mandatory Redemption	Principal Amount of Term Bond	Interest Rate

Our calculation (which is not a part of this bid) of the interest cost in accordance with the above bid is:

TRUE INTEREST COST _________________________%

By accepting this bid, we understand the District will provide the copies of the Official Statement and of any amendments or supplements thereto in accordance with the Official Notice of Sale.

The Initial Bond(s) shall be registered in the name of _________________________________ ("Purchaser"). We will advise DTC of registration instructions at least five business days prior to the date set for Initial Delivery. It is the obligation of the Purchaser of the Bonds to complete the DTC Eligibility Questionnaire.

Cashier's Check of the ________________________________ (bank), _______________ (location), in the amount of $600,000 which represents our Good Faith Deposit is attached hereto or has been made available to you prior to the opening of the bid, in accordance with the terms set forth in the Official Notice of Sale and the Preliminary Official Statement. The Good Faith Deposit of the Purchaser will be returned to the Purchaser on the date of Initial Delivery upon completion of the closing.

We agree to accept delivery of the Initial Bond(s) through DTC and make payment for the Initial Bond(s) in immediately available funds at The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, no later than 10:00 A.M., Central Time, on February 19, 2020, or thereafter on the date the Initial Bond(s) are tendered for delivery, pursuant to the terms set forth in the Official Notice of Sale.

The Issuer will consider any bid submitted pursuant to the Notice of Sale relating to the Bonds to be a firm offer for the purchase of the Bonds.

**Preliminary, subject to change. See "THE BONDS – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS" in the Official Notice of Sale and Bidding Instructions.*

The undersigned agrees to the provisions of the Official Notice of Sale under the heading “CONDITIONS OF THE SALE - ESTABLISHMENT OF ISSUE PRICE” and, as evidence thereof agrees to complete, execute and deliver to the District by the date of delivery of the Bonds, a certificate relating to the "issue price" of the Bonds in the form and to the effect attached to or accompanying the Official Notice of Sale, with such changes thereto as may be acceptable to the District (as provided under “CONDITIONS OF THE SALE – ESTABLISHMENT OF ISSUE PRICE” in the Official Notice of Sale).

Through submittal of this executed Official Bid Form, the undersigned verifies that it does not and will not “boycott Israel” and is not on the Texas Comptroller’s list concerning “foreign terrorist organizations” as prepared and maintained thereby under applicable Texas law, all as more fully provided in the Official Notice of Sale under the heading “ADDITIONAL CONDITION OF AWARD – COMPLIANCE WITH H.B. 89 AND S.B. 252, 85th TEXAS LEGISLATURE”.

For purposes of contracting for the sale of the Bonds, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Bonds. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the District is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

Upon notification of conditional verbal acceptance and if required, the undersigned will complete an electronic form of the Certificate of Interested Parties Form 1295 (the "Disclosure Form") through the Texas Ethics Commission's (the "TEC") electronic portal and the resulting certified Disclosure Form that is generated by the TEC’s electronic portal will be printed, signed, notarized and sent by email to the District’s financial advisor at dwhitt@samcocapital.com. The undersigned understands that the failure to provide the certified Disclosure Form, if required, will prohibit the District from providing final written award of the enclosed bid.

Respectfully submitted,

____
(Purchaser)

____
(Signature - Title)

____
(Telephone)

[District signature page follows.]

ACCEPTANCE CLAUSE

THE FOREGOING BID IS IN ALL THINGS HEREBY ACCEPTED this January 22, 2020 by an Authorized Official of the District by authority conveyed in the Order of the Board of Trustees of the La Porte Independent School District adopted on December 10, 2019.

____

Authorized Official

CERTIFICATE OF INTERESTED PARTIES

FORM 1295

Complete Nos. 1 - 4 and 6 if there are interested parties.
Complete Nos. 1, 2, 3, 5, and 6 if there are no interested parties.

OFFICE USE ONLY
CERTIFICATION OF FILING

1 **Name of business entity filing form, and the city, state and country of the business entity's place of business.**

2 **Name of governmental entity or state agency that is a party to the contract for which the form is being filed.**

La Porte Independent School District

3 **Provide the identification number used by the governmental entity or state agency to track or identify the contract, and provide a description of the services, goods, or other property to be provided under the contract.**

0001

Purchase of the La Porte Independent School District Unlimited Tax School Building Bonds, Series 2020

4

Name of Interested Party	City, State, Country (place of business)	Nature of interest (check applicable)	
		Controlling	Intermediary

5 **Check only if there is NO Interested Party.** ☐

6 **UNSWORN DECLARATION**

My name is ____, and my date of birth is _____________________.

My address is ____________________________________, _________________, ______, ___________, ________.
(street) (city) (state) (zip code) (country)

I declare under penalty of perjury that the foregoing is true and correct.

Executed in ______________________________County, State of _____________, on the _____day of ___________, 20_____.
(month) (year)

____
Signature of authorized agent of contracting business entity
(Declarant)

$30,000,000*
LA PORTE INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2020

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of ____________________, _______________, _____________ ("________________"), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the "Bonds") of the La Porte Independent School District (the "Issuer").

1. ***Reasonably Expected Initial Offering Price***.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by ____________________ are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Bonds used by _________________________ in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by _______________________ to purchase the Bonds.

(b) _______________________ was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by _______________________ constituted a firm offer to purchase the Bonds.

2. ***Defined Terms***.

(a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is January 22, 2020.

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

____
*Preliminary. Subject to change.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents ____________________ interpretation of any laws, including specifically sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate with respect to the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Hunton Andrews Kruth LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

____

By: ________________________________

Name: ________________________________

Title: ________________________________

Dated: _____________________

SCHEDULE A

EXPECTED OFFERING PRICES

SCHEDULE B

COPY OF UNDERWRITER'S BID

BOND YEARS

$30,000,000*
LA PORTE INDEPENDENT SCHOOL DISTRICT
(Harris and Chambers Counties, Texas)

UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2020

Dated: February 1, 2020
Due: February 15

		Bond Years*	
Year	Amount*	Bond Years	Cumulative Bond Years
2022	$ 980,000	1,949.1024	1,949.1024
2023	1,185,000	3,541.8228	5,490.9252
2024	1,395,000	5,564.4876	11,055.4128
2025	1,580,000	7,882.4304	18,937.8432
2026	1,780,000	10,660.2064	29,598.0496
2027	2,005,000	14,012.7044	43,610.7540
2028	2,175,000	17,375.8140	60,986.5680
2029	2,325,000	20,899.1460	81,885.7140
2030	2,510,000	25,072.0888	106,957.8028
2031	2,655,000	29,175.4764	136,133.2792
2032	2,725,000	32,669.6980	168,802.9772
2033	2,810,000	36,498.7528	205,301.7300
2034	2,895,000	40,497.8076	245,799.5376
2035	2,980,000	44,666.8624	290,466.4000

Average Maturity = 9.682

*Preliminary, subject to change. See "THE BONDS - ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS" in the Official Notice of Sale and Bidding Instructions.

Rating: S&P "AAA"
(See "RATING" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein)

PRELIMINARY OFFICIAL STATEMENT
Dated: January 15, 2020

NEW ISSUE: BOOK-ENTRY-ONLY

In the opinion of Bond Counsel, interest on the Bonds is not included in gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" herein, and is not an item of tax preference for purposes of the federal alternative minimum income tax. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel.

$30,000,000*
LA PORTE INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Harris and Chambers Counties, Texas)
Unlimited Tax School Building Bonds, Series 2020

Dated Date: February 1, 2020 **Due: February 15, as shown on the inside cover page**

The La Porte Independent School District Unlimited Tax School Building Bonds, Series 2020 (the "Bonds") are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), an election held in the District on May 10, 2014 and the order (the "Order") adopted by the Board of Trustees (the "Board") on December 10, 2019. As permitted by Chapter 1371, the Board, in the Bond Order, delegated the authority to certain District officials (the "Pricing Officer") to execute a pricing certificate (the "Pricing Certificate") establishing the pricing terms for the Bonds (the Pricing Certificate, together with the Bond Order, are collectively referred to herein as the "Order"). The Bonds are payable as to principal and interest from the proceeds of an ad valorem tax levied annually, without legal limit as to rate or amount, against all taxable property located within the La Porte Independent School District (the "District"). The District has received conditional approval from the Texas Education Agency for the Bonds to be guaranteed under the State of Texas Permanent School Fund Guarantee Program (hereinafter defined), which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. (See "THE BONDS – Permanent School Fund Guarantee" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").

Interest on the Bonds will accrue from the Dated Date specified above and will be payable on February 15 and August 15 of each year, commencing February 15, 2021, until stated maturity or prior redemption. The Bonds will be issued in fully registered form in principal denominations of $5,000 or any integral multiple thereof. Principal of the Bonds will be payable by the Paying Agent/Registrar, which initially is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar"), upon presentation and surrender of the Bonds for payment. Interest on the Bonds is payable by check dated as of the interest payment date and mailed by the Paying Agent/Registrar to the registered owners as shown on the records of the Paying Agent/Registrar on the close of business as of the last business day of the month next preceding each interest payment date (the "Record Date").

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

Proceeds from the sale of the Bonds will be used for the purpose of (i) construction, acquisition and equipment of school buildings in the District, including the renovation and repair of school buildings, technology upgrades, and the purchase of new school buses, and (ii) to pay the costs of issuing the Bonds. (See "THE BONDS - Authorization and Purpose").

The Bonds maturing on or after February 15, 2031 are subject to redemption at the option of the District in whole or in part on February 15, 2030 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. Any Term Bonds (defined herein) shall be subject to mandatory sinking fund redemption. (See "THE BONDS – Redemption").

MATURITY SCHEDULE
(On Inside Cover)

The Bonds are offered for delivery when, as and if issued, and received by the initial purchaser (the "Purchaser") subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Hunton Andrews Kurth LLP, Houston, Texas, Bond Counsel. The Bonds are expected to be available for initial delivery through the services of DTC on or about February 19, 2020.

BIDS DUE JANUARY 22, 2020 BY 10:00 A.M. CENTRAL TIME

Preliminary, subject to change.

$30,000,000*
LA PORTE INDEPENDENT SCHOOL DISTRICT
(A POLITICAL SUBDIVISION OF THE STATE OF TEXAS LOCATED IN HARRIS AND CHAMBERS COUNTIES, TEXAS)
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2020

MATURITY SCHEDULE*
Base CUSIP No.: 504102[(1)]

Maturity Date 2/15	Principal Amount*	Interest Rate	Initial Yield	CUSIP No. Suffix[(1)]
2022	$980,000			
2023	1,185,000			
2024	1,395,000			
2025	1,580,000			
2026	1,780,000			
2027	2,005,000			
2028	2,175,000			
2029	2,325,000			
2030	2,510,000			
2031	2,655,000			
2032	2,725,000			
2033	2,810,000			
2034	2,895,000			
2035	2,980,000			

(Interest to accrue from the Dated Date)

**Preliminary, subject to change.*

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

LA PORTE INDEPENDENT SCHOOL DISTRICT

BOARD OF TRUSTEES

Name	Date Initially Elected	Current Term Expires	Occupation
Kathy Green, President	2004	2020	Retired Training Coordinator
Lee Wallace, Vice President	2010	2021	Retired GB Biosciences
Dennis Slate, Secretary	2017	2020	Retired Police Officer
Dee Anne Thomson, Member	2010	2022	Warehouse Operations Manager
David Janda, Member	2012	2021	Teacher
Lois Rogerson, Member	2013	2020	Retired Teacher
Charlcya Wheeler, Member	2004	2022	Retired Business Manager

APPOINTED OFFICIALS

Name	Position	Length of Education Service	Length of Service with the District
Lloyd Graham	Superintendent	30 Years	11 Years
Rhonda Cumbie	Chief Financial Officer	22 Years	11 Years
Sheila Cantu	Director of Finance	18 Years	10 Years

CONSULTANTS AND ADVISORS

Hunton Andrews Kurth LLP, Houston, Texas	Bond Counsel
SAMCO Capital Markets, Inc., Plano, Texas	Financial Advisor
Belt Harris Pechacek, LLLP, Houston, Texas	Certified Public Accountants

For additional information, contact:

Lloyd Graham
Superintendent
La Porte ISD
1002 San Jacinto Street
La Porte, Texas 77571
(281) 604-7000

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

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

The information set forth herein has been obtained from the District and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the District, Bond Counsel, the Financial Advisor or the Purchaser. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

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

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

IN CONNECTION WITH THIS OFFERING, THE 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.

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

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

The agreements of the District and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with the purchasers of the Bonds. INVESTORS SHOULD READ THIS ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION. THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY AND IS NOT INTENDED AS A SUMMARY OF THIS OFFERING.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the readers convenience. Unless specified otherwise, such websites and the information and links contained therein are not incorporated into, and are not a part of, this final official statement for purposes of, and as that term defined, in Rule 15c2-12.

TABLE OF CONTENTS

SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The District	The La Porte Independent School District (the "District") is a political subdivision of the State of Texas located in Harris and Chambers Counties, Texas. The District is governed by a seven-member Board of Trustees (the "Board"). Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the chief administrative officer of the District. Support services are supplied by consultants and advisors.
The Bonds	The Bonds are being issued in the principal amount of $30,000,000 (preliminary, subject to change) pursuant to the Constitution and general laws of the State of Texas, particularly Sections 45.001 and 45.003(b)(1), as amended, Chapter 1371, Texas Government Code, as amended ("Chapter 1371") an election held in the District on May 10, 2014 (the "Election") and the order adopted by the Board of Trustees (the "Board") on December 10, 2019 (the "Order"). As permitted by Chapter 1371, the Board, in the Bond Order, delegated the authority to certain District officials (the "Pricing Officer") to execute a pricing certificate (the "Pricing Certificate") establishing the pricing terms of the Bonds (the Pricing Certificate, and the Bond Order, are collectively referred to herein as the "Order"). Proceeds from the sale of the Bonds will be used for the purpose of (i) construction, acquisition and equipment of school buildings in the District, including the renovation and repair of school buildings, technology upgrades, and the purchase of new school buses, and (ii) to pay the costs of issuing the Bonds. (See "THE BONDS - Authorization and Purpose").
Paying Agent/Registrar	The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. The District intends to use the Book-Entry-Only System of the Depository Trust Company ("DTC"). (See "BOOK-ENTRY-ONLY SYSTEM" herein).
Security	The Bonds will constitute direct obligations of the District, payable as to principal and interest from ad valorem taxes levied annually against all taxable property located within the District, without legal limitation as to rate or amount. Payments of principal and interest on the Bonds will be further secured by the corpus of the Permanent School Fund of Texas. (See "THE BONDS – Security", "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS", "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").
Redemption	The Bonds maturing on or after February 15, 2031 are subject to redemption at the option of the District in whole or in part on February 15, 2030 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. (See "THE BONDS – Redemption"). Any Term Bonds (defined herein) shall be subject to mandatory sinking fund redemption. (See "THE BONDS – Redemption").
Permanent School Fund Guarantee	The District has received conditional approval from the Texas Education Agency ("TEA") for the payment of the Bonds to be guaranteed under the Permanent School Fund Guarantee Program, which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. (See "THE BONDS – Permanent School Fund Guarantee" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").
Rating	The Bonds are rated "AAA" by S&P Global Ratings ("S&P") based upon the guaranteed repayment thereof under the Permanent School Fund Guarantee Program of the Texas Education Agency. The District's unenhanced underlying rating, including the Bonds, is "AA" by S&P. (See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "RATING" herein.)
Tax Matters	In the opinion of Bond Counsel, interest on the Bonds is not included in gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" herein, and is not an item of tax preference for purposes of the federal alternative minimum income tax. (See "TAX MATTERS" and Appendix C - "Form of Legal Opinion of Bond Counsel.")
Payment Record	The District has never defaulted on the payment of its bonded indebtedness.
Legal Opinion	Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Hunton Andrews Kurth LLP, Houston, Texas, Bond Counsel. (See "Appendix C – Form of Legal Opinion of Bond Counsel").
Delivery	When issued, anticipated to be on or about February 19, 2020.

INTRODUCTORY STATEMENT

This Official Statement (the "Official Statement"), which includes the cover page and the Appendices attached hereto, has been prepared by the La Porte Independent School District (the "District"), a political subdivision of the State of Texas (the "State") located in Harris and Chambers Counties, Texas, in connection with the offering by the District of its Unlimited Tax School Building Bonds, Series 2020 (the "Bonds") identified on page ii hereof.

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

There follows in this Official Statement descriptions of the Bonds and the order (the "Order") adopted by the Board of Trustees of the District (the "Board") on December 10, 2019 authorizing the issuance of the Bonds, and certain other information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained upon request by writing the La Porte Independent School District, 1002 San Jacinto Street, La Porte, Texas 77571 and, during the offering period, from the Financial Advisor, SAMCO Capital Markets, Inc., 5800 Granite Parkway, Suite 210, Plano, Texas 75024 by electronic mail or upon payment of reasonable copying, mailing, and handling charges.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. A copy of this Official Statement relating to the Bonds will be submitted by the initial Purchaser of the Bonds to the Municipal Securities Rulemaking Board, 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.

THE BONDS

Authorization and Purpose

The Bonds are being issued in the principal amount of $30,000,000 (preliminary, subject to change) pursuant to the Constitution and general laws of the State, particularly Sections 45.001 and 45.003(b)(1), as amended, Texas Education Code, Chapter 1371, Texas Government Code, as amended ("Chapter 1371") an election held in the District on May 10, 2014 (the "Election") and the Order adopted December 10, 2019. As permitted by Chapter 1371, the Board, in the Bond Order, delegated the authority to certain District officials (the "Pricing Officer") to execute a pricing certificate (the "Pricing Certificate") establishing the pricing terms of the Bonds (the Pricing Certificate, and the Bond Order, are collectively referred to herein as the "Order"). Proceeds from the sale of the Bonds will be used for the purpose of (i) construction, acquisition and equipment of school buildings in the District, including the renovation and repair of school buildings, technology upgrades, and the purchase of new school buses, and (ii) to pay the costs of issuing the Bonds.

General Description

The Bonds will be dated February 1, 2020 and will bear interest from such dated date (the "Dated Date"). The Bonds will mature on the dates and in the principal amounts set forth on page ii of this Official Statement. Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day months, and is payable on February 15, 2021 and on each August 15 and February 15 until stated maturity or prior redemption.

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

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

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

Redemption

The Bonds maturing on or after February 15, 2031 are subject to redemption at the option of the District in whole or in part on February 15, 2030 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. In addition, any consecutive maturities of Bonds grouped into one or more "term" Bonds (the "Term Bonds") shall be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Order, which provisions shall be disclosed in the final Official Statement.

Selection of Bonds Redeemed in Part

If less than all of the Bonds are to be redeemed, the District shall determine the amounts and maturities thereof to be redeemed and shall direct the Paying Agent/Registrar to select by lot the Bonds, or portions thereof, to be redeemed.

Notice of Redemption and DTC Notices

Not less than 30 days prior to a redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of a Bond to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT

BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

The Paying Agent/Registrar 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 "BOOK-ENTRY-ONLY SYSTEM" herein.

Security

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

Permanent School Fund Guarantee

In connection with the sale of the Bonds, the District has received conditional approval from the Commissioner of Education of the TEA for the guarantee of the Bonds under the Permanent School Fund Guarantee Program (Chapter 45, Subchapter C, of the Texas Education Code, as amended). Subject to meeting certain conditions discussed under the heading “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” herein, the Bonds will be absolutely and unconditionally guaranteed by the corpus of the Permanent School Fund of the State of Texas. In the event of a payment default by the District, registered owners will receive all payments due from the corpus of the Permanent School Fund.

In the event the District defeases any of the Bonds, the payment of such defeased Bonds will cease to be guaranteed by the Permanent School Fund Guarantee.

Legality

The Bonds are offered when, as and if issued, subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Hunton Andrews Kurth LLP, Houston, Texas, Bond Counsel. (See “LEGAL MATTERS” and “Appendix C - Form of Legal Opinion of Bond Counsel”).

Payment Record

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

Defeasance

The Bonds may be discharged, defeased, redeemed or refunded in any manner now or hereafter permitted by law.

Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District authorizes the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the District adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used for defeasance purposes or that for any other Defeasance Security will be maintained at any particular rating category.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid.

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

REGISTERED OWNERS' REMEDIES

The Order does not provide for the appointment of a trustee to represent the interests of the registered owners 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"). Chapter 9 includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or registered owners of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Co-Bond 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.

See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein for a description of the procedures to be followed for payment of the Bonds by the Permanent School Fund in the event the District fails to make a payment on the Bonds when due. Initially, the only registered owner of the Bonds will be Cede & Co., as DTC's nominee. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the duties of DTC with regard to ownership of Bonds.

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 Purchaser believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The District and the Purchaser cannot and do not give 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 United States Securities and Exchange Commission (the "SEC"), and the current procedures of DTC to be followed in dealing with DTC participants are on file with DTC.

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

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar for the Bonds is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. In the Order, the District covenants to maintain and provide a Paying Agent/Registrar until the Bonds are duly paid.

Successor Paying Agent/Registrar

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

Initial Registration

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

Future Registration

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

Record Date For Interest Payment

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

Limitation on Transfer of Bonds

Neither the District nor the Paying Agent/Registrar are required (1) to make any transfer or exchange during a period beginning at the opening of business 45 days before the day of the first mailing of a notice of redemption of Bonds and ending at the close of business on the day of such mailing, or (2) to transfer or exchange any Bonds so selected for redemption when such redemption is scheduled to occur within 45 calendar days; provided however, that such limitation of transfer is not applicable to an exchange by the registered owner of the uncalled balance of a Bond.

Replacement Bonds

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

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

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

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

History and Purpose

The PSF was created with a $2,000,000 appropriation by the Texas Legislature (the "Legislature") in 1854 expressly for the benefit of the public schools of Texas. The Constitution of 1876 stipulated that certain lands and all proceeds from the sale of these lands should also constitute the PSF. Additional acts later gave more public domain land and rights to the PSF. In 1953, the U.S. Congress passed the Submerged Lands Act that relinquished to coastal states all rights of the U.S. navigable waters within state boundaries. If the state, by law, had set a larger boundary prior to or at the time of admission to the Union, or if the boundary had been approved by Congress, then the larger boundary applied. After three years of litigation (1957-1960), the U. S. Supreme Court on May 31, 1960, affirmed Texas' historic three marine leagues (10.35 miles) seaward boundary. Texas proved its submerged lands property rights to three leagues into the Gulf of Mexico by citing historic laws and treaties dating back to 1836. All lands lying within that limit belong to the PSF. The proceeds from the sale and the mineral-related rental of these lands, including bonuses, delay rentals and royalty payments, become the corpus of the Fund. Prior to the approval by the voters of the State of an amendment to the constitutional provision under which the Fund is established and administered, which occurred on September 13, 2003 (the "Total Return Constitutional Amendment"), and which is further described below, the PSF had as its main sources of revenues capital gains from securities transactions and royalties from the sale of oil and natural gas. The Total Return Constitutional Amendment provides that interest and dividends produced by Fund investments will be additional revenue to the PSF. The State School Land Board ("SLB") maintains the land endowment of the Fund on behalf of the Fund and is generally authorized to manage the investments of the capital gains, royalties and other investment income relating to the land endowment. The SLB is a three member board, the membership of which consists of the Commissioner of the Texas General Land Office (the "Land Commissioner") and two citizen members, one appointed by the Governor and one by the Texas Attorney General (the "Attorney General"). (See "2019 Texas Legislative Session" for a description of legislation that is expected to change the composition of the SLB). As of August 31, 2018, the General Land Office (the "GLO") managed approximately 23% of the PSF, as reflected in the fund balance of the PSF at that date.

The Texas Constitution describes the PSF as "permanent." Prior to the approval by Total Return Constitutional Amendment, only the income produced by the PSF was to be used to complement taxes in financing public education.

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

In 2011, legislation was enacted that established the Charter District Bond Guarantee Program as a new component of the Guarantee Program. That legislation authorized the use of the PSF to guarantee revenue bonds issued by or for the benefit of certain open-enrollment charter schools that are designated as "charter districts" by the Commissioner. On approval by the Commissioner, bonds properly issued by a charter district participating in the Program are fully guaranteed by the corpus of the PSF. As described below, the implementation of the Charter District Bond Guarantee Program was deferred pending receipt of guidance from the Internal Revenue Service (the "IRS") which was received in September 2013, and the establishment of regulations to govern the program, which regulations became effective on March 3, 2014. See "The Charter District Bond Guarantee Program."

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

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

The sole purpose of the PSF is to assist in the funding of public education for present and future generations. Prior to the adoption of the Total Return Constitutional Amendment, all interest and dividends produced by Fund investments flowed into the Available School Fund (the "ASF"), where they are distributed to local school districts and open-enrollment charter schools based on average daily attendance. Any net gains from investments of the Fund accrue to the corpus of the PSF. Prior to the approval by the voters of the State of the Total Return Constitutional Amendment, costs of administering the PSF were allocated to the ASF. With the approval of the Total Return Constitutional Amendment, the administrative costs of the Fund have shifted from the ASF to the PSF. In fiscal year 2019, preliminary, unaudited distributions to the ASF amounted to an estimated $246 per student and the total amount distributed to the ASF was $1,235.8 million.

Audited financial information for the PSF is provided annually through the PSF Comprehensive Annual Financial Report (the "Annual Report"), which is filed with the Municipal Securities Rulemaking Board ("MSRB"). The Annual Report includes the Message of the Executive Administrator of the Fund (the "Message") and the Management's Discussion and Analysis ("MD&A"). The Annual Report for the year ended August 31, 2018, as filed with the MSRB in accordance with the PSF undertaking and agreement made in accordance with Rule 15c2-12 ("Rule 15c2-12") of the federal Securities and Exchange Commission (the "SEC"), as described below, is hereby incorporated by reference into this disclosure. Information included herein for the year ended August 31, 2018 is derived from the audited financial statements of the PSF, which are included in the Annual Report when it is filed and posted. Reference is made to the Annual Report for the complete Message and MD&A for the year ended August 31, 2018 and for a description of the financial results of the PSF for the year ended August 31, 2018, the most recent year for which audited financial information regarding the Fund is available. The 2018 Annual Report speaks only as of its date and the TEA has not obligated itself to update the 2018 Annual Report or any other Annual Report. The TEA posts each Annual Report, which includes statistical data regarding the Fund as of the close of each fiscal year, the most recent disclosure for the Guarantee Program, the Statement of Investment Objectives, Policies and Guidelines of the Texas Permanent School Fund, which is codified at 19 Texas Administrative Code, Chapter 33 (the "Investment Policy"), monthly updates with respect to the capacity of the Guarantee Program (collectively, the "Web Site Materials") on the TEA web site at http://tea.texas.gov/Finance_and_Grants/Permanent_School_Fund/ and with the MSRB at www.emma.msrb.org. Such monthly updates regarding the Guarantee Program are also incorporated herein and made a part hereof for all purposes. In addition to the Web Site Materials, the Fund is required to make quarterly filings with the SEC under Section 13(f) of the Securities Exchange Act of 1934. Such filings, which consist of a list of the Fund's holdings of securities specified in Section 13(f), including exchange-traded (e.g., NYSE) or NASDAQ-quoted stocks, equity options and warrants, shares of closed-end investment companies and certain convertible debt securities, is available from the SEC at www.sec.gov/edgar.shtml. A list of the Fund's equity and fixed income holdings as of August 31 of each year is posted to the TEA web site and filed with the MSRB. Such list excludes holdings in the Fund's securities lending program. Such list, as filed, is incorporated herein and made a part hereof for all purposes.

2019 Texas Legislative Session

During the 86th Regular Session of the Texas Legislature, which concluded on May 27, 2019 (the "86th Session"), various bills were enacted that relate to the PSF. Among such enacted legislation are bills that relate to the composition of the SLB and its relationship to the SBOE with respect to the management of the PSF. Legislation was approved that will change the composition of the SLB to a five member board from a three member board. Under that bill, the Land Commissioner will continue to head the SLB, but the remaining four members will be appointed by the Governor, and of those four members, two are required to be selected from a list of nominees to be submitted to the Governor by the SBOE. That legislation also requires an annual joint meeting of the SLB and the SBOE for the purpose of discussing the allocation of the assets of the PSF and the investment of money in the PSF. Other enacted legislation requires the SLB and the SBOE to provide quarterly financial reports to each other and creates a "permanent school fund liquid account" in the PSF for the purpose of receiving funds transferred from the SLB on a quarterly basis that are not then invested by the SLB or needed within the forthcoming quarter for investment by the SBOE. Such funds shall be invested in liquid assets in the same manner that the PSF is managed until such time as the funds are required for investment by the SLB. That legislation also requires the Texas Education Agency, in consultation with the GLO, to conduct a study regarding distributions to the ASF from the PSF. In addition, a joint resolution was approved that proposed a constitutional amendment to the Texas Constitution to increase the permissible amount of distributions to the ASF from revenue derived during a year from PSF land or other properties from $300 million to $600 million annually by one or more entities. That constitutional change was approved by State voters at a referendum on November 5, 2019. See "2011 and 2019 Constitutional Amendments."

Other legislation enacted during the 86th Session provides for the winding up of the affairs of an open-enrollment charter school that ceases operations, including as a result of the revocation or other termination of its charter. In particular, among other provisions, the legislation addresses the disposition of real and personal property of a discontinued charter school and provides under certain circumstances for reimbursement to be made to the State, if the disposed property was acquired with State funds; authorizes the Commissioner to adopt a rule to govern related party transactions by charter schools; and creates a "charter school liquidation fund" for the management of any reclaimed State funds, including, in addition to other potential uses, for the use of deposit of such reclaimed funds to the Charter District Reserve Fund.

No assessment has been made by the TEA or PSF staff as to the potential financial impact of any legislation enacted during the 86th Session, including the increase in the permissible amount that may be transferred from the PSF to the ASF, should State voters approve the proposed constitutional amendment described above on November 5, 2019.

The Total Return Constitutional Amendment

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

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

See "2011 and 2019 Constitutional Amendments" below for a discussion of the historic and current Distribution Rates, and a description of amendments made to the Texas Constitution on November 8, 2011 and November 5, 2019 that may affect Distribution Rate decisions.

Since the enactment of a prior amendment to the Texas Constitution in 1964, the investment of the Fund has been managed with the dual objectives of producing current income for transfer to the ASF and growing the Fund for the benefit of future generations. As a result of this prior constitutional framework, prior to the adoption of the 2004 asset allocation policy the investment of the Fund historically included a significant amount of fixed income investments and dividend-yielding equity investments, to produce income for transfer to the ASF.

With respect to the management of the Fund's financial assets portfolio, the single most significant change made to date as a result of the Total Return Constitutional Amendment has been new asset allocation policies adopted from time to time by the SBOE. The SBOE generally reviews the asset allocations during its summer meeting in even numbered years. The first asset allocation policy adopted by the SBOE following the Total Return Constitutional Amendment was in February 2004, and the policy was reviewed and modified or reaffirmed in the summers of each even-numbered year, most recently in 2018. The Fund's investment policy provides for minimum and maximum ranges among the components of each of the asset classifications: equities, fixed income and alternative asset investments. The 2004 asset allocation policy decreased the fixed income target from 45% to 25% of Fund investment assets and increased the allocation for equities from 55% to 75% of investment assets. Subsequent asset allocation policies have continued to diversify Fund assets, and have added an alternative asset allocation to the fixed income and equity allocations. The alternative asset allocation category includes real estate, real return, absolute return and private equity components. Alternative asset classes diversify the SBOE-managed assets and are not as correlated to traditional asset classes, which is intended to increase investment returns over the long run while reducing risk and return volatility of the portfolio. The most recent asset allocation, from 2016, which was reviewed and reaffirmed in June 2018, is as follows: (i) an equity allocation of 35% (consisting of U.S. large cap equities targeted at 13%, international equities at 14% and emerging international equities at 3%, and U.S. small/mid cap equities at 5%), (ii) a fixed income allocation of 19% (consisting of a 12% allocation for core bonds and a 7% allocation for emerging market debt in local currency), and (iii) an alternative asset allocation of 46% (consisting of a private equity allocation of 13%, a real estate allocation of 10%, an absolute return allocation of 10%, a risk parity allocation of 7% and a real return allocation of 6%). The 2016 asset allocation decreased U.S. large cap equities and international equities by 3% and 2%, respectively, and increased the allocations for private equity and real estate by 3% and 2%, respectively. In accordance with legislation enacted during the 86th Session and effective September 1, 2019, the PSF has established an investment account for purposes of investing cash received from the GLO to be invested in liquid assets and managed by the SBOE in the same manner it manages the PSF. That cash has previously been included in the PSF valuation, but was held and invested by the State Comptroller.

For a variety of reasons, each change in asset allocation for the Fund, including the 2016 modifications, have been implemented in phases, and that approach is likely to be carried forward when and if the asset allocation policy is again modified. At August 31, 2019, the Fund's financial assets portfolio was invested as follows: 34.84% in public market equity investments; 13.32% in fixed income investments; 10.55% in absolute return assets; 11.53% in private equity assets; 8.68% in real estate assets; 7.44% in risk parity assets; 6.14% in real return assets; 7.01% in emerging market debt; and 0.49% in unallocated cash. August 31, 2019 data is unaudited, which is subject to adjustment.

Following on previous decisions to create strategic relationships with investment managers in certain asset classes, in September 2015 and January 2016, the SBOE approved the implementation of direct investment programs in private equity and absolute return assets, respectively, which has continued to reduce administrative costs with respect to those portfolios. The Attorney General has advised the SBOE in Op. Tex. Att'y Gen. No. GA-0998 (2013) ("GA-0998"), that the PSF is not subject to requirements of certain State competitive bidding laws with respect to the selection of investments. In GA-0998, the Attorney General also advised that the SBOE generally must use competitive bidding for the selection of investment managers and other third party providers of investment services, such as record keeping and insurance, but excluding certain professional services, such as accounting services, as State law prohibits the use of competitive bidding for specified professional services. GA-0998 provides guidance to the SBOE in connection with the direct management of alternative investments through investment vehicles to be created by the SBOE, in lieu of contracting with external managers for such services, as has been the recent practice of the PSF. The PSF staff and the Fund's investment advisor are tasked with advising the SBOE with respect to the implementation of the Fund's asset allocation policy, including the timing and manner of the selection of any external managers and other consultants.

In accordance with the Texas Constitution, the SBOE views the PSF as a perpetual institution, and the Fund is managed as an endowment fund with a long-term investment horizon. Under the total-return investment objective, the Investment Policy provides that the PSF shall be managed consistently with respect to the following: generating income for the benefit of the public free schools of Texas, the real growth of the corpus of the PSF, protecting capital, and balancing the needs of present and future generations of Texas school children. As described above, the Total Return Constitutional Amendment restricts the annual pay-out from the Fund to the total-return on all investment assets of the Fund over a rolling ten-year period. State law provides that each transfer of funds from the PSF to the ASF is made monthly, with each transfer to be in the amount of one-twelfth of the annual distribution. The heavier weighting of equity securities and alternative assets relative to fixed income investments has resulted in greater volatility of the value of the Fund. Given the greater weighting in the overall portfolio of passively managed investments, it is expected that the Fund will reflect the general performance returns of the markets in which the Fund is invested.

The asset allocation of the Fund's financial assets portfolio is subject to change by the SBOE from time to time based upon a number of factors, including recommendations to the SBOE made by internal investment staff and external consultants, changes made by the SBOE without regard to such recommendations and directives of the Legislature. Fund performance may also be affected by factors other than asset allocation, including, without limitation, the general performance of the securities markets in the United States and abroad; political and investment considerations including those relating to socially responsible investing; economic impacts relating to domestic and international climate change; development of hostilities in and among nations; cybersecurity issues that affect the securities markets, changes in international trade policies, economic activity and investments, in general, application of the prudent person investment standard, which may eliminate certain investment opportunities for the Fund; management fees paid to external managers and embedded management fees for some fund investments; and limitations on the number and compensation of internal and external investment staff, which is subject to legislative oversight. The Guarantee Program could also be impacted by changes in State or federal law or the implementation of new accounting standards.

Management and Administration of the Fund

The Texas Constitution and applicable statutes delegate to the SBOE the authority and responsibility for investment of the PSF's financial assets. In investing the Fund, the SBOE is charged with exercising the judgment and care under the circumstances then prevailing which persons of ordinary prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income therefrom as well as the probable safety of their capital. The SBOE has adopted a "Statement of Investment Objectives, Policies, and Guidelines of the Texas Permanent School Fund," which is codified in the Texas Administrative Code beginning at 19 TAC section 33.1.

The Total Return Constitutional Amendment provides that expenses of managing the PSF are to be paid "by appropriation" from the PSF. In January 2005, at the request of the SBOE, the Attorney General issued a legal opinion, Op. Tex. Att'y Gen. No. GA-0293 (2005), that the Total Return Constitutional Amendment requires that SBOE expenditures for managing or administering PSF investments, including payments to external investment managers, be paid from appropriations made by the Legislature, but that the Total Return Constitutional Amendment does not require the SBOE to pay from such appropriated PSF funds the indirect management costs deducted from the assets of a mutual fund or other investment company in which PSF funds have been invested.

Texas law assigns control of the Fund's land and mineral rights to the SLB. Administrative duties related to the land and mineral rights reside with the GLO, which is under the guidance of the Commissioner of the GLO. In 2007, the Legislature established the real estate special fund account of the PSF (the "Real Estate Account") consisting of proceeds and revenue from land, mineral or royalty interest, real estate investment, or other interest, including revenue received from those sources, that is set apart to the PSF under the Texas Constitution and laws, together with the mineral estate in riverbeds, channels, and the tidelands, including islands. The investment of the Real Estate Account is subject to the sole and exclusive management and control of the SLB and the Land Commissioner, who is also the head of the GLO. The 2007 legislation presented constitutional questions regarding the respective roles of the SBOE and the SLB relating to the disposition of proceeds of real estate transactions to the ASF, among other questions. Amounts in the investment portfolio of the PSF are taken into account by the SBOE for purposes of determining the Distribution Rate. An amendment to the Texas Constitution was approved by State voters on November 8, 2011, which permits the SLB to make transfers directly to the ASF, see "2011 and 2019 Constitutional Amendments" below.

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

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

Capacity Limits for the Guarantee Program

The capacity of the Fund to guarantee bonds under the Guarantee Program is limited in two ways: by State law (the "State Capacity Limit") and by regulations and a notice issued by the IRS (the "IRS Limit"). Prior to May 20, 2003, the State Capacity Limit was equal to two times the lower of cost or fair market value of the Fund's assets, exclusive of real estate. During the 78th Regular Session of the Legislature in 2003, legislation was enacted that increased the State Capacity Limit by 25%, to two and one half times the lower of cost or fair market value of the Fund's assets as estimated by the SBOE and certified by the State Auditor, and eliminated the real estate exclusion from the calculation. Prior to the issuance of the IRS Notice (defined below), the capacity of the program under the IRS Limit was limited to two and one-half times the lower of cost or fair market value of the Fund's assets adjusted by a factor that excluded additions to the Fund made since May 14, 1989. During the 2007 Texas Legislature, Senate Bill 389 ("SB 389") was enacted providing for additional increases in the capacity of the Guarantee Program, and specifically providing that the SBOE may by rule increase the capacity of the Guarantee Program from two and one-half times the cost value of the PSF to an amount not to exceed five times the cost value of the PSF, provided that the increased limit does not violate federal law and regulations and does not prevent bonds guaranteed by the Guarantee Program from receiving the highest available credit rating, as determined by the SBOE. SB 389 further provides that the SBOE shall at least annually consider whether to change the capacity of the Guarantee Program. From 2005 through 2009, the Guarantee Program twice reached capacity under the IRS Limit, and in each instance the Guarantee Program was closed to new bond guarantee applications until relief was obtained from the IRS. The most recent closure of the Guarantee Program commenced in March 2009 and the Guarantee Program reopened in February 2010 on the basis of receipt of the IRS Notice.

On December 16, 2009, the IRS published Notice 2010-5 (the "IRS Notice") stating that the IRS will issue proposed regulations amending the existing regulations to raise the IRS limit to 500% of the total cost of the assets held by the PSF as of December 16, 2009. In accordance with the IRS Notice, the amount of any new bonds to be guaranteed by the PSF, together with the then outstanding amount of bonds previously guaranteed by the PSF, must not exceed the IRS limit on the sale date of the new bonds to be guaranteed. The IRS Notice further provides that the IRS Notice may be relied upon for bonds sold on or after December 16, 2009, and before the effective date of future regulations or other public administrative guidance affecting funds like the PSF.

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

On July 18, 2016, the IRS issued final regulations enacting the IRS Notice (the "Final IRS Regulations"). The Final IRS Regulations are effective for bonds sold on or after October 17, 2016. The IRS Notice, the Proposed IRS Regulations and the Final IRS

Regulations establish a static capacity for the Guarantee Program based upon the cost value of Fund assets on December 16, 2009 multiplied by five. On December 16, 2009, the cost value of the Guarantee Program was $23,463,730,608 (estimated and unaudited), thereby producing an IRS Limit of approximately $117.3 billion. The State Capacity Limit is determined on the basis of the cost value of the Fund from time to time multiplied by the capacity multiplier determined annually by the SBOE, but not to exceed a multiplier of five. The capacity of the Guarantee Program will be limited to the lower of the State Capacity Limit or the IRS Limit. On May 21, 2010, the SBOE modified the regulations that govern the School District Bond Guarantee Program (the "SDBGP Rules"), and increased the State Law Capacity to an amount equal to three times the cost value of the PSF. Such modified regulations, including the revised capacity rule, became effective on July 1, 2010. The SDBGP Rules provide that the Commissioner may reduce the multiplier to maintain the AAA credit rating of the Guarantee Program, but provide that any changes to the multiplier made by the Commissioner are to be ratified or rejected by the SBOE at the next meeting following the change. See "Valuation of the PSF and Guaranteed Bonds," below.

At its September 2015 meeting, the SBOE voted to modify the SDBGP Rules and the CDBGP Rules to increase the State Law Capacity from 3 times the cost value multiplier to 3.25 times. At that meeting, the SBOE also approved a new 5% capacity reserve for the Charter District Bond Guarantee Program. The change to the State Law Capacity became effective on February 1, 2016. At its November 2016 meeting, the SBOE again voted to increase the State Law Capacity and, in accordance with applicable requirements for the modification of SDBGP and CDBGP Rules, a second and final vote to approve the increase in the State Law Capacity occurred on February 3, 2017. As a result, the State Law Capacity increased from 3.25 times the cost value multiplier to 3.50 times effective March 1, 2017. Based upon the unaudited cost basis of the Fund at August 31, 2019, the State Law Capacity increased from $118,511,255,268 on August 31, 2018 to $123,509,204,770 on August 31, 2019 (but at such date the IRS Limit was lower, $117,318,653,038, so it is the currently effective capacity limit for the Fund).

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

Based upon historical performance of the Fund, the legal restrictions relating to the amount of bonds that may be guaranteed has generally resulted in a lower ratio of guaranteed bonds to available assets as compared to many other types of credit enhancements that may be available for Texas school district bonds and charter district bonds. However, the ratio of Fund assets to guaranteed bonds and the growth of the Fund in general could be adversely affected by a number of factors, including changes in the value of the Fund due to changes in securities markets, investment objectives of the Fund, an increase in bond issues by school districts in the State or legal restrictions on the Fund, changes in State laws that implement funding decisions for school districts and charter districts, which could adversely affect the credit quality of those districts, the implementation of the Charter District Bond Guarantee Program, or an increase in the calculation base of the Fund for purposes of making transfers to the ASF. It is anticipated that the issuance of the IRS Notice and the Proposed IRS Regulations will likely result in a substantial increase in the amount of bonds guaranteed under the Guarantee Program. The implementation of the Charter School Bond Guarantee Program is also expected to increase the amount of guaranteed bonds.

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

The School District Bond Guarantee Program

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

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

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

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

Generally, the SDBGP Rules limit guarantees to certain types of notes and bonds, including, with respect to refunding bonds issued by school districts, a requirement that the bonds produce debt service savings, and that bonds issued for capital facilities of school districts must have been voted as unlimited tax debt of the issuing district. The Guarantee Program Rules include certain accreditation criteria for districts applying for a guarantee of their bonds, and limit guarantees to districts that have less than the amount of annual debt service per average daily attendance that represents the 90th percentile of annual debt service per average daily attendance for all school districts, but such limitation will not apply to school districts that have enrollment growth of at least 25% over the previous five school years. The SDBGP Rules are codified in the Texas Administrative Code at 19 TAC section 33.65, and are available at http://ritter.tea.state.tx.us/rules/tac/chapter033/ch033a.html#33.65.

The Charter District Bond Guarantee Program

The Charter District Bond Guarantee Program became effective March 3, 2014. The SBOE published final regulations in the Texas Register that provide for the administration of the Charter District Bond Guarantee Program (the "CDBGP Rules"). The CDBGP Rules are codified at 19 TAC section 33.67, and are available at http://ritter.tea.state.tx.us/rules/tac/chapter033/ch033a.html#33.67.

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

As of February 27, 2019 (the most recent date for which data is available), the percentage of students enrolled in open-enrollment charter schools (excluding charter schools authorized by school districts) to the total State scholastic census was approximately 5.85%. As of December 4, 2019, there were 183 active open-enrollment charter schools in the State and there were 798 charter school campuses operating under such charters (though as of such date, 13 of such campuses are not currently serving students for various reasons). Section 12.101, Texas Education Code, as amended by the Legislature in 2013, limits the number of charters that the Commissioner may grant to 215 charters as of the end of fiscal year 2014, with the number increasing in each fiscal year thereafter through 2019 to a total number of 305 charters. While legislation limits the number of charters that may be granted, it does not limit the number of campuses that may operate under a particular charter. For information regarding the capacity of the Guarantee Program, see "Capacity Limits for the Guarantee Program." The Act provides that the Commissioner may not approve the guarantee of refunding or refinanced bonds under the Charter District Bond Guarantee Program in a total amount that exceeds one-half of the total amount available for the guarantee of charter district bonds under the Charter District Bond Guarantee Program.

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

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

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

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

The CDBGP Rules provide that an open-enrollment charter holder applying for charter district designation and a guarantee of its bonds under the Charter District Bond Guarantee Program satisfy various provisions of the regulations, including the following: It must (i) have operated at least one open-enrollment charter school with enrolled students in the State for at least three years; (ii) agree that the bonded indebtedness for which the guarantee is sought will be undertaken as an obligation of all entities under common control of the open-enrollment charter holder, and that all such entities will be liable for the obligation if the open-enrollment charter holder defaults on the bonded indebtedness, provided, however, that an entity that does not operate a charter school in Texas is subject to this provision only to the extent it has received state funds from the open-enrollment charter holder; (iii) have had completed for the past three years an audit for each such year that included unqualified or unmodified audit opinions; and (iv) have received an investment grade credit rating within the last year. Upon receipt of an application for guarantee under the

Charter District Bond Guarantee Program, the Commissioner is required to conduct an investigation into the financial status of the applicant charter district and of the accreditation status of all open-enrollment charter schools operated under the charter, within the scope set forth in the CDBGP Rules. Such financial investigation must establish that an applying charter district has a historical debt service coverage ratio, based on annual debt service, of at least 1.1 for the most recently completed fiscal year, and a projected debt service coverage ratio, based on projected revenues and expenses and maximum annual debt service, of at least 1.2. The failure of an open-enrollment charter holder to comply with the Act or the applicable regulations, including by making any material misrepresentations in the charter holder's application for charter district designation or guarantee under the Charter District Bond Guarantee Program, constitutes a material violation of the open-enrollment charter holder's charter.

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

2017 Legislative Changes to the Charter District Bond Guarantee Program

The CDBGP Capacity is established by the Act. During the 85th Texas Legislature, which concluded on May 29, 2017, Senate Bill 1480 (“SB 1480”) was enacted. The complete text of SB 1480 can be found at http://www.capitol.state.tx.us/tlodocs/85R/billtext/pdf/SB01480F.pdf#navpanes=0. SB 1480 modified how the CDBGP Capacity will be established under the Act effective as of September 1, 2017, and made other substantive changes to the Act that affects the Charter District Bond Guarantee Program. Prior to the enactment of SB 1480, the CDBGP Capacity was calculated as the State Capacity Limit less the amount of outstanding bond guarantees under the Guarantee Program multiplied by the percentage of charter district scholastic population relative to the total public school scholastic population. As of August 31, 2019, the amount of outstanding bond guarantees represented 71.94% of the IRS Limit (which is currently the applicable capacity limit) for the Guarantee Program (based on unaudited data). SB 1480 amended the CDBGP Capacity calculation so that the State Capacity Limit is multiplied by the percentage of charter district scholastic population relative to the total public school scholastic population prior to the subtraction of the outstanding bond guarantees, thereby potentially substantially increasing the CDBGP Capacity. However, certain provisions of SB 1480, described below, and other additional factors described herein, could result in less than the maximum amount of the potential increase provided by SB 1480 being implemented by the SBOE or otherwise used by charter districts. Still other factors used in determining the CDBGP Capacity, such as the percentage of the charter district scholastic population to the overall public school scholastic population, could, in and of itself, increase the CDBGP Capacity, as that percentage has grown from 3.53% in September, 2012 to 5.85% in February 2019. TEA is unable to predict how the ratio of charter district students to the total State scholastic population will change over time.

SB 1480 provides that the implementation of the new method of calculating the CDBGP Capacity will begin with the State fiscal year that commences September 1, 2021 (the State’s fiscal year 2022). However, for the intervening four fiscal years, beginning with fiscal year 2018, SB 1480 provides that the SBOE may establish a CDBGP Capacity that increases the amount of charter district bonds that may be guaranteed by up to a cumulative 20% in each fiscal year (for a total maximum increase of 80% in fiscal year 2021) as compared to the capacity figure calculated under the Act as of January 1, 2017. However, SB 1480 provides that in making its annual determination of the magnitude of an increase for any year, the SBOE may establish a lower (or no) increase if the SBOE determines that an increase in the CDBGP Capacity would likely result in a negative impact on the bond ratings for the Bond Guarantee Program (see “Ratings of Bonds Guaranteed Under the Guarantee Program”) or if one or more charter districts default on payment of principal or interest on a guaranteed bond, resulting in a negative impact on the bond ratings of the Bond Guarantee Program. The provisions of SB 1480 that provide for discretionary, incremental increases in the CDBGP expire September 1, 2022. If the SBOE makes a determination for any year based upon the potential ratings impact on the Bond Guarantee Program and modifies the increase that would otherwise be implemented under SB 1480 for that year, the SBOE may also make appropriate adjustments to the schedule for subsequent years to reflect the modification, provided that the CDBGP Capacity for any year may not exceed the limit provided in the schedule set forth in SB 1480. In September 2017 and June 2018, the SBOE authorized the full 20% increase in the amount of charter district bonds that may be guaranteed for fiscal years 2018 and 2019, respectively, which increases the relative capacity of the Charter District Bond Guarantee Program to the School District Bond Guarantee Program for those fiscal years.

Taking into account the enactment of SB 1480 and the increase in the CDBGP Capacity effected thereby, at the Winter 2018 meeting the SBOE determined not to implement a previously approved multiplier increase to 3.75 times market value, opting to increase the multiplier to 3.50 times effective in late March 2018.

In addition to modifying the manner of determining the CDBGP Capacity, SB 1480 provides that the Commissioner, in making a determination as to whether to approve a guarantee for a charter district, may consider any additional reasonable factor that the Commissioner determines to be necessary to protect the Bond Guarantee Program or minimize risk to the PSF, including: (1) whether the charter district had an average daily attendance of more than 75 percent of its student capacity for each of the preceding three school years, or for each school year of operation if the charter district has not been in operation for the preceding three school years; (2) the performance of the charter district under certain performance criteria set forth in Education Code Sections 39.053 and 39.054; and (3) any other indicator of performance that could affect the charter district's financial performance. Also, SB 1480 provides that the Commissioner's investigation of a charter district application for guarantee may include an evaluation of whether the charter district bond security documents provide a security interest in real property pledged as collateral for the bond and the repayment obligation under the proposed guarantee. The Commissioner may decline to approve the application if the Commissioner determines that sufficient security is not provided. The Act and the CDBGP Rules previously required the Commissioner to make an investigation of the accreditation status and certain financial criteria for a charter district applying for a bond guarantee, which remain in place.

Since the initial authorization of the Charter District Bond Guarantee Program, the Act has established a bond guarantee reserve fund in the State treasury (the “Charter District Reserve Fund”). Formerly, the Act provided that each charter district that has a bond guaranteed must annually remit to the Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 10 percent of the savings to the charter district that is a result of the lower interest rate on its bonds due to the guarantee by the PSF. SB 1480 modified the Act insofar as it pertains to the Charter District Reserve Fund. Effective September 1, 2017, the Act provides that a charter district that has a bond guaranteed must remit to the Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 20 percent of the savings to the charter district that is a result of the lower interest rate on the bond due to the guarantee by the PSF. The amount due shall be paid on receipt by the charter district of the bond proceeds. However, the deposit requirement will not apply if the balance of the Charter District Reserve Fund is at least equal to three percent (3.00%) of the total amount of outstanding guaranteed bonds issued by charter districts. As of August 31, 2019, the Charter District Reserve Fund represented approximately 1.12% of the guaranteed charter district bonds. SB 1480 also authorized the SBOE to manage the Charter District Reserve Fund in the same manner as it manages the PSF. Previously, the Charter District Reserve Fund was held by the Comptroller, but effective April 1, 2018, the management of the Reserve Fund was transferred to the PSF division of TEA, where it will be held and invested as a non-commingled fund under the administration of the PSF staff.

Charter District Risk Factors

Open-enrollment charter schools in the State may not charge tuition and, unlike school districts, charter districts have no taxing power. Funding for charter district operations is largely from amounts appropriated by the Legislature. The amount of such State payments a charter district receives is based on a variety of factors, including the enrollment at the schools operated by a charter district. The overall amount of education aid provided by the State for charter schools in any year is also subject to appropriation by the Legislature. The Legislature may base its decisions about appropriations for charter schools on many factors, including the State's economic performance. Further, because some public officials, their constituents, commentators and others have viewed charter schools as controversial, political factors may also come to bear on charter school funding, and such factors are subject to change.

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

The maintenance of a State-granted charter is dependent upon on-going compliance with State law and TEA regulations, and TEA monitors compliance with applicable standards. TEA has a broad range of enforcement and remedial actions that it can take as corrective measures, and such actions may include the loss of the State charter, the appointment of a new board of directors to govern a charter district, the assignment of operations to another charter operator, or, as a last resort, the dissolution of an open-enrollment charter school.

As described above, the Act includes a funding “intercept” function that applies to both the School District Bond Guarantee Program and the Charter District Bond Guarantee Program. However, school districts are viewed as the “educator of last resort” for students residing in the geographical territory of the district, which makes it unlikely that State funding for those school districts would be discontinued, although the TEA can require the dissolution and merger into another school district if necessary to ensure sound education and financial management of a school district. That is not the case with a charter district, however, and open-enrollment charter schools in the State have been dissolved by TEA from time to time. If a charter district that has bonds outstanding that are guaranteed by the Charter District Bond Guarantee Program should be dissolved, debt service on guaranteed bonds of the district would continue to be paid to bondholders in accordance with the Charter District Bond Guarantee Program, but there would be no funding available for reimbursement of the PSF by the Comptroller for such payments. As described under “The Charter District Bond Guarantee Program,” the Act establishes a Charter District Reserve Fund, which could in the future be a significant reimbursement resource for the PSF. At August 31, 2019, the Charter District Reserve Fund contained $21,578,541.

Potential Impact of Hurricane Harvey on the PSF

Hurricane Harvey struck coastal Texas on August 26, 2017, resulting in historic levels of rainfall. The Governor designated the impacted area for disaster relief, and TEA believes that the storm impacted more than 1.3 million students enrolled in some 157 school districts, and approximately 58,000 students in 27 charter schools in the designated area. It is possible that the affected districts will need to borrow to repair or replace damaged facilities, which could require increased bond issuance and applications to the TEA for PSF bond guarantees. In addition, the storm damage and any lingering economic damage in the area could adversely affect the tax base (for school districts) and credit quality of school districts and charter districts with bonds that are or will be guaranteed by the PSF. Many of the school districts and two charter districts in the designated disaster area have bonds guaranteed by the PSF. TEA notes that no district has applied for financial exigency or failed to timely pay bond payments as a result of the hurricane or otherwise.

Legislation was approved during the 86th Session that provides supplemental appropriations to the TEA in amounts of $535,200,000 and $636,000,000 for the fiscal biennia ending August 31, 2019 and August 31, 2021, respectively. Those appropriations are designated for use as an adjustment to school district property values and reimbursement for disaster remediation costs as a result of Hurricane Harvey. That legislation also included a reimbursement to the TEA in the amount of $271,300,000 for costs previously incurred by the TEA for increased student costs, the reduction in school district property values and other disaster remediation costs stemming from Hurricane Harvey.

Ratings of Bonds Guaranteed Under the Guarantee Program

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

Valuation of the PSF and Guaranteed Bonds

Permanent School Fund Valuations

Fiscal Year Ended 8/31	Book Value(1)	Market Value(1)
2015	$29,081,052,900	$36,196,265,273
2016	30,128,037,903	37,279,799,335
2017	31,870,581,428	41,438,672,573
2018	33,860,358,647	44,074,197,940
2019(2)	35,288,344,220	46,554,515,717

---

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

(2) At August 31, 2019, mineral assets, sovereign and other lands and internally managed discretionary real estate, external discretionary real estate investments, domestic equities, and cash managed by the SLB had book values of approximately $13.4 million, $216.7 million, $3,640.2 million, $7.5 million, and $4,457.3 million, respectively, and market values of approximately $3,198.2 million, $619.7 million, $3,927.6 million, $1.3 million, and $4,457.3 million, respectively. At August 31, 2019, the PSF had a book value of $35,288,344,220 and a market value of $46,554,515,717. August 31, 2019 values are based on unaudited data, which is subject to adjustment.

Permanent School Fund Guaranteed Bonds

At 8/31	Principal Amount(1)
2015	$63,955,449,047
2016	68,303,328,445
2017	74,266,090,023
2018	79,080,901,069
2019	84,397,900,203(2)

---

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

(2) As of August 31, 2019 (the most recent date for which such data is available), the TEA expected that the principal and interest to be paid by school districts over the remaining life of the bonds guaranteed by the Guarantee Program was $133,188,149,264, of which $48,790,249,061 represents interest to be paid. As shown in the table above, at August 31, 2019, there were $84,397,900,203 in principal amount of bonds guaranteed under the Guarantee Program, and using the IRS Limit at that date of $117,318,653,038 (the IRS Limit is currently the lower of the two federal and State capacity limits of Program capacity), 97.22% of Program capacity was available to the School District Bond Guarantee Program and 2.78% was available to the Charter District Bond Guarantee Program.

Permanent School Fund Guaranteed Bonds by Category(1)

	School District Bonds		Charter District Bonds		Totals	
Fiscal Year Ended 8/31	No. of Issues	Principal Amount	No. of Issues	Principal Amount	No. of Issues	Principal Amount
2015	3,089	$63,197,514,047	28	$757,935,000	3,117	$63,955,449,047
2016	3,244	67,342,303,445	35	961,025,000	3,279	68,303,328,445
2017	3,253	72,884,480,023	40	1,381,610,000	3,293	74,266,090,023
2018	3,249	77,647,966,069	44	1,432,935,000	3,293	79,080,901,069
2019(2)	3,297	82,534,755,203	49	1,860,145,000	3,346	84,397,900,203

---

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

(2) At August 31, 2019 (based on unaudited data, which is subject to adjustment), there were $84,397,900,203 of bonds guaranteed under the Guarantee Program, representing 3,346 school district issues, aggregating $82,537,755,203 in principal amount and 49 charter district issues, aggregating $1,860,145,000 in principal amount. At August 31, 2019, the capacity allocation of the Charter District Bond Guarantee Program was $3,265,722,717 (based on unaudited data, which is subject to adjustment).

Discussion and Analysis Pertaining to Fiscal Year Ended August 31, 2018

The following discussion is derived from the Annual Report for the year ended August 31, 2018, including the Message of the Executive Administrator of the Fund and the Management's Discussion and Analysis contained therein, and will be updated upon the release of the Annual Report for the year ended August 31, 2019. Reference is made to the Annual Report, when filed, for the complete Message and MD&A. Investment assets managed by the fifteen member SBOE are referred to throughout this MD&A as the PSF(SBOE) assets. As of August 31, 2018, the Fund's land, mineral rights and certain real assets are managed by the three-member SLB and these assets are referred to throughout as the PSF(SLB) assets. The current PSF asset allocation policy includes an allocation for real estate investments, and as such investments are made, and become a part of the PSF investment portfolio, those investments will be managed by the SBOE and not the SLB.

At the end of fiscal 2018, the Fund balance was $44.0 billion, an increase of $2.6 billion from the prior year. This increase is primarily due to overall increases in value of all asset classes in which the Fund has invested. During the year, the SBOE continued implementing the long-term strategic asset allocation, diversifying the PSF(SBOE) to strengthen the Fund. The asset allocation is projected to increase returns over the long run while reducing risk and portfolio return volatility. The PSF(SBOE) annual rates of return for the one-year, five-year, and ten-year periods ending August 31, 2018, were 7.23%, 7.68% and 6.92%, respectively (total return takes into consideration the change in the market value of the Fund during the year as well as the interest and dividend income generated by the Fund's investments). In addition, the SLB continued its shift into externally managed real asset investment funds, and the one-year, five-year, and ten-year annualized total returns for the PSF(SLB) real assets, including cash, were 8.69%, 7.78%, and 4.23%, respectively.

The market value of the Fund's assets is directly impacted by the performance of the various financial markets in which the assets are invested. The most important factors affecting investment performance are the asset allocation decisions made by the SBOE and SLB. The current SBOE long term asset allocation policy allows for diversification of the PSF(SBOE) portfolio into alternative asset classes whose returns are not as positively correlated as traditional asset classes. The implementation of the long term asset allocation will occur over several fiscal years and is expected to provide incremental total return at reduced risk. As of August 31, 2018, the PSF(SBOE) portion of the Fund had diversified into emerging market and large cap international equities, absolute return funds, real estate, private equity, risk parity, real return Treasury Inflation-Protected Securities, real return commodities, and emerging market debt.

As of August 31, 2018, the SBOE has approved and the Fund made capital commitments to externally managed real estate investment funds in a total amount of $4.2 billion and capital commitments to private equity limited partnerships for a total of $5.2 billion. Unfunded commitments at August 31, 2018, totaled $1.5 billion in real estate investments and $2.1 billion in private equity investments.

The PSF(SLB) portfolio is generally characterized by three broad categories: (1) discretionary real assets investments, (2) sovereign and other lands, and (3) mineral interests. Discretionary real assets investments consist of externally managed real estate, infrastructure, and energy/minerals investment funds; internally managed direct real estate investments, and cash. Sovereign and other lands consist primarily of the lands set aside to the PSF when it was created. Mineral interests consist of all of the minerals that are associated with PSF lands. The investment focus of PSF(SLB) discretionary real assets investments has shifted from internally managed direct real estate investments to externally managed real assets investment funds. The PSF(SLB) makes investments in certain limited partnerships that legally commit it to possible future capital contributions. At August 31, 2018, the remaining commitments totaled approximately $2.6 billion.

The PSF(SBOE)'s investment in domestic large cap, domestic small/mid cap, international large cap, and emerging market equity securities experienced returns of 19.83%, 23.95%, 3.51%, and -1.07%, respectively, during the fiscal year ended August 31, 2018. The PSF(SBOE)'s investment in domestic fixed income securities produced a return of -0.78% during the fiscal year and absolute return investments yielded a return of 6.66%. The PSF(SBOE) real estate and private equity investments returned 12.01% and 15.94%, respectively. Risk parity assets produced a return of 3.43%, while real return assets yielded 0.70%. Emerging market debt produced a return of -11.40%. Combined, all PSF(SBOE) asset classes produced an investment return of 7.23% for the fiscal year ended August 31, 2018, out-performing the benchmark index of 6.89% by approximately 34 basis points. All PSF(SLB) real assets (including cash) returned 8.69% for the fiscal year ending August 31, 2018.

For fiscal year 2018, total revenues, inclusive of unrealized gains and losses and net of security lending rebates and fees, totaled $4.0 billion, a decrease of $1.4 billion from fiscal year 2017 earnings of $5.4 billion. This decrease reflects the performance of the securities markets in which the Fund was invested in fiscal year 2018. In fiscal year 2018, revenues earned by the Fund included lease payments, bonuses and royalty income received from oil, gas and mineral leases; lease payments from commercial real estate; surface lease and easement revenues; revenues from the resale of natural and liquid gas supplies; dividends, interest, and securities lending revenues; the net change in the fair value of the investment portfolio; and, other miscellaneous fees and income.

Expenditures are paid from the Fund before distributions are made under the total return formula. Such expenditures include the costs incurred by the SLB to manage the land endowment, as well as operational costs of the Fund, including external management fees paid from appropriated funds. Total operating expenditures, net of security lending rebates and fees, decreased 17.1% for the fiscal year ending August 31, 2018. This decrease is primarily attributable to a decrease in PSF(SLB) quantities of purchased gas for resale in the State Energy Management Program, which is administered by the SLB as part of the Fund.

The Fund supports the public school system in the State by distributing a predetermined percentage of its asset value to the ASF. For fiscal years 2017 and 2018, the distribution from the SBOE to the ASF totaled $1.1 billion and $1.2 billion, respectively. There were no contributions to the ASF by the SLB in fiscal years 2017 and 2018.

At the end of the 2018 fiscal year, PSF assets guaranteed $79.1 billion in bonds issued by 858 local school districts and charter districts, the latter of which entered into the Program during the 2014 fiscal year. Since its inception in 1983, the Fund has guaranteed 7,242 school district and charter district bond issues totaling $176.4 billion in principal amount. During the 2018 fiscal year, the number of outstanding issues guaranteed under the Guarantee Program remained flat at 3,293. The dollar amount of guaranteed school and charter bond issues outstanding increased by $4.8 billion or 6.5%. The State Capacity Limit increased by $6.9 billion, or 6.2%, during fiscal year 2018 due to continued growth in the cost basis of the Fund used to calculate that Program capacity limit. The effective capacity of the Program increased by only $5.7 billion, or 5.2%, during fiscal year 2018 as the IRS Limit was reached during the fiscal year, and it is the lower of the two State and federal capacity limits for the Program.

2011 and 2019 Constitutional Amendment

On November 8, 2011, a referendum was held in the State as a result of legislation enacted that year that proposed amendments to various sections of the Texas Constitution pertaining to the PSF. At that referendum, voters of State approved non-substantive changes to the Texas Constitution to clarify references to the Fund, and, in addition, approved amendments that effected an increase to the base amount used in calculating the Distribution Rate from the Fund to the ASF, and authorized the SLB to make direct transfers to the ASF, as described below.

The amendments approved at the referendum included an increase to the base used to calculate the Distribution Rate by adding to the calculation base certain discretionary real assets and cash in the Fund that is managed by entities other than the SBOE (at present, by the SLB). The value of those assets were already included in the value of the Fund for purposes of the Guarantee Program, but prior to the amendment had not been included in the calculation base for purposes of making transfers from the Fund to the ASF. While the amendment provided for an increase in the base for the calculation of approximately $2 billion, no new resources were provided for deposit to the Fund. As described under "The Total Return Constitutional Amendment" the SBOE is prevented from approving a Distribution Rate or making a pay out from the Fund if the amount distributed would exceed

6% of the average of the market value of the Fund, excluding real property in the Fund, but including discretionary real asset investments on the last day of each of the sixteen State fiscal quarters preceding the Regular Session of the Legislature that begins before that State fiscal biennium or if such pay out would exceed the Ten Year Total Return.

If there are no reductions in the percentage established biennially by the SBOE to be the Distribution Rate, the impact of the increase in the base against which the Distribution Rate is applied will be an increase in the distributions from the PSF to the ASF. As a result, going forward, it may be necessary for the SBOE to reduce the Distribution Rate in order to preserve the corpus of the Fund in accordance with its management objective of preserving intergenerational equity.

The Distribution Rates for the Fund were set at 3.5%, 2.5%, 4.2%, 3.3%, 3.5% and 3.7% for each of two year periods 2008-2009, 2010-2011, 2012-2013, 2014-2015, 2016-2017 and 2018-2019, respectively. In November 2018, the SBOE approved a $2.2 billion distribution to the ASF for State fiscal biennium 2020-2021, to be made in equal monthly increments of $92.2 million, which represents a 2.981% Distribution Rate for the biennium and a per student distribution of $220.97, based on 2018 preliminary student average daily attendance of 5,004,998. In making the 2020-2021 biennium distribution decision, the SBOE took into account a commitment of the SLB to transfer $10 million to the PSF in fiscal year 2020 and $45 million in fiscal year 2021.

Changes in the Distribution Rate for each biennial period has been based on a number of financial and political reasons, as well as commitments made by the SLB in some years to transfer certain sums to the ASF. The new calculation base described above has been used to determine all payments to the ASF from the Fund beginning with the 2012-13 biennium. The broader base for the Distribution Rate calculation could increase transfers from the PSF to the ASF, although the effect of the broader calculation base has been somewhat offset since the 2014-2015 biennium by the establishment by the SBOE of somewhat lower Distribution Rates than for the 2012-2013 biennium. In addition, the changes made by the amendment that increased the calculation base that could affect the corpus of the Fund include the decisions that are made by the SLB or others that are, or may in the future be, authorized to make transfers of funds from the PSF to the ASF.

The constitutional amendments approved on November 8, 2011 also provided authority to the GLO or any other entity (other than the SBOE) that has responsibility for the management of land or other properties of the PSF to determine whether to transfer an amount each year to the ASF from the revenue derived during the current year from such land or properties. Prior to November 2019, the amount authorized to be transferred to the ASF from the GLO was limited to $300 million per year. On November 5, 2019, a constitutional amendment was approved by State voters that increased the maximum transfer to the ASF to $600 million each year from the revenue derived during that year from the PSF from each of the GLO, the SBOE or any other entity that may have the responsibility to manage such properties (at present there are no such other entities). Any amount transferred to the ASF pursuant to this constitutional provision is excluded from the 6% Distribution Rate limitation applicable to SBOE transfers. The exercise of the increased authorization for such transfers is subject to the discretion of the GLO and the SBOE, and such transfers could be taken into account by the SBOE for purposes of its distributions to the ASF that are made pursuant to the Total Return Constitutional Amendment. However, future legal and/or financial analysis may be needed before the impact on the Fund of the constitutional change effected in November 2019 can be determined.

Other Events and Disclosures

The State Investment Ethics Code governs the ethics and disclosure requirements for financial advisors and other service providers who advise certain State governmental entities, including the PSF. In accordance with the provisions of the State Investment Ethics Code, the SBOE periodically modifies its code of ethics, which occurred most recently in April 2018. The SBOE code of ethics includes prohibitions on sharing confidential information, avoiding conflict of interests and requiring disclosure filings with respect to contributions made or received in connection with the operation or management of the Fund. The code of ethics applies to members of the SBOE as well as to persons who are responsible by contract or by virtue of being a TEA PSF staff member for managing, investing, executing brokerage transactions, providing consultant services, or acting as a custodian of the PSF, and persons who provide investment and management advice to a member of the SBOE, with or without compensation under certain circumstances. The code of ethics is codified in the Texas Administrative Code at 19 TAC sections 33.5 et seq., and is available on the TEA web site at http://ritter.tea.state.tx.us/rules/tac/chapter033/ch033a.html#33.5.

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

In the 2011 legislative session, the Legislature approved an increase of 31 positions in the full-time equivalent employees for the administration of the Fund, which was funded as part of an $18 million appropriation for each year of the 2012-13 biennium, in addition to the operational appropriation of $11 million for each year of the biennium. The TEA has begun increasing the PSF administrative staff in accordance with the 2011 legislative appropriation, and the TEA received an appropriation of $30.2 million for the administration of the PSF for fiscal years 2016 and 2017, respectively, and $30.4 million for each of the fiscal years 2018 and 2019.

As of August 31, 2018, certain lawsuits were pending against the State and/or the GLO, which challenge the Fund's title to certain real property and/or past or future mineral income from that property, and other litigation arising in the normal course of the investment activities of the PSF. Reference is made to the Annual Report, when filed, for a description of such lawsuits that are pending, which may represent contingent liabilities of the Fund.

PSF Continuing Disclosure Undertaking

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

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

Annual Reports

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

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

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

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

Event Notices

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

Availability of Information

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

Limitations and Amendments

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

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

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

Compliance with Prior Undertakings

During the last five years, the TEA has not failed to substantially comply with its previous continuing disclosure agreements in accordance with Rule 15c2-12.

SEC Exemptive Relief

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

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Litigation Relating to the Texas Public School Finance System

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

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

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

Possible Effects of Changes in Law on District Bonds

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

During the 2019 Legislative Session, the State Legislature made numerous changes to the current public school finance system, the levy and collection of ad valorem taxes, and the calculation of defined tax rates, including particularly those contained in House Bill 3 ("HB 3") and Senate Bill 2 ("SB 2"). In some instances, the provisions of HB 3 and SB 2 will require further interpretation in connection with their implementation in order to resolve ambiguities contained in the bills. The District is still in the process of (a) analyzing the provisions of HB 3 and SB 2, and (b) monitoring the on-going guidance provided by TEA. The information contained herein under the captions "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" and "TAX RATE LIMITATIONS" is subject to *change, and only reflects the District's understanding of HB 3 and SB 2 based on information available to the District as of the date of this Official Statement. Prospective investors are encouraged to review HB 3, SB 2, and the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes, the calculation of the defined tax rates, and the administration of the current public school finance system.*

Overview

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

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

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

Local Funding for School Districts

During the 2019 Legislative Session, the State Legislature made several significant changes to the funding methodology for school districts (the "2019 Legislation"). The 2019 Legislation orders a school district's M&O tax rate into 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. The 2019 Legislation amended formulas for the State Compression Percentage and Maximum Compressed Tax Rate (each as described below) to compress M&O tax rates in response to year-over-year increases in property values across the State and within a school district, respectively. The discussion in this subcaption "Local Funding For School Districts" is generally intended to describe funding provisions applicable to all school districts; however, there are distinctions in the funding formulas for school districts that generate local M&O tax revenues in excess of the school districts' funding entitlements, as further discussed under the subcaption "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Revenue Level In Excess of Entitlement" herein.

State Compression Percentage

The "State Compression Percentage" for the State fiscal year ending in 2020 (the 2019-2020 school year) is a statutorily-defined percentage of the rate of $1.00 per $100 at which a school district must levy its Tier One Tax Rate to receive the full amount of the Tier One funding to which a school district is entitled. For the State fiscal year ending in 2020, the State Compression Percentage is set at 93% per $100 of taxable value. Beginning in the State fiscal year ending in 2021, the State Compression Percentage is the lesser of three alternative calculations: (1) 93% or a lower percentage set by appropriation for a school year; (2) a percentage determined by formula if the estimated total taxable property value of the State (as submitted annually to the State Legislature by the State Comptroller) has increased by at least 2.5% over the prior year; and (3) the prior year State Compression Percentage. For any year, the maximum State Compression Percentage is 93%.

Maximum Compressed Tax Rate

Pursuant to the 2019 Legislation, beginning with the State fiscal year ending in 2021 (the 2020-2021 school year) the Maximum Compressed Tax Rate (the "MCR") is the tax rate per $100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of three alternative calculations: (1) the school district's prior year MCR; (2) a percentage determined by formula if the school district experienced a year-over-year increase in property value of at least 2.5%; or (3) the product of the State Compression Percentage for the current year multiplied by $1.00. However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district's MCR is calculated to be less than 90% of any other school district's MCR for the current year, then the school district's MCR is instead equal to the school district's prior year MCR, until TEA determines that the difference between the school district's MCR and any other school district's MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase.

Tier One Tax Rate

For the 2019-2020 school year, the Tier One Tax Rate is the State Compression Percentage multiplied by (i) $1.00, or (ii) for a school district that levied an M&O tax rate for the 2018-2019 school year that was less than $1.00 per $100 of taxable value, the total number of cents levied by the school district for the 2018-2019 school year for M&O purposes; effectively setting the Tier One Tax Rate for the State fiscal year ending in 2020 for most school districts at $0.93. Beginning in the 2020-2021 school year, 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 $0.93 for the 2019-2020 school year, or equal to the school district's MCR for the 2020-2021 and subsequent years. Additionally, a school district's levy of Copper Pennies is subject to compression if the guaranteed yield (i.e., the guaranteed level of local tax revenue and State aid generated for each cent of tax effort) of Copper Pennies is increased from one year to the next (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts – Tier Two").

State Funding for School Districts

State funding for school districts is provided through the two-tiered Foundation School Program, which guarantees certain levels of funding for school districts in the State. School districts are entitled to a legislatively appropriated guaranteed yield on their Tier One Tax Rate and Enrichment Tax Rate. When a school district's Tier One Tax Rate and Enrichment Tax Rate generate tax revenues at a level below the respective entitlement, the State will provide "Tier One" funding or "Tier Two" funding, respectively, to fund the difference between the school district's entitlements and the 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 increase or decrease its Enrichment Tax Rate to supplement Tier One funding at a level of the school district's own choice. While Tier One funding may be used for the payment of debt service (except for school districts subject to the recapture provisions of Chapter 49 of the Texas Education Code, as discussed herein), and in some instances is required to be used for that purpose (see "TAX RATE LIMITATIONS – I&S Tax Rate Limitations"), Tier Two funding may not be used for the payment of debt service or capital outlay.

The current public school finance system also provides an Existing Debt Allotment ("EDA") to subsidize debt service on eligible outstanding school district bonds, an Instructional Facilities Allotment ("IFA") to subsidize debt service on newly issued bonds, and a New Instructional Facilities Allotment ("NIFA") to subsidize operational expenses associated with the opening of a new instructional facility. IFA primarily addresses the debt service needs of property-poor school districts. For the 2020-2021 State fiscal biennium, the State Legislature appropriated funds in the amount of $1,323,444,300 for the EDA, IFA, and NIFA.

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

Tier One

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

For the 2019-2020 State fiscal year, the Basic Allotment for school districts with a Tier One Tax Rate equal to $0.93, is $6,160 for each student in ADA and is revised downward for school districts with a Tier One Tax Rate lower than $0.93. For the State fiscal year ending in 2021 and subsequent State fiscal years, the Basic Allotment for a school district with a Tier One Tax Rate equal to the school district's MCR, is $6,160 (or a greater amount as may be provided by appropriation) for each student in ADA and is revised downward for a school district with a Tier One Tax Rate lower than the school district's MCR. The Basic Allotment is then supplemented for all school districts by various weights to account for differences among school districts and their student populations. Such additional allotments include, but are not limited to, increased funds for students in ADA who: (i) attend a qualified special education program, (ii) are diagnosed with dyslexia or a related disorder, (iii) are economically disadvantaged, or (iv) have limited English language proficiency. Additional allotments to mitigate differences among school districts include, but are not limited to: (i) a transportation allotment for mileage associated with transporting students who reside two miles or more from their home campus, (ii) a fast growth allotment (for school districts in the top 25% of enrollment growth relative to other school districts), and (iii) a college, career and military readiness allotment to further Texas' goal of increasing the number of students who attain a post-secondary education or workforce credential, and (iv) a teacher incentive allotment to increase teacher compensation retention in disadvantaged or rural school districts. A school district's total Tier One funding, divided by $6,160, is a school district's measure of students in "Weighted Average Daily Attendance" ("WADA"), which serves to calculate Tier Two funding.

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 2020-2021 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 2020-2021 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. Accordingly, the increase in the guaranteed yield from $31.95 per Copper Penny per student in WADA for the 2018-2019 school year to $49.28 per Copper Penny per student in WADA for the 2019-2020 school year requires school districts to compress their levy of Copper

Pennies by a factor of 0.64834. As such, school districts that levied an Enrichment Tax Rate of $0.17 in school year 2018-2019 must reduce their Enrichment Tax Rate to approximately $0.138 per $100 taxable value for the 2019-2020 school 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 2020-2021 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 2020-2021 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 2020-2021 State fiscal biennium on new bonds issued by school districts in the 2020-2021 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 2019 Legislative Session, the State Legislature appropriated funds in the amount of $100,000,000 for each fiscal year of the 2020-2021 State fiscal biennium for NIFA allotments.

Tax Rate and Funding Equity

The Commissioner may adjust a school district's funding entitlement if the funding formulas used to determine the school district's entitlement result in an unanticipated loss or gain for a school district. Any such adjustment requires preliminary approval from the Legislative Budget Board and the office of the Governor, and such adjustments may only be made through the 2020-2021 school year.

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

Furthermore, "property-wealthy" school districts that received additional State funds under the public school finance system prior to the enactment of the 2019 Legislation are entitled to an equalized wealth transition grant on an annual basis through the 2023-2024 school year in an amount equal to the amount of additional revenue such school district would have received under former Texas Education Code Sections 41.002(e) through (g), as those sections existed on January 1, 2019. This grant is phased out through the 2023-2024 school year as follows: (1) 20% reduction for the 2020-2021 school year, (2) 40% reduction for the 2021-2022 school year, (3) 60% reduction for the 2022-2023 school year, and (4) 80% reduction for the 2023-2024 school year.

Local Revenue Level in Excess of Entitlement

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

Whereas prior to the 2019 Legislation, the recapture process had been based on the proportion of a school district's assessed property value per student in ADA, recapture is now 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. The changes to the wealth transfer provisions are expected to reduce the cumulative amount of recapture payments paid by school districts by approximately $3.6 billion during the 2020-2021 State fiscal biennium.

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.

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

For the 2019-2020 school year, the District was designated as an "excess local revenue" Chapter 49 school district by TEA. Accordingly, the District has entered into a wealth equalization agreement with the Commissioner for the purchase of attendance credits for the 2019-20 school year, for the purpose of implementing permitted wealth equalization options.

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

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

AD VALOREM TAX PROCEDURES

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

Valuation of Taxable Property

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the District is the responsibility of the Harris County Appraisal District and the Chambers County Appraisal District (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 (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

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

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

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

State Mandated Homestead Exemptions

State law grants, with respect to each school district in the State, (1) a $25,000 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. See "Appendix A – Financial Information of the District – Assessed Valuation" for the reduction in taxable valuation attributable to state-mandated homestead exemptions.

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 governing body of a school district may not repeal or reduce the amount of the local option homestead exemption described in (1), above, that was in place for the 2014 tax year (fiscal year 2015) for a period ending December 31, 2019. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit. See "Appendix A – Financial Information of the District – Assessed Valuation" for the reduction in taxable valuation, if any, attributable to local option homestead exemptions.

State Mandated Freeze on School District Taxes

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

Personal Property

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

Freeport Exemptions

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

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

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

Other Exempt Property

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

Tax Increment Reinvestment Zones

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

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

Tax Limitation Agreements

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

For a discussion of how the various exemptions described above are applied by the District, see "AD VALOREM TAX PROCEDURES – The Property Tax Code as Applied to the District" herein.

District and Taxpayer Remedies

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

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

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

A school district is authorized to levy maintenance and operation ("M&O") taxes subject to approval of a proposition submitted to district voters under Section 45.003(d) of the Texas Education Code, as amended. The maximum M&O tax rate that may be levied by a district cannot exceed the voted maximum rate or the maximum rate described in the next succeeding paragraph. The maximum voted M&O tax rate for the District is $1.50 per $100 of assessed valuation as approved by the voters at an election held on October 8, 1966 under Article 2784e-1, Texas Revised Civil Statutes Annotated, as amended.

The 2019 Legislation established the following maximum M&O tax rate per $100 of taxable value that may be adopted by independent school districts, such as the District, for the 2019 and subsequent tax years:

> For the 2019 tax year, 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 product of the State Compression Percentage multiplied by $1.00. For the 2019 tax year, the state compression percentage has been set at 93%.
>
> For the 2020 and subsequent tax years, the maximum maintenance tax rate per $100 of taxable value that may be adopted by an independent school district is the sum of $0.17 and the school district's MCR. The District's MCR is, generally, inversely proportional to the change in taxable property values both within the District and the State, and is subject to recalculation annually. For any year, highest possible MCR for an independent school district is $0.93.

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

I&S Tax Rate Limitations

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

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

For the 2019 tax year, 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, and a failure to adopt a tax rate by such required date will result in the tax rate for the taxing unit being the lower of the "effective tax rate" calculated for that tax year or the tax rate adopted by the taxing unit for the preceding tax year. "Effective 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.

For the 2019 tax year, the Voter-Approval Tax Rate for a school district is the sum of (i) the State Compression Percentage, multiplied by $1.00; (ii) the greater of (a) the school district's M&O tax rate for the 2018 tax year, less the sum of (1) $1.00, and (2) any amount by which the school district is required to reduce its Enrichment Tax Rate for the 2019 tax year, or (b) $0.04; and (iii) the school district's I&S tax rate. For the 2019 tax year, a school district's M&O tax rate may not exceed the rate equal to the sum of (i) $0.17 and (ii) the product of the State Compression Percentage multiplied by $1.00.

For the 2019 tax year, a school district with a Voter-Approval Tax Rate equal to or greater than $0.97 (excluding the school district's current I&S tax rate) may not adopt tax rate for the 2019 tax year that exceeds the school district's Voter-Approval Tax Rate. For the 2019 tax year, the District is not eligible to adopt a tax rate that exceeds its Voter-Approval Tax Rate.

Beginning with the 2020 tax year, 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.

For the 2020 and subsequent tax years, 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. However, for only the 2020 tax year, if the governing body of the school district does not adopt by unanimous vote an M&O tax rate at least equal to the sum of the school district's MCR plus $0.05, then $0.04 is substituted for $0.05 in the calculation for such school district's Voter-Approval Tax Rate for the 2020 tax year. For the 2020 tax year, and subsequent years, 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).

Beginning with the 2020 tax year, 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.

Beginning with the 2020 tax year, a school district must annually calculate and prominently post on its internet website, and submit to the county tax assessor-collector for each county in which all or part of the school district is located its Voter-Approval Tax Rate in accordance with forms prescribed by the State Comptroller.

THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT

The Appraisal District has the responsibility for appraising property in the District as well as other taxing units in Harris and Chambers Counties, Texas (the "County"). Each Appraisal District is governed by a board of directors appointed by members of the governing bodies of various political subdivisions within the County.

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

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

The District does collect an additional 20% penalty to defray attorney costs in the collection of delinquent taxes over and above the penalty automatically assessed under the Tax Code.

The District's taxes are collected by the Goose Creek CISD.

The District allows split payments of taxes on homesteads but does not give discounts for early payment of taxes.

The District does participate in a tax increment reinvestment zone. The District does grant tax abatements.

The District does grant the additional local option exemption of up to 20% of the market value of residence homesteads.

The District has taken action to tax freeport property. The District has taken action to continue to tax goods-in-transit.

Foreign Free Trade Zone

The District and Katoen Natie Gulf Coast, Inc. ("Katoen Natie Gulf Coast") entered into an Agreement for Payment in Lieu of Ad Valorem Taxes in 2001 (and subsequently updated in 2013), in which the District agreed to allow the Katoen Natie Gulf Coast facility to be considered a Foreign Free Trade Zone and Katoen Natie Gulf Coast agreed to make payments to the District in lieu of ad valorem taxes in the amount equal to 25% of the full amount of ad valorem taxes that would have been owed. To date, while the parties are in compliance with the terms of the agreement, the District has not received any payments under the agreement.

The District has five other Free Trade Zone agreements with Sage V Foods/Frontier Logistics LLC, C&C North America, Inc. (d/b/a Cosentino North America), Dunavant Trans Gulf Transportation, LLC, Floor Décor Outlets of America, Inc. and Red Bull North America, Inc. These five properties are of substantially lesser value than the Katoen Natie Gulf Coast facility described above, and the District has not received any payments under the agreements.

In essence, these Foreign Free Trade Zones serve a similar purpose as granting the Freeport Exemption.

Chapter 313 Agreements

Company	First Year of Taxable Value for I&S Taxation[1]	Total Investment[2]	Capped Value for M&O Taxation	First Year Of Capped Value And Payments to the District[3]
Air Liquide Industries U.S. LP	2011/12	$ 147,482,865	$30,000,000	2013/14
Arkema Inc.	2012/13	$ 103,500,000	$30,000,000	2014/15
Oxiteno USA, LLC	2013/14	$ 87,893,173	$30,000,000	2015/16
Equistar Chemicals LP	2014/15	$ 499,174,081	$30,000,000	2016/17
Noltex LLC	2014/15	$ 180,000,000	$30,000,000	2016/17
Fairway Methanol LLC	2014/15	$ 798,000,000	$30,000,000	2016/17
Linde Gas North America, Inc.	2014/15	$ 225,675,627	$30,000,000	2016/17
Praxair, Inc.	2019/20	$ 168,430,530	$80,000,000	2020/21
Lyondell Chemical Co.	2019/20	$ 282,736,000	$80,000,000	2021/22

[1] *First year that a portion of the value was or will be placed on the tax rolls as set forth in the company's application.*
[2] *Total cumulative investment amount as set forth in the company's Biennial Chapter 313 Cost Data Request to the District for tax abatement. Celanese Ltd. has two 313 agreements that are still in the application and approval process.*
[3] *First year that payments in lieu of taxes were or will be remitted to the District as set forth in the company's application.*

The District does not guarantee the actual value of the properties, nor does it guarantee the performance of the company's fulfillment of the agreements.

In accordance with Chapter 313, each agreement provides that the full value of the facility is subject to taxation during the first 1 to 2 years of the agreement, and thereafter the District may levy its M&O Tax against a capped value for 8 to 10 years depending on the agreement. The agreements do not limit the tax value with respect to the District's debt service tax rate during any year. After the 8 to 10 year limitation period, the full tax value of the facilities is subject to taxation by the District for both operating and debt service purposes.

Tax Increment Reinvestment Zone

In May of 1999, the City of La Porte created a Tax Increment Reinvestment Zone, called the La Porte Zone (the "TIRZ"), for the purposes of development and redevelopment of an area within the City of La Porte boundaries. The La Porte Zone Board of Directors established a project plan and a reinvestment zone financing plan. In August of 1999, the District entered into an Interlocal Agreement with the City of LaPorte, establishing its participation in the TIRZ. The TIRZ and Interlocal Agreement were established pursuant to Chapter 791 of the Texas Government Code and Section 311.013 of the Texas Tax Code.

Subject to certain limitations, the District contributes the maintenance and operations taxes it levies and collects on the "incremental value" (taxable value in excess of the value of the base value established at the time of the creation of the TIRZ) to the increment fund of the TIRZ. The tax increment fund is then used to construct or finance public facilities within the TIRZ, including educational facilities. Interest and sinking fund taxes levied and collected on the "incremental value" are not contributed to the TIRZ.

See "Appendix A – Assessed Valuation" for the reduction in taxable valuation attributable in the foregoing exemptions.

EMPLOYEE BENEFIT PLANS AND OTHER POST-EMPLOYMENT BENEFITS

The District's employees participate in a retirement plan (the "Plan") with the State of Texas. The Plan is administered by the Teacher Retirement System of Texas ("TRS"). State contributions are made to cover costs of the TRS retirement plan up to certain statutory limits. The District is obligated for a portion of TRS costs relating to employee salaries that exceed the statutory limit. Aside from the District's contribution to TRS, the District has no pension fund expenditures or liabilities. For fiscal year ended June 30, 2019, the District made a contribution to TRS on a portion of their employee's salaries that exceeded the statutory minimum. The District generally does not offer any post-employment retirement benefits and has no liabilities for "Other Post Employment Retirement Benefits" as defined in GASB Statement No. 45. For a discussion of the TRS retirement plan, see "IV. OTHER INFORMATION. Note D. Defined Benefit Pension Plan" to the audited financial statements of the District that are attached hereto as Appendix D (the "Financial Statements").

As a result of its participation in the Plan and the TRS-Care Retired Plan and having no other post-retirement benefit plans, the District has no obligations for other post-employment benefits within the meaning of Governmental Accounting Standards Board ("GASB") Statement 45.

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

RATING

The Bonds are rated "AAA" by S&P Global Ratings ("S&P") based upon the guaranteed repayment thereof under the Permanent School Fund Guarantee Program of the Texas Education Agency (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein). The District's unenhanced, underlying rating, including the Bonds, is "AA" by S&P.

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

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

LEGAL MATTERS

The delivery of the Bonds is subject to the approval of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property in the District, and the approving legal opinion of Hunton Andrews Kurth LLP, Houston, Texas, Bond Counsel to the District ("Bond Counsel"), in substantially the form of Bond Counsel's opinion attached hereto as Appendix C. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds.

Though it represents the Financial Advisor from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the District in connection with the issuance of the Bonds. Except as noted below, Bond Counsel was not requested to participate, and did not take part in the preparation of this Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information appearing under the captions or subcaptions "THE BONDS" (except for the information included in the second paragraph under the subcaption "Notice of Redemption and DTC Notices" and under the subcaptions "Permanent School Fund Guarantee" and "Payment Record," as to which no opinion is expressed), and "CONTINUING DISCLOSURE OF INFORMATION" (except for the information under the sub-caption "Compliance With Prior Undertakings," as to which no opinion is expressed), and Bond Counsel is of the opinion that the statements and information contained therein fairly and accurately reflect the provisions of the Order; further, Bond Counsel has reviewed the statements and information contained in this Official Statement under the captions and sub-captions "STATE AND

LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS," "CURRENT PUBLIC SCHOOL FINANCE SYSTEM", "TAX RATE LIMITATIONS" (first paragraph only), "LEGAL MATTERS", "TAX MATTERS," "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," and "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE," and Bond Counsel is of the opinion that the statements and information contained therein are correct as to matters of law.

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

TAX MATTERS

Tax Exemption

Delivery of the Bonds is subject to the opinion of Hunton Andrews Kurth LLP, Houston, Texas, Bond Counsel, that interest on the Bonds (1) is not included in gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (2) is not an item of tax preference for purposes of the federal alternative minimum income tax.

The foregoing opinions of Bond Counsel are based on the Code and the regulations, rulings and court decisions thereunder in existence on the date of issue of the Bonds. Such authorities are subject to change and any such change could prospectively or retroactively result in the inclusion of the interest on the Bonds in gross income of the owners thereof or change the treatment of such interest for purposes of computing alternative minimum taxable income.

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

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

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

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

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

Proposed Tax Legislation

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

Tax Accounting Treatment of Original Issue Discount Bonds

Some of the Bonds may be offered at an initial offering price which is less than the stated redemption price payable at maturity of such Bonds. If a substantial amount of any maturity of the Bonds is sold to members of the public (which for this purpose excludes bond houses, brokers and similar persons or entities acting in the capacity of wholesalers or underwriters) at such initial offering price, each of the Bonds of that maturity (each a "Discount Bond") will be considered to have "original issue discount" for federal income tax purposes equal to the difference between (a) the stated redemption price payable at the maturity of such Discount Bond and (b) the initial offering price to the public of such Discount Bond. Under existing law, such original issue discount will be treated for federal income tax purposes as additional interest on a Bond and such initial owner will be entitled to exclude from gross income for federal income tax purposes that portion of such original issue discount deemed to be earned (as discussed below) during the period while such Discount Bond continues to be owned by such initial owner. Except as otherwise provided herein, the discussion regarding interest on the Bonds under the caption "TAX MATTERS - Tax Exemption" generally applies to original issue discount deemed to be earned on a Discount Bond while held by an owner who has purchased such Bond at the initial offering price in the initial public offering of the Bonds and that discussion should be considered in connection with this portion of the Official Statement.

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

Because original issue discount on a Discount Bond will be treated for federal income tax purposes as interest on a Bond, such original issue discount must be taken into account for certain federal income tax purposes as it is deemed to be earned even though there will not be a corresponding cash payment. Owners of a Discount Bond may be required to take into account such original issue discount as it is deemed to be earned for purposes of determining certain collateral federal tax consequences of owning a Bond. See "TAX MATTERS - Tax Exemption" for a reference to collateral federal tax consequences for certain other owners.

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

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

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

Tax Accounting Treatment of Original Issue Premium Bonds

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

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

INVESTMENT POLICIES

Investments

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

Legal Investments

Under State law and subject to certain limitations, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) "A" or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized United States government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an "A" or better rated state or national bank; (10) 270-day or shorter bankers' acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least "A-1" or "P-1"; (11) commercial paper rated at least "A-1" or "P-1"; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) "AAA" or "AAAm"-rated investment pools that invest solely in investments described above; and (15) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

The District may not, however, invest in (1) interest only obligations, or non-interest bearing principal obligations, stripped from mortgage-backed securities; (2) collateralized mortgage obligations that have a remaining term that exceeds 10 years; and (3) collateralized mortgage obligations that bear interest at an index rate that adjusts opposite to the changes in a market index. In addition, the District may not invest more than 15% of its monthly average fund balance (excluding bond proceeds and debt service funds and reserves) in mutual funds described in clause (13) above or make an investment in any mutual fund that exceeds 10% of the fund's total assets.

Except as stated above or inconsistent with its investment policy, the District may invest in obligations of any duration without regard to their credit rating, if any. If an obligation ceases to qualify as an eligible investment after it has been purchased, the District is not required to liquidate the investment unless it no longer carries a required rating, in which case the District is required to take prudent measures to liquidate the investment that are consistent with its investment policy.

Investment Policies

Under State law, the District is required to adopt and annually review written investment policies and must invest its funds in accordance with its policies. The policies must identify eligible investments and address investment diversification, yield, maturity, and the quality and capability of investment management. For investments whose eligibility is rating dependent, the policies must adopt procedures to monitor ratings and liquidate investments if and when required. The policies must require that all investment transactions settle on a delivery versus payment basis. The District is required to adopt a written investment strategy for each fund group to achieve investment objectives in the following order of priority: (1) suitability, (2) preservation and safety of principal, (3) liquidity, (4) marketability, (5) diversification, and (6) yield.

State law requires the District's investments 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." The District is required to perform an annual audit of the management controls on investments and compliance with its investment policies and provide regular training for its investment officers.

Current Investments

As of November 30, 2019, the District had approximately $8,376,645 (unaudited) invested in First Public, $11,922,504 (unaudited) invested in TexPool, $2,603,598 (unaudited) invested in Texas TERM, $12,889,509 invested in Texas Class (all of which are government investment pools that generally have the characteristics of a money-market mutual fund). The District also had approximately $5,000,000 (unaudited) in bank certificates of deposit. The market value of such investments (as determined by the District by reference to published quotations, dealer bids, and comparable information) is approximately 100% of the book value. No funds of the District are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

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

FINANCIAL ADVISOR

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

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data annually to the MSRB. The information to be updated includes financial information and operating data with respect to the District of the general type included in this Official Statement in Appendix A (such information being the "Annual Operating Report"). The District will additionally provide financial statements of the District (the "Financial Statements"), that will be (i) prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in Appendix D and (ii) audited, if the District commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The District will update and provide the Annual Operating Report within six months after the end of each fiscal year and the Financial Statements within twelve months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2020. The District may provide the Financial Statements earlier, including at the time it provides its Annual Operating Report, but if the audit of such Financial Statements is not complete within twelve months after any such fiscal year end, then the District shall file unaudited Financial Statements within such twelve-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

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

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

Notice of Certain Events

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

For these purposes, (a) an event described in clause (12) of in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District, and (b) the District intends the words used in the immediately preceding clauses (15) and (16) and the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

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 made 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 through EMMA at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that has been provided except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the District to comply with its agreement. Nothing in this paragraph is intended or shall act to disclaim, waive or limit the District's duties under federal or state securities laws.

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

Compliance with Prior Undertakings

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

LITIGATION

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

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

FORWARD-LOOKING STATEMENTS

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

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

WINNING BIDDER

After requesting competitive bids for the Bonds, the District accepted the bid of ____________ (the “Purchaser” or the “Initial Purchaser”) to purchase the Bonds at the interest rates shown on page ii of this Official Statement at a price of par, plus a cash premium of $___________, plus accrued interest on the Bonds from their Dated Date to their date of initial delivery. The District can give no assurance that any trading market will be developed for the Bonds after their sale by the District to the Purchaser. The District has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Initial Bonds, the Purchaser will be furnished a certificate, executed by proper officials of the District, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the District contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Bonds, on the date of such Official Statement, on the date of sale of said Bonds and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the District, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the District believes to be reliable and the District has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the District, since June 30, 2019, the date of the last financial statements of the District appearing in the Official Statement.

CONCLUDING STATEMENT

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

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

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

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

/s/

Pricing Officer

APPENDIX A

FINANCIAL INFORMATION OF THE DISTRICT

LA PORTE INDEPENDENT SCHOOL DISTRICT

Financial Information

ASSESSED VALUATION [1]

2018/19 Total Valuation…………………………………………		$ 12,601,233,839
Less Exemptions & Deductions [2]:		
State Homestead Exemption	258,535,438	
State Over-65 Exemption	30,972,114	
Disabled Homestead Exemption Loss	5,675,112	
Local Optional Over-65 Exemption	145,638,891	
Local Optional Homestead Exemption	370,844,271	
Veterans Exemption Loss	2,033,089	
Surviving Spouse Disabled Veteran	102,227	
Surviving Spouse Deceased First Responder	178,369	
Surviving Spouse Deceased Service Member	98,895	
Freeport / Foreign Trade Zone Exemption	1,072,630,237	
Pollution Control Exemption Loss	292,972,074	
Productivity Loss	74,838,204	
Solar and Wind-Powered Exemptions	111,525	
Prorations & Other Partial Exemptions	120,127	
Homestead Cap Loss	31,989,801	
	$ 2,286,740,374	
2018/19 Net Taxable Valuation [3]…………………………………		$ 10,314,493,465
2019/20 Net Taxable Valuation [4]…………………………………		$ 11,009,931,834

(1) Source: Comptroller of Public Accounts - Property Tax Division. The passage of a Texas Constitutional Amendment on November 3, 2015 increased the homestead exemption from $15,000 to $25,000.
(2) Excludes the values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers, which totaled $82,444,381 in 2018/19.
(3) The tax roll figures used in Appendix A represent the tax roll on which the District levies to fund the interest and sinking fund of the District for the payment of debt service on its unlimited tax-supported bonds (the "I&S" tax). Due to the Limitation Agreements described under "THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT" in the Official Statement, the District has a bifurcated tax roll where abated amounts are not taxed for purposes of the District's M&O tax levy, but are taxed for purposes of the I&S tax.
(4) Source: Certified Values from the Harris and Chambers County Appraisal Districts as of July 2019 with the $25,000 homestead exemption. Represents the tax roll on which the District levies to fund the interest and sinking fund of the District.

VOTED GENERAL OBLIGATION DEBT

Unlimited Tax Bonds Outstanding		$ 304,600,000
Plus: The Bonds [1]		30,000,000
Total Unlimited Tax Bonds [1]		334,600,000
Less: Interest & Sinking Fund Balance (As of June 30, 2019) [2]		(10,817,405)
Net General Obligation Debt		$ 323,782,595
Ratio of Net G.O. Debt to Net Taxable Valuation [3]	2.94%	
2019 Population Estimate [4]	38,743	
Per Capita Net Taxable Valuation	$284,179	
Per Capita Net G.O. Debt	$8,357	

(1) Preliminary, subject to change.
(2) Source: La Porte ISD Audited Financial Statement.
(3) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement and "DEBT SERVICE REQUIREMENTS" in this appendix and see the "Audited Financial Report Fiscal Year Ended June 30, 2019" in Appendix D for more information relative to the District's outstanding obligations. The ratio is calculated using the tax roll value used for the levy of the District's I&S tax.
(4) Source: Municipal Advisory Council of Texas.

PROPERTY TAX RATES AND COLLECTIONS

Fiscal Year	Net Taxable Valuation	Tax Rate	% Collections [4] Current [5]	Total [5]
2006/07	$ 4,967,170,632 (1)	$ 1.6350	98.24%	99.29%
2007/08	5,529,024,747 (1)	1.3050 (6)	97.54%	99.19%
2008/09	6,046,666,338 (1)	1.3250	93.30% (7)	95.25% (7)
2009/10	6,057,434,410 (1)	1.3250	98.51%	105.83%
2010/11	5,848,508,710 (1)	1.3250	98.68%	100.49%
2011/12	6,010,887,655 (1)	1.3550	98.91%	100.21%
2012/13	6,272,710,230 (1)	1.3300	98.93%	100.24%
2013/14	6,788,182,787 (1)	1.3300	98.60%	99.77%
2014/15	7,219,747,301 (1)	1.4500	98.68%	99.89%
2015/16	8,360,909,046 (1)(2)	1.4500	98.59%	99.84%
2016/17	9,484,091,465 (1)	1.4200	98.32%	99.58%
2017/18	9,933,340,937 (1)	1.3800	98.63%	99.87%
2018/19	10,314,493,465 (1)	1.3800 (8)	98.55%	100.13%
2019/20	11,009,931,834 (3)	1.2800 (8)	(In Process of Collection)	

(1) Source: Comptroller of Public Accounts - Property Tax Division.
(2) The passage of a Texas constitutional amendment on November 3, 2015 increased the homestead exemption from $15,000 to $25,000. The figure shown in the table is the tax roll value used for the levy of the District's I&S tax.
(3) Source: Certified Values from the Harris and Chambers County Appraisal Districts as of July 2019.
(4) Source: La Porte ISD Audited Financial Statements.
(5) Excludes penalties and interest.
(6) The declines in the District's Maintenance & Operation Tax for the 2006/07 and 2007/08 fiscal years are a function of House Bill 1 adopted by the Texas Legislature in May 2006. See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement.
(7) On June 1, 2009 Lyondell Chemical filed Chapter 11 bankruptcy proceedings in the U.S. Bankruptcy Court for the Southern District of New York. The company is currently up to date on ad valorem tax payments to the District. The District is unable to predict what impact, if any, this bankruptcy will have on future ad valorem tax payments by Lyondell Chemical.
(8) The decline in the District's Maintenance & Operation Tax from the 2018/19 fiscal year to the 2019/20 fiscal year was due to a one time decrease in the tax rate due to Hurricane Harvey.

TAX RATE DISTRIBUTION

	2015/16	2016/17	2017/18	2018/19 [1]	2019/20 [1]
Maintenance & Operations	$1.0400	$1.0400	$1.0400	$1.1700	$1.0400
Debt Service	$0.4100	$0.3800	$0.3400	$0.2100	$0.2400
Total Tax Rate	$1.4500	$1.4200	$1.3800	$1.3800	$1.2800

(1) The decline in the District's Maintenance & Operation Tax from the 2018/19 fiscal year to the 2019/20 fiscal year was due to a one time decrease in the tax rate due to Hurricane Harvey.

VALUATION AND FUNDED DEBT HISTORY

Fiscal Year	Net Taxable Valuation	Bond Debt Outstanding [1]	Ratio Debt to A.V. [2]
2006/07	$ 4,967,170,632	$ 107,985,000	2.17%
2007/08	5,529,024,747	186,870,000	3.38%
2008/09	6,046,666,338	180,665,000	2.99%
2009/10	6,057,434,410	201,665,000	3.33%
2010/11	5,848,508,710	221,035,000	3.78%
2011/12	6,010,887,655	208,845,000	3.47%
2012/13	6,272,710,230	200,635,000	3.20%
2013/14	6,788,182,787 [3]	192,380,000	2.83%
2014/15	7,219,747,301 [3]	346,380,000	4.80%
2015/16	8,360,909,046 [3]	371,335,000	4.44%
2016/17	9,484,091,465 [3]	350,980,000	3.70%
2017/18	9,933,340,937 [3]	335,450,000	3.38%
2018/19	10,314,493,465 [3]	319,985,000	3.10%
2019/20	11,009,931,834 [3]	334,600,000 [4]	3.04%

(1) The Bonds are illustrated on the State of Texas fiscal year end of August 31st, although the District's fiscal year ends June 30th.
(2) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement, "DEBT SERVICE REQUIREMENTS" in this Appendix and see the "Audited Financial Report Fiscal Year Ended August 31, 2019" in Appendix D for more information.
(3) Beginning with the 2013/14 tax year, the District has a bifurcated tax roll. See "THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT" in the Official Statement.
(4) Includes the Bonds. Preliminary, subject to change.

ESTIMATED OVERLAPPING DEBT STATEMENT

Taxing Body	Amount	Percent Overlapping	Amount Overlapping
Chambers County	$ 20,465,000	0.00%	$ -
Clear Lake City Water Authority	110,690,000	10.73%	11,877,037
Deer Park, City of	42,145,600	29.76%	12,542,531
Harris County	1,478,697,125	2.26%	33,418,555
Harris Co Dept of Ed	6,320,000	2.26%	142,832
Harris Co Flood Control	83,075,000	2.26%	1,877,495
Harris Co Hosp Dist	57,300,000	2.26%	1,294,980
Harris Co Toll Road	-	2.26%	-
La Porte, City of	15,990,461	93.52%	14,954,279
Morgan's Point, City of	4,281,541	100.00%	4,281,541
Pasadena, City of	96,188,185	5.30%	5,097,974
Port of Houston Auth	572,569,397	2.26%	12,940,068
San Jacinto CCD	491,672,707	18.70%	91,942,796
Shoreacres, City of	4,350,000	100.00%	4,350,000
Total Overlapping Debt [1]			$ 194,720,088
La Porte Independent School District [2]			323,782,595
Total Direct & Overlapping Debt			$ 518,502,683
Ratio of Net Direct & Overlapping Debt to Net Taxable Valuation		4.71%	
Per Capita Direct & Overlapping Debt		$13,383	

(1) Equals gross-debt less self-supporting debt.
(2) Includes the Bonds. Preliminary, subject to change.

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

PRINCIPAL TAXPAYERS

2019/20 Top Ten Taxpayers [1]

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Equistar Chemical LP	Industrial/Chemical	$ 693,419,126	6.30%
Fairway Methanol LLC	Industrial/Chemical	578,146,303	5.25%
Kuraray America Inc.	Industrial/Chemical	425,345,165	3.86%
Enterprise Products	Industrial/Chemical	411,376,045	3.74%
Air Liquide	Industrial/Chemical	397,279,863	3.61%
Braskem America Inc.	Industrial/Chemical	254,274,790	2.31%
Liberty Property	Land	198,035,970	1.80%
Albermarle Catalysts Co. LP	Industrial/Chemical	181,486,112	1.65%
HRUS Underwood LLC	Commercial Building	162,679,619	1.48%
Linde Gas North American LLC	Manufacturing	161,173,672	1.46%
		$ 3,463,216,665	31.46% [3]

2018/19 Top Ten Taxpayers [2]

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Equistar Chemical LP	Industrial/Chemical	$ 628,004,998	6.09%
Fairway Methanol LLC	Industrial/Chemical	576,639,169	5.59%
Enterprise Products	Industrial/Chemical	407,947,605	3.96%
Kuraray America Inc.	Industrial/Chemical	397,465,169	3.85%
Air Liquide	Industrial/Chemical	391,799,334	3.80%
Albermarle Catalysts Co. LP	Industrial/Chemical	179,658,046	1.74%
Noltex LLC	Industrial/Chemical	162,365,659	1.57%
HRUS Underwood LLC	Commercial Building	160,217,832	1.55%
Linde Gas North American LLC	Manufacturing	139,655,321	1.35%
Celanese Ltd.	Industrial/Chemical	127,741,323	1.24%
		$ 3,171,494,456	30.75%

2017/18 Top Ten Taxpayers [2]

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Celanese Ltd.	Industrial/Chemical	$ 711,969,253	7.17%
Equistar Chemical LP	Industrial/Chemical	660,855,419	6.65%
Air Liquide	Industrial/Chemical	418,380,208	4.21%
Enterprise Products	Industrial/Chemical	399,025,217	4.02%
Kuraray America Inc.	Industrial/Chemical	379,504,568	3.82%
Albermarle Catalysts Co. LP	Industrial/Chemical	187,991,186	1.89%
Noltex LLC	Industrial/Chemical	177,604,101	1.79%
Linde Gas North American LLC	Manufacturing	145,403,211	1.46%
Liberty Property	Land	142,759,978	1.44%
HRUS Underwood LLC	Commercial Building	127,186,309	1.28%
		$ 3,350,679,450	33.73%

(1) Source: Top Taxpayers from the Harris County Appraisal District.
(2) Source: Comptroller of Public Accounts - Property Tax Division.
(3) As shown in the tables above, the top ten taxpayers in the District currently account for more than 31% of the District's tax base. Adverse developments in economic conditions could adversely impact the businesses in the District and the tax values in the District, resulting in less local tax revenue. If any major taxpayer were to default in the payment of taxes, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or, perhaps, to sell tax anticipation notes until such amounts could be collected, if ever. See "REGISTERED OWNERS REMEDIES."

CLASSIFICATION OF ASSESSED VALUATION BY USE CATEGORY [1]

Category	2018/19	% of Total	2017/18	% of Total	2016/17	% of Total
Real, Residential, Single-Family	$ 2,375,982,823	18.86%	$ 2,330,556,209	19.26%	$ 2,145,437,759	18.20%
Real, Residential, Multi-Family	122,326,955	0.97%	119,722,383	0.99%	101,595,134	0.86%
Real, Vacant Lots/Tracts	201,337,387	1.60%	180,728,181	1.49%	169,505,708	1.44%
Real, Acreage	75,195,362	0.60%	160,586,952	1.33%	68,117,395	0.58%
Real, Farm & Ranch Improvements	71,448,109	0.57%	2,430,322	0.02%	90,557,241	0.77%
Real, Commercial & Industrial	6,745,437,442	53.53%	6,462,593,380	53.41%	6,205,764,134	52.64%
Oil & Gas	-	0.00%	-	0.00%	-	0.00%
Utilities	153,880,285	1.22%	148,641,429	1.23%	144,522,507	1.23%
Tangible Personal, Commercial	719,244,355	5.71%	677,594,860	5.60%	658,017,905	5.58%
Tangible Personal, Industrial	2,119,247,499	16.82%	1,999,810,618	16.53%	2,187,799,399	18.56%
Tangible Personal, Mobile Homes & Other	7,046,992	0.06%	7,167,162	0.06%	7,139,804	0.06%
Tangible Personal, Residential Inventory	677,839	0.01%	771,551	0.01%	872,299	0.01%
Tangible Personal, Special Inventory	9,408,791	0.07%	9,228,158	0.08%	9,971,223	0.08%
Total Appraised Value	$ 12,601,233,839	100.00%	$ 12,099,831,205	100.00%	$ 11,789,300,508	100.00%
Less:						
Homestead Cap Adjustment	$ 31,989,801		$ 60,494,851		$ 57,722,186	
Productivity Loss	74,838,204		77,514,627		65,946,246	
Exemptions	2,179,912,369 [2]		2,028,480,790 [2]		2,181,540,611 [2]	
Total Exemptions/Deductions [3]	$ 2,286,740,374		$ 2,166,490,268		$ 2,305,209,043	
Net Taxable Assessed Valuation	$ 10,314,493,465		$ 9,933,340,937		$ 9,484,091,465	

Category	2015/16	% of Total	2014/15	% of Total	2013/14	% of Total
Real, Residential, Single-Family	$ 1,985,621,287	18.61%	$ 1,778,565,641	19.20%	$ 1,641,423,299	18.75%
Real, Residential, Multi-Family	90,339,458	0.85%	87,182,589	0.94%	79,580,539	0.91%
Real, Vacant Lots/Tracts	144,796,571	1.36%	144,075,177	1.56%	140,986,513	1.61%
Real, Acreage	47,241,225	0.44%	54,401,127	0.59%	132,853,158	1.52%
Real, Farm & Ranch Improvements	73,043,567	0.68%	74,656,270	0.81%	1,608,529	0.02%
Real, Commercial & Industrial	5,129,107,215	48.08%	4,246,903,026	45.86%	3,912,136,376	44.69%
Oil & Gas	-	0.00%	-	0.00%	-	0.00%
Utilities	126,200,247	1.18%	120,055,902	1.30%	109,618,167	1.25%
Tangible Personal, Commercial	651,370,231	6.11%	564,380,615	6.09%	523,798,514	5.98%
Tangible Personal, Industrial	2,398,541,032	22.49%	2,176,931,516	23.51%	2,199,811,875	25.13%
Tangible Personal, Mobile Homes & Other	6,110,765	0.06%	5,727,373	0.06%	5,633,156	0.06%
Tangible Personal, Residential Inventory	1,403,187	0.01%	1,300,327	0.01%	244,216	0.00%
Tangible Personal, Special Inventory	13,343,810	0.13%	7,371,058	0.08%	6,106,138	0.07%
Total Appraised Value	$ 10,667,118,595	100.00%	$ 9,261,550,621	100.00%	$ 8,753,800,480	100.00%
Less:						
Homestead Cap Adjustment	$ 68,660,730		$ 34,543,299		$ 12,790,906	
Productivity Loss	46,871,180		52,555,685		46,035,091	
Exemptions	2,190,677,639 [2]		1,954,704,336		1,906,791,696	
Total Exemptions/Deductions [3]	$ 2,306,209,549		$ 2,041,803,320		$ 1,965,617,693	
Net Taxable Assessed Valuation	$ 8,360,909,046		$ 7,219,747,301		$ 6,788,182,787	

(1) Source: Comptroller of Public Accounts - Property Tax Division.
(2) The passage of a Texas constitutional amendment on November 3, 2015 increased the homestead exemption from $15,000 to $25,000.
(3) Excludes values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers.

PRINCIPAL REPAYMENT SCHEDULE [1]

Fiscal Year Ending 8/31	Outstanding Bonds	Plus: The Bonds [2]	Total [2]	Bonds Unpaid At Year End	Percent of Principal Retired
2020	$ 15,385,000.00	$ -	$ 15,385,000.00	$ 334,600,000.00	4.40%
2021	15,340,000.00	-	15,340,000.00	319,260,000.00	8.78%
2022	15,315,000.00	980,000.00	16,295,000.00	302,965,000.00	13.43%
2023	15,825,000.00	1,185,000.00	17,010,000.00	285,955,000.00	18.30%
2024	16,370,000.00	1,395,000.00	17,765,000.00	268,190,000.00	23.37%
2025	16,960,000.00	1,580,000.00	18,540,000.00	249,650,000.00	28.67%
2026	17,520,000.00	1,780,000.00	19,300,000.00	230,350,000.00	34.18%
2027	18,050,000.00	2,005,000.00	20,055,000.00	210,295,000.00	39.91%
2028	18,595,000.00	2,175,000.00	20,770,000.00	189,525,000.00	45.85%
2029	19,145,000.00	2,325,000.00	21,470,000.00	168,055,000.00	51.98%
2030	19,700,000.00	2,510,000.00	22,210,000.00	145,845,000.00	58.33%
2031	20,325,000.00	2,655,000.00	22,980,000.00	122,865,000.00	64.89%
2032	12,035,000.00	2,725,000.00	14,760,000.00	108,105,000.00	69.11%
2033	12,510,000.00	2,810,000.00	15,320,000.00	92,785,000.00	73.49%
2034	12,995,000.00	2,895,000.00	15,890,000.00	76,895,000.00	78.03%
2035	13,530,000.00	2,980,000.00	16,510,000.00	60,385,000.00	82.75%
2036	14,125,000.00		14,125,000.00	46,260,000.00	86.78%
2037	14,755,000.00		14,755,000.00	31,505,000.00	91.00%
2038	15,410,000.00		15,410,000.00	16,095,000.00	95.40%
2039	16,095,000.00		16,095,000.00	-	100.00%
Total	$ 319,985,000.00	$ 30,000,000.00	$ 349,985,000.00		

(1) The Bonds are illustrated on the State of Texas fiscal year end of August 31st, although the District's fiscal year ends June 30th.

(2) Preliminary, subject to change.

DEBT SERVICE REQUIREMENTS [1]

Fiscal Year Ending 8/31	Outstanding Debt Service [2]	Plus: The Bonds [3] Principal	Interest	Total	Combined Total [2] [3] [4]
2020	$ 28,211,998.66	$ -	$ -	$ -	$ 28,211,998.66
2021	27,446,809.59	-	1,105,049.18	1,105,049.18	28,551,858.77
2022	26,697,373.37	980,000.00	708,282.50	1,688,282.50	28,385,655.87
2023	26,505,889.57	1,185,000.00	686,632.50	1,871,632.50	28,377,522.07
2024	26,321,503.32	1,395,000.00	660,832.50	2,055,832.50	28,377,335.82
2025	26,163,043.19	1,580,000.00	631,082.50	2,211,082.50	28,374,125.69
2026	25,996,907.36	1,780,000.00	597,482.50	2,377,482.50	28,374,389.86
2027	25,809,919.16	2,005,000.00	559,632.50	2,564,632.50	28,374,551.66
2028	25,672,981.26	2,175,000.00	517,832.50	2,692,832.50	28,365,813.76
2029	25,564,125.01	2,325,000.00	472,832.50	2,797,832.50	28,361,957.51
2030	25,430,850.01	2,510,000.00	424,482.50	2,934,482.50	28,365,332.51
2031	25,337,168.76	2,655,000.00	370,841.25	3,025,841.25	28,363,010.01
2032	16,457,431.26	2,725,000.00	301,425.00	3,026,425.00	19,483,856.26
2033	16,451,806.26	2,810,000.00	218,400.00	3,028,400.00	19,480,206.26
2034	16,452,668.76	2,895,000.00	132,825.00	3,027,825.00	19,480,493.76
2035	16,457,290.63	2,980,000.00	44,700.00	3,024,700.00	19,481,990.63
2036	16,455,062.50				16,455,062.50
2037	16,458,850.00				16,458,850.00
2038	16,455,525.00				16,455,525.00
2039	16,448,700.00				16,448,700.00
	$ 446,795,903.67	$ 30,000,000.00	$ 7,432,332.93	$ 37,432,332.93	$ 484,228,236.60

(1) The Bonds are illustrated on the State of Texas fiscal year end of August 31st, although the District's fiscal year ends June 30th.
(2) The District receives federal subsidy payments for its Unlimited Tax Schoolhouse Bonds, Taxable Series 2010B (Build America Bonds)(the "Series 2010B Bonds") which are transferred to the District's General Fund. Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, certain automatic reductions in federal spending took effect as of March 1, 2013. These required reductions in federal spending include a reduction in federal subsidies for certain qualified bonds, including the Series 2010B Bonds. The sequestration reduction rate will be applied until the end of the current fiscal year (September 30, 2020) or until intervening Congressional action, at which time the sequestration rate is subject to change. Payments to issuers of such qualified bonds, including the District, are subject to a reduction of 5.9% of the amount budgeted for such payments. It is anticipated that federal payments to the District for the Series 2010B Bonds will be reduced as described above. The District can make no prediction as to the length or long-term effects of the sequestration.
(3) Preliminary, subject to change.
(4) Based on its wealth per student, the District does not expect to receive any Instructional Facilities Allotment nor Existing Debt Allotment state financial assistance for debt service in 2019/20. The amount of state financial assistance for debt service, if any, may differ substantially each year depending on a variety of factors, including the amount, if any, appropriated for that purpose by the state legislature and a school district's wealth per student. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement.

TAX ADEQUACY WITH RESPECT TO THE DISTRICT'S BONDS

Projected Maximum Debt Service Requirement [1]	$ 28,551,858.77
Projected State Financial Assistance for Hold Harmless of Increased Homestead Exemption [2]	215,000.00
Projected Net Debt Service Requirement	$ 28,336,858.77
$0.26263 Tax Rate @ 98% Collections Produces	$ 28,336,858.78
2019/20 Net Taxable Assessed Valuation	$ 11,009,931,834

(1) Includes the Bonds. Preliminary, subject to change.
(2) The amount of state financial assistance for debt service, if any, may differ substantially each year depending on a variety of factors, including the amount, if any, appropriated for that purpose by the state legislature and a school district's wealth per student. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement. The District will not receive any Instructional Facilities Allotment nor Existing Debt Allotment state aid in 2019/20, but will receive additional state aid for the increase in the homestead exemption which took effect in 2015/16.

AUTHORIZED BUT UNISSUED BONDS

Following the issuance of the Bonds, the District will not have any authorized but unissued unlimited ad valorem tax bonds from the May 10, 2014 bond election or any other bond election. The District may incur other financial obligations payable from its collection of taxes and other sources of revenue, including maintenance tax notes payable from its collection of maintenance taxes, public property finance contractual obligations, delinquent tax notes, and leases for various purposes payable from State appropriations and surplus maintenance taxes.

COMPARATIVE STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES [1]

	Fiscal Year Ended August 31				
	2015	**2016**	**2017**	**2018**	**2019**
Beginning Fund Balance	**$ 30,816,032**	**$ 28,312,504**	**$ 29,098,923**	**$ 33,240,467**	**$ 34,908,586**
Revenues:					
Local and Intermediate Sources	$ 74,769,199	$ 86,949,692	$ 97,623,840	$ 98,129,830	$ 111,963,242
State Sources	5,994,146	5,320,733	7,097,589	7,034,704	8,473,704
Federal Sources & Other	1,266,710	1,092,245	1,515,693	1,431,727	3,076,691
Total Revenues	**$ 82,030,055**	**$ 93,362,670**	**$ 106,237,122**	**$ 106,596,261**	**$ 123,513,637**
Expenditures:					
Instruction	$ 35,639,489	$ 38,405,399	$ 39,852,562	$ 40,760,467	$ 41,204,195
Instructional Resources & Media Services	453,423	436,350	450,127	442,718	342,011
Curriculum & Instructional Staff Development	756,543	1,021,958	763,128	666,490	676,863
Instructional Leadership	787,266	870,155	842,818	865,459	824,068
School Administration	4,017,963	4,076,614	4,291,710	4,433,985	4,469,733
Guidance, Counseling & Evaluation Services	2,146,027	2,331,138	2,535,301	2,840,485	2,490,355
Social Work Services	206,208	191,978	231,422	248,452	264,097
Health Services	767,532	803,623	857,062	888,209	927,231
Student (Pupil) Transportation	3,118,632	3,230,518	2,807,383	2,792,377	2,796,118
Cocurricular/Extracurricular Activities	1,370,545	1,457,788	1,458,870	1,737,084	1,629,216
General Administration	2,828,048	2,970,756	2,978,760	3,227,129	3,007,982
Plant Maintenance and Operations	7,456,520	7,534,999	7,765,509	7,601,475	8,101,005
Security and Monitoring Services	522,436	550,551	1,276,459	1,423,170	1,587,102
Data Processing Services	1,308,405	1,553,344	1,580,842	1,508,071	1,533,809
Community Services	61,041	19,216	25,284	9,897	15,577
Contracted Instructional Services	20,877,309	24,531,648	31,237,688	33,224,648	46,925,331
Payments to Fiscal Agent	81	12,367	108,101	111,516	128,845
Payments to Juvenile Justice Alternative Programs	19,800	19,800	19,800	19,800	59,400
Payments to Tax Incremental Fund	1,407,985	1,671,451	2,054,938	1,141,045	2,779,617
Other Intergovernmental Charges	788,330	886,598	964,114	993,774	1,037,446
Total Expenditures	**$ 84,533,583**	**$ 92,576,251**	**$ 102,101,878**	**$ 104,936,251**	**$ 120,800,001**
Excess (Deficiency) of Revenues over Expenditures	$ (2,503,528)	$ 786,419	$ 4,135,244	$ 1,660,010	$ 2,713,636
Other Resources and (Uses):					
Sale of Real or Personal Property	$ -	$ -	$ -	$ -	$ 2,732,055
Transfers In	-	-	6,300	8,313	2,450
Transfer Out	-	-	-	(204)	-
Total Other Resources (Uses)	**$ -**	**$ -**	**$ 6,300**	**$ 8,109**	**$ 2,734,505**
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	$ (2,503,528)	$ 786,419	$ 4,141,544	$ 1,668,119	$ 5,448,141
Ending Fund Balance	**$ 28,312,504**	**$ 29,098,923**	**$ 33,240,467**	**$ 34,908,586**	**$ 40,356,727**

(1) See "MANAGEMENT'S DISCUSSION AND ANALYSIS - Economic Factors and Next Year's Budgets and Rates" in Appendix D hereto for a discussion of the 2019/20 budget and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - Possible Effects of Wealth Transfer Provisions on the District's Financial Condition" in the Official Statement.

CHANGE IN NET ASSETS [1]

	Fiscal Year Ended August 31				
	2015	2016	2017	2018	2019
Revenues:					
Program Revenues:					
Charges for Services	$ 1,889,044	$ 1,772,868	$ 1,786,552	$ 1,381,671	$ 1,766,660
Operating Grants and Contributions	9,702,933	11,674,605	10,009,652	(4,549,099)	9,574,383
General Revenues:					
Property Taxes Levied for General Purposes	79,067,056	85,819,764	94,533,779	96,468,292	105,918,780
Property Taxes Levied for Debt Service	23,617,432	33,374,353	35,688,808	32,937,911	21,204,806
Grants and Contributions Not Restricted	2,019,394	1,954,568	5,962,210	5,701,540	11,823,223
Investment Earnings	90,049	488,351	897,470	1,238,456	1,829,958
SHARS/MAC	1,266,710	1,092,245	-	-	-
Special Item - Loss on Disposal of Capital Asset	-	(106,287)	(14,514,094)	-	-
Special Item - Gain on Sale of Capital Asset	-	-	-	-	2,732,055
Miscellaneous	2,351,123	2,257,067	2,853,468	1,066,686	5,987,237
Transfer In (Out)	(2,500)	-	-	-	-
Total Revenue	$ 120,001,241	$ 138,327,534	$ 137,217,845	$ 134,245,457	$ 160,837,102
Expenses:					
Instruction	$ 44,530,011	$ 49,759,289	$ 52,296,542	$ 38,856,109	$ 58,059,849
Instruction Resources & Media Services	484,361	458,306	454,722	348,770	371,144
Curriculum & Staff Development	1,282,550	1,329,946	1,025,854	693,000	985,087
Instructional Leadership	839,282	925,493	1,025,658	615,858	1,155,213
School Leadership	3,991,291	4,302,695	4,374,173	2,853,808	4,852,010
Guidance, Counseling & Evaluation Services	2,574,355	2,887,377	2,997,386	1,824,276	3,960,798
Social Work Services	204,158	207,172	231,094	228,045	268,286
Health Services	813,607	839,418	875,217	591,858	1,002,204
Student Transportation	3,422,132	3,619,700	3,024,166	2,383,859	3,068,613
Food Service	4,001,664	4,269,781	4,517,973	3,250,726	4,567,997
Cocurricular/Extracurricular Activities	2,171,413	2,374,697	2,320,363	2,122,573	2,726,363
General Administration	2,949,663	3,255,560	3,155,391	2,707,853	3,339,518
Plant Maintenance & Operations	9,929,472	11,431,976	10,633,698	10,070,631	11,491,142
Security and Monitoring Services	524,177	551,098	1,300,140	1,243,185	1,933,772
Data Processing Services	3,736,801	3,899,246	3,577,687	2,435,287	2,896,056
Community Services	75,006	39,369	38,258	20,614	28,609
Debt Service - Interest	12,548,106	14,074,233	13,753,627	13,000,225	12,473,266
Debt Service - Issuance Cost and Fees	-	-	8,750	8,000	8,000
Facilities Repair and Maintenance	9,506	44,521	29,396	-	-
Contracted Instructional Services	20,877,309	24,531,648	31,237,688	33,224,648	46,925,331
Payments to Fiscal Agent	130,571	118,619	108,101	111,516	128,845
Payments to Juvenile Justice Alternative Ed Program	19,800	19,800	19,800	19,800	59,400
Payments to Tax Increment Fund	1,407,985	1,671,451	2,054,938	1,141,045	2,779,617
Other Intergovernmental Charges	788,330	886,598	964,114	993,774	1,037,446
Total Expenditures	$ 117,311,550	$ 131,497,993	$ 140,024,736	$ 118,745,460	$ 164,118,566
Change in Net Assets	$ 2,689,691	$ 6,829,541	$ (2,806,891)	$ 15,499,997	$ (3,281,464)
Beginning Net Assets	$ 71,125,958	$ 62,968,567	$ 69,798,108	$ 66,991,217	$ 37,007,259
Prior Period Adjustment	$ (10,847,082) [2]	$ -	$ -	$ (45,483,955) [3]	$ -
Ending Net Assets	$ 62,968,567	$ 69,798,108	$ 66,991,217	$ 37,007,259	$ 33,725,795

(1) The foregoing information represents government-wide financial information provided in accordance with GASB 34.
(2) In 2015, the prior period adjustment resulted from implementing GASB 68 and to correct prior year ending balance.
(3) In 2018, an adjustment has been made to the prior period as a result of implementing GASB Statement 75 (Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions).

APPENDIX B

GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

LA PORTE INDEPENDENT SCHOOL DISTRICT
General and Economic Information

La Porte Independent School District (the "District") is located within the southeast portion of Harris County and includes the Cities of La Porte, Shoreacres, Morgan's Point and a section of southeast Deer Park. The economy is dependent on oil production and refining. The District covers a 56.25 square mile area and is primarily composed of heavy industrial sites. The sites are located on the Houston Ship Channel, the nation's 2nd largest port, and in the Bayport Industrial Development, which serves as the center of Texas' largest chemical industry. The Bayport Industrial Development is located in the southern portion of the District and covers an area of 10,500 acres, 7,600 of which lie within the District. Barbours Cut Terminal, also included in the District, handles in excess of three million tons of cargo annually.

Harris County (the "County") is a southeast Texas county and a major component of the Houston Primary Metropolitan Statistical Area.

Source: Texas Municipal Report for La Porte ISD and Harris County.

Enrollment Statistics

Year	Elementary (PK-5)	Sixth Grade (6)	Junior High (7-8)	High (9-12)	Total
2007-08	3,818	586	1,195	2,341	7,940
2008-09	3,862	559	1,206	2,287	7,914
2009-10	3,862	579	1,118	2,288	7,847
2010-11	3,815	608	1,134	2,259	7,816
2011-12	3,841	551	1,194	2,182	7,768
2012-13	3,746	625	1,148	2,228	7,747
2013-14	3,674	533	1,165	2,256	7,628
2014-15	3,717	567	1,179	2,185	7,648
2015-16	3,689	579	1,164	2,321	7,753
2016-17	3,682	576	1,178	2,277	7,713
2017-18	3,629	545	1,179	2,235	7,588
2018-19 (a)	3,364	574	1,126	2,146	7,210

(a) As of October 2019

District Staff

Teachers	463
Auxiliary Personnel	336
Teachers' Aides & Secretaries	211
Administrators	51
Other (Counselors, RNs, Librarians)	119
	1,180

Facilities

Campus	Grades	Current Enrollment	Capacity	Year Built	Year of Addition/ Renovation
La Porte Early Childhood Center	6 weeks - PK	29	*		
Rizzuto Elementary	K-5	481	700	1984	Renovations: 2010, 2016
Jennie Reid Elementary	K-5	414	545	1981	Renovations: 2010, 2016
Lomax Elementary	K-5	487	750	2016	Renovations: 2019
La Porte Elementary	PK-5	532	588	1999	Renovations: 2010, 2016
Heritage Elementary	EE-5	521	750	2007	Renovations: 2016
College Park Elementary	PK-5	472	549	1969	Renovations: 1972, 2010, 2016
Bayshore Elementary	EE-5	457	750	2009	Renovations: 2016
Baker Sixth Grade Campus	6	574	750	2016	N/A
Lomax Junior High	7-8	606	761	1986	Renovations: 2009, 2016
La Porte Junior High	7-8	520	694	1944	Renovations: 1955, 1999, 2010, 2016
La Porte High School	9-12	1,951	2,900	1959	Renovations: 1976, 1978, 1996, 2007, 2009, 2016, 2017
De Walt Alternative School		195	200	1999	Renovations: 2010

**Part of Heritage Elementary*

Unemployment Rates

	October 2017	October 2018	October 2019
Harris County	4.5%	3.9%	3.6%
State of Texas	3.8%	3.5%	3.3%

Source: Texas Workforce Commission.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

HUNTON
ANDREWS KURTH

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

___________, 2020

WE HAVE ACTED as Bond Counsel for the La Porte Independent School District (the "District") in connection with an issue of bonds (the "Bonds") described as follows:

> LA PORTE INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2020, dated February 1, 2020, in the aggregate principal amount of $_________.
>
> The Bonds mature, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Bonds and in the order (the "Order") adopted by the Board of Trustees of the District authorizing their issuance.

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

WE HAVE NOT BEEN REQUESTED to examine, and have not investigated or verified, any original proceedings, records, data or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the District or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the District's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

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

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

appropriate cases; and the Bonds have been authorized and delivered in accordance with law; and

(2) The Bonds are payable, both as to principal and interest, from the receipts of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property located within the District, which taxes have been pledged irrevocably to pay the principal of and interest on the Bonds.

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

EXCEPT AS DESCRIBED HEREIN, we express no opinions as to any other matters except with respect to the excludability of the interest on the Bonds from gross income from the owners thereof for federal income tax purposes.

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

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

APPENDIX D

AUDITED FINANCIAL REPORT
FISCAL YEAR ENDED AUGUST 31, 2019

LA PORTE INDEPENDENT SCHOOL DISCTRICT

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2019

Every Student's Success is our #1 Priority!

1002 San Jacinto Street, La Porte, TX 77571 | www.lpisd.org

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2019

LA PORTE INDEPENDENT SCHOOL DISTRICT

1002 San Jacinto Street, La Porte, Texas 77571

Prepared By The LPISD Business Office

Lloyd W. Graham
Superintendent of Schools

Rhonda Cumbie
Chief Financial Officer

(This page intentionally left blank.)

LA PORTE INDEPENDENT SCHOOL DISTRICT

TABLE OF CONTENTS

June 30, 2019

LA PORTE INDEPENDENT SCHOOL DISTRICT

TABLE OF CONTENTS (Continued)

June 30, 2019

LA PORTE INDEPENDENT SCHOOL DISTRICT

TABLE OF CONTENTS (Continued)

June 30, 2019

(This page intentionally left blank.)

INTRODUCTORY SECTION

(This page intentionally left blank.)

La Porte Independent School District

1002 San Jacinto Street
La Porte, Texas 77571

Lloyd W. Graham
Superintendent of Schools

(281) 604-7001
Fax (281) 604-7010
lpisd.org

November 12, 2019

Ms. Kathy Green, President,
Members of the Board of Trustees, and
Citizens of the La Porte Independent School District

The Texas Education Code requires that all school districts file a complete set of financial statements with the Texas Education Agency (TEA) within 150 days of the close of each fiscal year. The financial statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited by a firm of licensed certified public accountants in accordance with generally accepted auditing standards. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the La Porte Independent School District (the "District") for the fiscal year ended June 30, 2019. The CAFR is management's report of financial operations to the Board of Trustees (the Board), taxpayers, grantor agencies, employees, the TEA, and other interested parties.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, resides with the District. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operation of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

Management of the District is responsible for establishing and maintaining internal control structures designed to ensure that the assets of the District are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The financial statements of the District have been audited by Belt Harris Pechacek, LLLP, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2019 are free from material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District's financial statements for the fiscal year ended June 30, 2019, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements is part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and legal requirements involving the administration of federal awards. These reports are available in the Federal Awards section of this report. The results of the District's Single Audit for the fiscal year ended June 30, 2019 provided no instances of material weaknesses in the internal control structures or material violations of applicable laws and regulations.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

Profile of the District

Residents of the District elect a seven-member Board of Trustees (the Board), each of whom serves for three years. The District is not included in any other governmental "reporting entity" since the Board is elected by the public and has decision making authority. Monthly meetings of the Board are posted and advertised as prescribed under state laws so that the Board may fulfill its charge to the students, parents, staff, and taxpayers of the District. Special meetings or study sessions are scheduled as needed. The Board has final control over all school matters except as limited by state law.

The District occupies 55 square miles in Southeast Harris County. Included in its boundaries are the cities of La Porte, Shoreacres, Morgan's Point, and a small section of southeast Deer Park and Pasadena. Established for the 1915-1916 school year, the District is fortunate to have the support of the La Porte community which has retained that special "hometown" feeling while being able to take advantage of opportunities offered by the nearby metropolitan Houston area. During the 2018-2019 fiscal year, the District operated one traditional 9th-12th grade high school, one alternative 9th-12th grade high school, two junior high schools, one 6th grade campus, and seven elementary schools. The District serves approximately 7400 students, and provides a full range of educational services appropriate to grade levels Pre-K through 12. These include regular and enriched academic education, special education for children with special needs, career and technology education, and programs for students with limited English proficiency. These basic programs are supplemented by a wide variety of offerings in fine arts and athletics.

A Vision for the District

The District's Portrait of a Graduate presents a set of attributes that reflect our district's high expectations and commitment to provide our students with pride, loyalty, academic and social accomplishment, citizenship, curiosity, and a lifelong desire to contribute back to the greater community. This portrait serves as a framework for developing a coherent set of competencies for all District students.

The goals for improvement, which grew out of a comprehensive needs assessment and the work of the District Board staff, and community, are to increase achievement and success for every student through rigorous, broad-based academic programs and expanded opportunities; provide a safe, secure, and disciplined learning environment; attract, develop, and retain excellent staff; promote family engagement and active involvement of the community in the education of our students; and ensure and demonstrate efficient and effective use of District resources.

Economic Condition and Outlook

The information presented in the financial statements is perhaps best understood when it is considered within the broader perspective of the specific environment in which the District operates. Located just southeast of Houston, Texas, in Harris County, the District is a dynamic factor in the quality of life and economic development efforts of the area. The largest industries surrounding the District include and are presented in descending order, manufacturing, construction, and educational services. The local economy is subject to volatility in the price of hydrocarbons. La Porte (the "City") adjoins the Barbours Cut Terminal, operated by the Port of Houston and the largest of its terminals allotted to handle standardized cargo containers. The La Porte area has an estimated population of 35,423, the most recent update from the US Census Bureau for year-end 2018 and a 0.1% increase from 2017. Additionally, Texas Work Force Commission and Texas Labor Market Information for year-end 2018 reported the City has seen less than a 1.5% unemployment rate decrease. While primarily industrial in nature, the City has an active and thriving family and business component. It provides easy access to many educational and cultural advantages of the greater Houston/Galveston metropolitan areas. The commercial/industrial growth and the overall economic health of the area have dramatically increased in recent years. Increased property values and growth in the District's tax base easily demonstrate this. The strong collaborative ties with the chamber of commerce, the business community, other local governmental entities in the area, and San Jacinto College, the District is continuing to make new inroads in building support and targeting resources to achieve the greatest impact for all of our students.

In the past ten years, the District and the surrounding areas have been impacted by several natural disasters which negatively impacted District enrollment and growth. While enrollment numbers have steadily decreased and projected numbers do not reflect significant change, the District remains active in promoting what La Porte has to offer. Our 2014 Bond Project provided our children with updated facilities across the District. The projects included, a new replacement elementary campus and sixth grade campus, major additions/reconstruction at La Porte High School, significant renovations to elementary and junior high campuses, additions/improvements to technology, maintenance and transportation, and many other District-wide improvements.

The financial, cultural, educational, and recreational climate of the area is a testimony to the collective leadership and to the communities' progressive attitude toward responsible growth and their vision of the future.

Financial Information

Accounting Systems — The Board of Trustees maintains a system of accounting controls designed to assist the administration in meeting its responsibility for accurately reporting the financial condition of the District. The system is designed to provide reasonable assurance that assets are safeguarded against loss, theft, or misuse so activities can be recorded and transacted by the administration for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement.

The cost of operating the District's schools and the revenues to cover these costs are recorded in the General Fund. Food service operations and special programs funded by state or federal government grants designed to accomplish a particular objective are recorded in Special Revenue Funds.

The District accounts for school construction financed by bond sales through a Capital Projects Fund. A specific portion of the tax rate is dedicated to payment of bond principal and interest. These transactions are recorded in the Debt Service Fund.

The District has established Internal Service Funds to account for the transactions of its self-insured workers' compensation plan and its print shop. Income for the self-funded workers' compensation plan is derived primarily from charges to governmental funds based on employee salaries. Income for the print shop is derived primarily from charges to governmental funds for printing services.

Financial schedules for fiduciary funds are included in the CAFR. Fiduciary funds are trust and agency funds used to account for assets held by the District in a trustee capacity. Included in this type of fund are the scholarship and activity funds.

The District's accounting records are maintained on a modified accrual basis for governmental fund types and a full accrual basis for the proprietary fund types as prescribed by the TEA's Financial Accountability System Resource Guide (FASRG). Additionally, the District has prepared the Government-wide Financial Statements on the full accrual basis as required by Governmental Accounting Standards Board Statement No. 34.

Financial data is submitted by the District to the TEA through the Public Education Information Management System (PEIMS). The data is then analyzed, reviewed, and presented to the State Board of Education.

Budgetary Process – State law requires that every local education agency in Texas prepare and file an annual budget of anticipated revenues and expenditures with the TEA. The budget itself is prepared utilizing a detailed line item approach for governmental fund types and is prepared in accordance with the budgeting requirements as outlined in the FASRG. The annual budget serves as the foundation for the District's financial planning and control. The District maintains budgetary controls throughout all of its financial systems. The objective of these controls is to ensure compliance with legal provisions embodied in the annually appropriated budget approved by the Board. Activities of the general fund, child nutrition fund and debt service fund are included in the annually appropriated budget. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is established by function within each individual fund. The District also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Although encumbered amounts lapse at year-end, they are generally re-appropriated as part of the next year's budget. The budget may be amended during the year to address unanticipated or changing needs of the District. Changes to functional expenditures categories, revenues, and other sources and uses require Board approval.

Significant Financial Activities – The District's total tax base in 2018-19 was over $10.19 billion, an increase of 3.77% from the previous year. The tax rates per $100 of assessed value for the past five years are shown on the following table.

Year	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
M&O	1.04	1.04	1.04	1.04	1.17
I&S	0.41	0.41	0.38	0.34	0.21

Major Indicators

In looking at the most common indicators of quality in a school system, the following are examples of major indicators in the District:

Test Scores – Under the State accountability system, STAAR (State of Texas Assessments of Academic Readiness) testing, the District as a whole met the State's expectations for the 2018-2019 school year. This is the seventh consecutive year that the State has awarded ratings as part of the STAAR accountability system. The District and all campuses have met the state's standards since the inception of the program. Additionally, districts and campuses may receive distinctions in recognition of outstanding achievement towards performance index goals. Six District campuses were recognized with distinctions in one or more areas. La Porte Elementary earned five, Leo A. Rizzuto Elementary earned four distinctions, followed by Jennie Reid and College Park Elementary with two distinctions. Earning one distinction each were Heritage and Lomax Elementary schools.

Attendance Rate – Despite the lack of growth in the District and the problems facing families today, the attendance rate in the District remains high at 94.3%.

Dropout Rate – The dropout rate remains below the State average, meaning more students are finishing high school and are entering college or the work force.

Public Support – Pursuant to voter approval of a $260 million bond authorization on August 12, 2015, the District sold $72,545,000 in bonds. Additionally, another $43,385,000 in bonds was sold on June 7, 2016. At the end of the 2018-19 school year, all construction projects were 100% complete except for La Porte High School's Parking Lot Project and Lomax Elementary and Administration Building Security Vestibules which began this summer. This bond has allowed the District to make substantial improvements resulting in improved student and staff morale, as well as creating an attractive environment to draw future families and students to the La Porte community.

Awards and Acknowledgments

Financial Reporting Awards

The TEA has awarded the District a rating of "Superior" for the year ended June 30, 2018. This is the fifteenth year of the State's financial accountability rating system for school districts ("School FIRST"). The District has received the highest possible rating for the past fifteen years. The rating is based upon an analysis of staff and student data reported for the 2017-2018 school year and budgetary and actual financial data for the fiscal year ended June 30, 2018. The primary goal of School FIRST is to ensure quality performance in the management of school districts' financial resources, a goal made more significant due to the complexity of accounting associated with Texas' school finance system.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its CAFR for the fiscal year ended June 30, 2018. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The District was also awarded the Certificate of Excellence in Financial Reporting by the Association of School Business Officials International (ASBO) for its CAFR for the fiscal year ended June 30, 2018. The District believes that the current CAFR continues to conform to the standards for which this award is granted and we will again submit the report for review.

Acknowledgments – As we come to the completion of construction, we would like to express appreciation to all the stakeholders of the community for voting for the 2014 $260 million bond referendum. We would also like to express appreciation to the Board for its concern for providing fiscal accountability to patrons of our District and for its leadership in the development of one of the best educational operations within the State. Countless hours have been devoted to this District by teachers, principals, and supporting staff and thanks is extended to the entire District Team that has worked so hard to provide the high-quality, cost-efficient education to the students we serve. Additionally, the preparation of this report was accomplished through much time and effort on the part of the District Finance department, and special appreciation is expressed to them.

Lloyd Graham
Superintendent

Rhonda Cumbie
Rhonda Cumbie
Chief Financial Officer

Sheila V. Cantu
Sheila V. Cantu
Director of Finance

CERTIFICATE OF BOARD

La Porte Independent School District	Harris	101-916
Name of School District	County	Co. Dist. Number

We, the undersigned, clarify that the attached annual financial reports of the above named school district were reviewed and (check one) ✓ approved _____ disapproved for the year ended June 30, 2019, at a meeting of the Board of Trustees of such school district on the 19th day of November, 2019.

Signature of Board Secretary

Kathy Green

Signature of Board President

If the Board of Trustees disapproved of the auditors' report, the reason(s) for disapproving it is (are):

(attach list as necessary)

La Porte Independent School District

Principal Officials and Advisors

Board of Trustees

Trustee	Office	Completed Years of Service	Term Expires May	Occupation
Kathy Green	President	15	2020	Retired Training Coordinator
Lee Wallace	Vice President	9	2021	Retired GB Biosciences
Dennis Slate	Secretary	2	2020	Retired Police Officer
David Janda	Trustee	7	2021	Teacher
Lois Rogerson	Trustee	6	2020	Retired Teacher
Dee Anne Thomson	Trustee	9	2022	Warehouse Operations Manager
Charlcya Wheeler	Trustee	15	2022	Retired

Administrative Officials

Official	Position	Years of Service	
		Total	District
Lloyd W. Graham	Superintendent	30	11
Rhonda Cumbie	Chief Financial Officer	22	11
Dr. Linda Wadleigh	Deputy Superintendent	34	19
Mike Clausen	Deputy Superintendent	50	50
Danette Tilley	Executive Director, Secondary Education	30	15
Jewel Whitfield	Executive Director, Elementary Education	22	19
Angela Garza-Viator	Executive Director, Human Resources	21	21
Sheila V. Cantu	Director of Finance	18	10
Terri Cook	Public Information Officer, Director-Public Relations	19	11

Consultants and Advisors

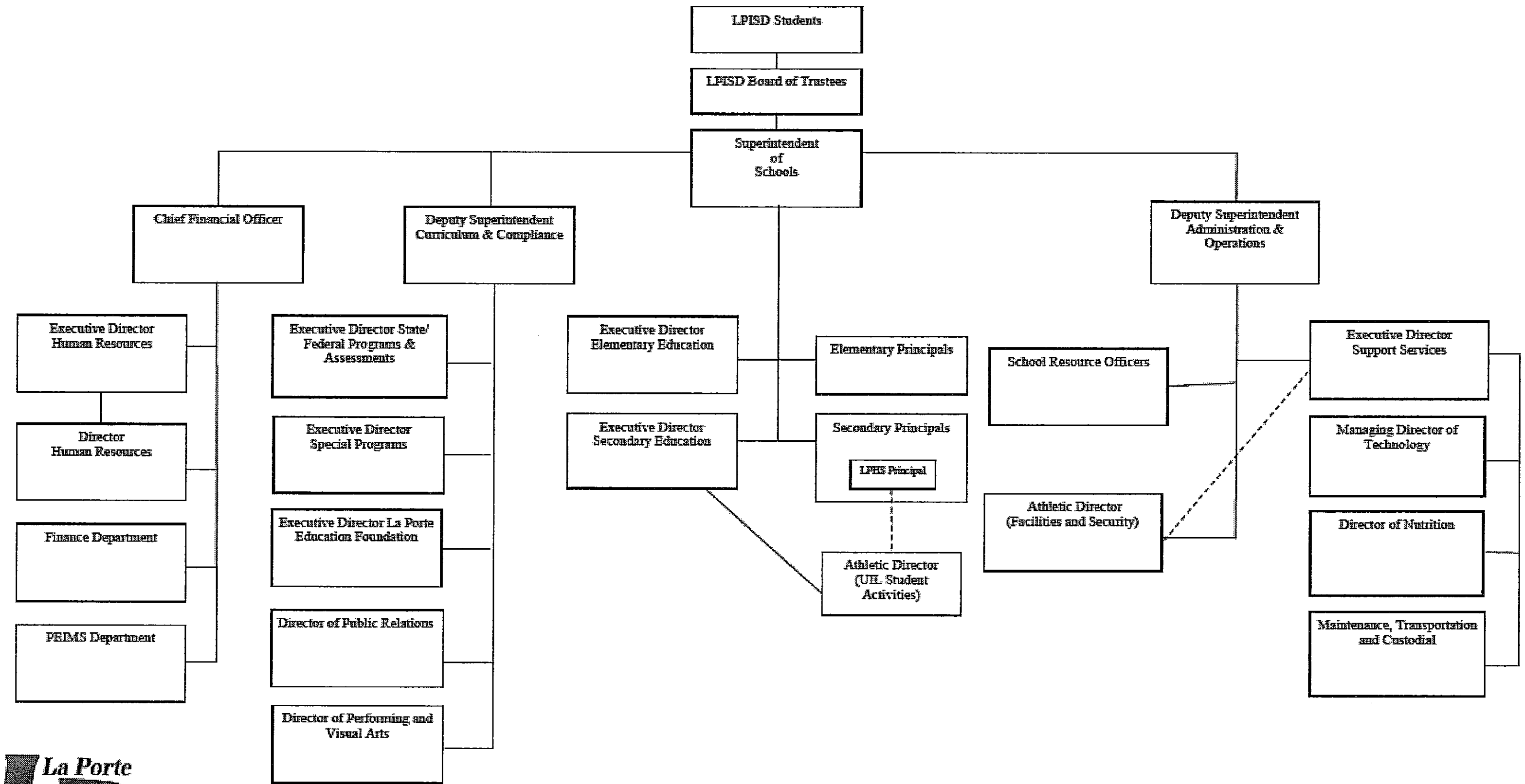
Belt Harris Pechacek, LLLP.
Independent Auditors
3210 Bingle Rd, Suite 300 • Houston, Texas 77055

Hunton, Andrews Kurth, L.L.P.
Bond Counsel
600 Travis, Suite 4200 • Houston, Texas 77010

SAMCO Capital Markets, Inc.
Financial Advisor
11111 Katy Freeway #820 • Houston, Texas 77079

2018-2019

La Porte Independent School District
Organizational Chart



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

La Porte Independent School District

Texas

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill

Executive Director/CEO

ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

The Certificate of Excellence in Financial Reporting
is presented to

La Porte Independent School District

for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2018.

The CAFR meets the criteria established for
ASBO International's Certificate of Excellence.

CERTIFICATE OF EXCELLENCE IN FINANCIAL REPORTING

Tom Wohlleber, CSRM
President

Siobhán McMahon, CAE
Chief Operating Officer

(This page intentionally left blank.)

FINANCIAL SECTION

(This page intentionally left blank.)

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
La Porte Independent School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of La Porte Independent School District (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Houston · Austin · Bellville · Woodville
3210 Bingle Rd., Ste. 300, Houston, TX 77055 // P: 713.263.1123 // info@txauditors.com // www.texasauditors.com

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedules of the District's proportionate share of the net pension and other postemployment benefits liability, and schedules of District contributions, identified as Required Supplementary Information on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, other supplementary information, statistical section, and the schedule of required responses to selected school first indicators are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

The introductory section, the schedule of required responses to selected school first indicators, and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Belt Harris Pechacek, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
November 12, 2019

(This page intentionally left blank.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

(This page intentionally left blank.)

As the management of La Porte Independent School District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with the notes to the basic financial statements and the financial statements themselves to enhance their understanding of the District's financial condition.

FINANCIAL HIGHLIGHTS

- The District's total combined net position at June 30, 2019 was $33,725,795.

- For the fiscal year ended June 30, 2019, the District's general fund reported a total fund balance of $40,356,727, of which $1,330,676 is nonspendable for inventories and prepaid items, $2,156,054 is committed for insurance and compensated absences and $36,869,997 is unassigned.

- At the end of the fiscal year, the District's governmental funds (the general fund plus all state and federal grant funds, the debt service fund, and the capital projects fund) reported combined ending fund balances of $66,032,356, a decrease of $7,319,928 in comparison with the prior year. The decrease in governmental funds was primarily due to decreases of $7,427,662, $5,248,548, and $91,899 in the debt service fund, capital projects fund, and nonmajor governmental funds, respectively, and an increase of $5,448,141 in the general fund

- The District's long term debt decreased by $15,465,000 or 4.6 percent during the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of three parts – *Management's Discussion and Analysis* (this section), the *Basic Financial Statements*, and *Required Supplementary Information.* The basic statements include two kinds of statements that present different views of the District.

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.

- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.

- The *governmental funds* statements tell how *general government* services were financed in the *short-term,* as well as what remains for future spending.

- The *proprietary fund* statements provide information about services provided to parties inside the District. The proprietary funds include the internal service funds used to account for the District's self-insured workers' compensation insurance program and its print shop.

- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the fiduciary resources belong. These funds include student activity funds as well as the District's trust fund that is maintained for student scholarships.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The notes to the financial statements are followed by a section entitled *Required Supplementary Information* that further explains and supports the information in the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the District as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the District as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the District's financial statements, report information on the District's activities that enable the reader to understand the financial condition of the District. These statements are prepared using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the District's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other nonfinancial factors, such as changes in the District's tax base, staffing patterns, enrollment, and attendance, need to be considered in order to assess the overall health of the District.

The Statement of Activities presents information showing how the District's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities include the following class of activities:

> *Governmental Activities* – Most of the District's basic services such as instruction, extracurricular activities, curriculum and staff development, health services, general administration, and plant operation and maintenance are included in *governmental activities*. Locally assessed property taxes, together with State foundation program entitlements, which are based upon student enrollment and attendance, finance most of the governmental activities.

The government-wide financial statements can be found after the MD&A.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are simply accounting devices that are used to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and other funds are mandated by bond agreements or bond covenants.

- The Board of Trustees (the "Board") establishes other funds to control and manage money set aside for particular purposes or to show that the District is properly using certain taxes and grants.

- Other funds are used to account for assets held by the District in a custodial capacity – these assets do not belong to the District, but the District is responsible to properly account for them.

The District has the following kinds of funds:

- *Governmental Funds* – Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

- *Proprietary funds* – The District maintains one proprietary fund type. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses internal service funds to account for workers' compensation self-insurance claims and fees, as well as activity in the District's print shop. The internal service funds are included within *governmental activities* in the government-wide financial statements.

- *Fiduciary funds* – The District serves as the trustee, or fiduciary, for certain funds such as student activity funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its governmental operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net position was $33,725,795 at June 30, 2019. Table 1 focuses on net position while Table 2 shows the revenues and expenses that changed the net position balance during the fiscal year ended June 30, 2019. The District reported a decrease of $3,281,464 in combined net position from the prior year. A decrease in property tax revenue, along with increasing expenses due to chapter 41 recapture payments, contributed to this decrease. The large change in operating grants and contributions is primarily due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting of Postemployment Benefits Other Than Pensions,* in the prior year. The new valuation methods in GASB 75 resulted in an extremely unusual fluctuation for entities that participated in the TRS state-wide OPEB plan. GASB's guidance provides for changes in actuarial assumptions to be treated as a current period expense. The reduction in benefit terms as approved by the 84th Texas legislative session resulted in a reduction in benefit terms and therefor resulted in a negative current period expense and contra revenue for 2018.

Table 1
Net Position

Description	Governmental Activities 2019	Governmental Activities 2018	Total Change 2019-2018
Current assets	$ 88,462,729	$ 97,736,528	$ (9,273,799)
Capital assets	356,437,747	366,663,245	(10,225,498)
Total Assets	444,900,476	464,399,773	(19,499,297)
Deferred charge on refunding	7,143,454	8,118,998	(975,544)
Deferred ouflows - pensions	14,436,552	5,244,305	9,192,247
Deferred outflows - OPEB	3,936,131	363,027	3,573,104
Total Deferred Outflows of Resources	25,516,137	13,726,330	11,789,807
Current liabilities	23,478,109	25,961,890	(2,483,781)
Long-term liabilities	401,833,950	401,834,775	(825)
Total Liabilities	425,312,059	427,796,665	(2,484,606)
Deferred inflows - pensions	1,566,661	2,484,214	(917,553)
Deferred inflows - OPEB	9,812,098	10,837,965	(1,025,867)
Total Deferred Inflows of Resources	11,378,759	13,322,179	(1,943,420)
Net Position:			
Net investment in capital assets	31,956,441	30,910,969	1,045,472
Restricted	6,796,928	14,810,662	(8,013,734)
Unrestricted	(5,027,574)	(8,714,372)	3,686,798
Total Net Position	$ 33,725,795	$ 37,007,259	$ (3,281,464)

Table 2
Changes in Net Position

	Governmental Activities 2019	Governmental Activities 2018	Total Change 2019-2018
Revenues:			
Program revenues:			
Charges for services	$ 1,766,660	$ 1,381,671	$ 384,989
Operating grants and contributions	9,574,383	(4,549,099)	14,123,482
General revenues:			
Property taxes	127,123,586	129,406,203	(2,282,617)
Grants and contributions not restricted for specific programs	11,823,223	5,701,540	6,121,683
Investment earnings	1,829,958	1,238,456	591,502
Other revenue	8,719,292	1,066,686	7,652,606
Total Revenue	160,837,102	134,245,457	26,591,645
Expenses:			
Instruction	58,059,849	38,856,109	19,203,740
Instructional resources and media services	371,144	348,770	22,374
Curriculum/instructional staff development	985,087	693,000	292,087
Instructional leadership	1,155,213	615,858	539,355
School leadership	4,852,010	2,853,808	1,998,202
Guidance, counseling, and evaluation services	3,960,798	1,824,276	2,136,522
Social work services	268,286	228,045	40,241
Health services	1,002,204	591,858	410,346
Student (pupil) transportation	3,068,613	2,383,859	684,754
Food services	4,567,997	3,250,726	1,317,271
E data process	2,726,363	2,122,573	603,790
General administration	3,339,518	2,707,853	631,665
Plant maintenance & operations	11,491,142	10,070,631	1,420,511
Security and monitoring services	1,933,772	1,243,185	690,587
Data processing services	2,896,056	2,435,287	460,769
Community services	28,609	20,614	7,995
Debt service - interest	12,473,266	13,000,225	(526,959)
Bond issuance costs and fees	8,000	8,000	-
Contracted instructional services between schools	46,925,331	33,224,648	13,700,683
Payments to fiscal agent/member districts of SSA	128,845	111,516	17,329
Payments to juvenile justice alternative education programs	59,400	19,800	39,600
Payments to tax increment fund	2,779,617	1,141,045	1,638,572
Other intergovernmental charges	1,037,446	993,774	43,672
Total Expenses	164,118,566	118,745,460	45,373,106
Change in Net Position	(3,281,464)	15,499,997	(18,781,461)
Beginning net position	37,007,259	21,507,262	15,499,997
Ending Net Position	$ 33,725,795	$ 37,007,259	$ (3,281,464)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the close of the fiscal year ending June 30, 2019, the District's governmental funds reported a combined fund balance of $66,032,356. This compares to a combined fund balance of $73,352,284 at June 30, 2018. The fund balance in the general fund increased due to an increase in property tax collections as a result of a change in the allocation of the overall property tax rate which increased maintenance and operations and decreased debt service taxes. The fund balance in the debt service fund decreased due to debt service payments exceeding interest and sinking property tax collections as a result of the change in allocation of property tax rates. The fund balance in the capital projects fund decreased as a result of continued capital improvements and completion of projects in the District.

GENERAL FUND BUDGETARY HIGHLIGHTS

In accordance with State law and generally accepted accounting principles, the District prepares an annual budget for the general fund, the food service special revenue fund, and the debt service fund. The District budgets the capital projects fund for each *project*, which normally covers multiple years. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the period ended June 30, 2019, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenditures. There were no material changes between the original budget and the final amended budget. The general fund's actual revenues exceeded budgeted revenues by $2,775,766 and the budgeted expenditures exceeded actual expenditures by $2,875,142. The positive variance in revenues was primarily due to greater federal program revenue than originally anticipated. The positive variance in expenditures is primarily due to less plant maintenance and operations expenditures, as well as instructional expenditures than anticipated.

CAPITAL ASSETS

Capital assets are defined by the District as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. During the fiscal year ended June 30, 2019, the District used a capitalization threshold of $5,000, which means that all capital type assets, including library books, with a cost or initial value of less than $5,000 were not included in the capital assets inventory.

At June 30, 2019, the District had a total of $356,437,747 invested in capital assets (net of accumulated depreciation) such as land, construction in progress, buildings, and District equipment. This total includes $2,785,541 invested during the fiscal year ended June 30, 2019.

More detailed information about the District's capital assets can be found in the notes to the financial statements.

LONG-TERM DEBT

At year end, the District had $341,038,095 in general obligation bonds outstanding versus $358,587,198 last year.

More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

MAJOR INITIATIVES

The District continued its partnership with San Jacinto College (the "College") and the La Porte San Jacinto College Center (the "College Center") where students may receive dual enrollment credit while attending La Porte High School. The goal of the College Center is to provide opportunities for students to earn college credit and/or industry certification. The District and the College instituted the Accelerated College Education (ACE) dual credit program where eligible students can graduate with an Associate degree in addition to a high school diploma. In 2019, 34 students graduated with an Associate degree. The District anticipates 51 graduates in 2020 and 56 graduates in 2021.

The District provided purposeful professional development prior to the beginning of the school year for teachers, administrators, counselors, other professional staff, and paraprofessional staff. Instructional workshop topics included: Lead4ward; English Language Arts/Reading (ELAR); new Texas Essential Knowledge and Skills (TEKS) training; Houghton Mifflin Harcourt (HMH) ELAR product training and collaboration; Science, Technology, Engineering, Math-scopes (STEM-scopes) science collaboration; English as a Second Language (ESL) opportunities; co-teach strategies; emotional poverty in all demographics; how to reduce anger, anxiety and violence in the classroom (gifted and talented credit awarded); and restorative practices. In addition, classroom teachers self-selected twenty-four hours of personalized professional development in support of Texas Teacher Evaluation and Support System (T-TESS) professional development goals.

Pursuant to House Bill 5 (HB5), the District now offers the following license/certification programs that align with the career pathways embedded in the HB5 endorsement graduation plans:

<u>Business and Industry Endorsement</u>
Agricultural Science Animal Pathway (Hunter Education, Veterinarian Technician) Agricultural Science Mechanical Pathway (Occupational Safety and Health Administration (OSHA), National Center for Construction Education and Research (NCCER))
Architecture and Construction (OSHA, NCCER)
Arts, Audio/Visual and Communications Animation/Graphic Design (Adobe)
Arts, Audio/Visual and Communications Audio Video Production (Adobe)
Business Management and Finance (Microsoft Office)
Hospitality Culinary Arts (ServSafe)
Manufacturing Welding (OSHA, NCCER)
Marketing (OSHA)
Transportation Automotive Collision (Automotive Service Excellence (ASE))
Transportation Automotive Technology (ASE)
Transportation Maritime (NCCER, Coast Guard)

<u>Public Services Endorsement</u>
Education and Training Child Development (OSHA)
Health Science (Red Cross CPR, Phlebotomy, Pharmacy Technician, First Aid, EKG)

<u>Science, Technology, Engineering, and Mathematics (STEM) Endorsement</u>
Engineering (Project Lead the Way)

The District increased course offerings that support students' attainment of endorsement and distinguished achievement plans. Construction of the new career and technical education building mentioned previously allowed for this expansion. Within the STEM pathway, Computer Automated Drafting (CAD) was offered and the District initiated the process for implementing Project Lead the Way in 2016-2017. In the Health Science pathway, two new courses were added: Health Science Specialty Hospitals of America for student clinical rotations and Walgreens for student job shadowing. In the Education and Training pathway, the District established a partnership with La Porte Elementary for Principals of Education students to visit the campus weekly to mentor/tutor students and assist teachers. In the Audio/Visual pathway, Sports Broadcasting was offered, and the students are live broadcasting and streaming District athletic events.

The District has successfully sustained a Districtwide Student Technology Initiative (STI), in which notebook devices are actively used by students, grades K-12. Each year, additional devices are purchased as needs arise. Student access to STI devices has supported the District's transition to digital instructional materials in English language arts, mathematics, science, and social studies.

The Texas Education Agency's (TEA) 2019 accountability ratings show that the District received an overall rating of "B", with a score of 85, and six campuses earned at least one distinction for achievement, school progress, and closing (academic success) gaps among various racial, ethnic, and socioeconomic groups. Distinctions are based on performance relative to other campuses across Texas with similar type, size, grade span, and student demographics, according to the TEA.

Letter grades and overall scores given to the District campuses include the following: La Porte High School, B, 81; La Porte ISD Academy of Viola DeWalt High School, B, 83; La Porte Junior High, C, 75; Lomax Junior High, C, 79; James H. Baker Sixth Grade Campus, C, 79; Bayshore Elementary, C, 78; College Park Elementary, B, 85; Heritage Elementary, B, 85; Jennie Reid Elementary, B, 82; La Porte Elementary, A, 92; Lomax Elementary, B, 89; and Leo A. Rizzuto Elementary, A, 94. All campuses met TEA standards for the 2018-2019 school year.

La Porte Elementary School earned five distinctions: academic achievement in English language arts/reading, academic achievement in science, postsecondary readiness, top 25 percent in comparative closing the gaps. Leo A. Rizzuto Elementary School received four distinctions: academic achievement in mathematics, postsecondary readiness, top 25 percent in comparative academic growth, and top 25 percent in comparative closing the gaps.

Jennie Reid Elementary School was awarded distinctions for academic achievement in science and postsecondary readiness, and College Park Elementary School earned distinctions for postsecondary readiness and top 25 percent in comparative closing the gaps. Heritage Elementary School received a distinction for top 25 percent in comparative closing the gaps, and Lomax Elementary School earned a distinction for academic achievement in science.

The Academy of Viola DeWalt High School (the "Academy") offers specialized learning environments and innovative instructional programs that provide opportunities for at-risk students, as well as students who prefer a smaller, more structured learning environment. Students at the Academy may participate in District extra-curricular activities such as athletics, band, choir, orchestra, Junior Reserve Officers' Training Corps, Future Farmers of America, and more at La Porte High School. The Academy is evaluated by alternative education accountability provisions and is not eligible for distinctions.

The La Porte Independent School District Early Childhood Center (ECC), located at Heritage Elementary School, opened on August 28, 2019. The ECC offers full-scale early childhood education and childcare for children ages 6 weeks to 5 years. The ECC provides services for families who live within the District, and for the children and grandchildren of District employees. The curriculum focuses on literacy skills, vocabulary, math concepts, and social and emotional skills.

ECONOMIC FACTORS AND FUTURE BUDGETS AND TAX RATES

House Bill 3 (HB3) was passed by the 86th Texas Legislature in 2019. HB3 can be broken down into four major policy areas: supports teachers and rewards teacher excellence, focuses on learning and improving student outcomes, increases funding and equity, and reduces and reforms property taxes and recapture.

The first major policy area supports teachers and rewards teacher excellence. The State increased the minimum salary schedule; however, this did not have an impact on the District because the District's minimum salary is well above the State's. HB3 requires districts to allocate 30 percent of their year-over-year budget increase toward full-time employee compensation increases, and 75 percent of this total must go to teachers, counselors, nurses, and librarians.

The second major policy area focuses on learning and improving student outcomes. This provides for prioritizing early literacy, including pre-K; improving college, career, and military readiness; increasing support for special education; and expanding learning opportunities. The District has provided full day pre-K for more than 10 years.

The third major policy area focuses on increasing funding and equity. This increases funding for low-income students, with more money in the highest poverty areas. Also, there are a variety of formula changes so that property wealth matters far less than ever before, with District funding being determined almost entirely on student need.

The fourth and final major policy area reduces and reforms property taxes and recapture. Property taxes for the District are compressed to $0.97 for maintenance and operations during the 2019 tax year; however, pursuant to Texas tax code § 26.08(a), due to the ongoing disaster declarations issued by Governor Abbott for Hurricane Harvey (including the one on September 28, 2019), the disaster declaration issued by Governor Abbott due to Tropical Storm Imelda on September 19, 2019, and the decline in enrollment and attendance rates due to these weather events, which thereby necessitated a decreased expenditure of money to respond to the disasters, an election is not required under this section to approve the tax rate adopted by the governing body for the year following the year in which the disaster occurred, the District adopted a maintenance and operations tax rate of $1.04.

To illustrate this impact, Hurricane Ike barreled onto the Texas coast with a storm surge estimated at 10½ to 11½ feet in La Porte. Over 8,000 homes and 200 businesses sustained damage, primarily due to wind, and the District's Bayshore Elementary was damaged beyond repair. Bayshore students attended classes at five other elementary schools while a new school was built a mile further inland, at a level above base elevation, and hardened to withstand a Category 4 hurricane.

As noted earlier, even though District facilities were spared, many area homes were not, and the District has seen a decrease in enrollment of approximately 250, added to the 500-student loss from Hurricane Ike. Today, declining enrollment continues to be the District's existential threat. The District is hopeful that the addition of two apartment complexes (Legacy at La Porte Apartments, with an expected 294 units and Domain at La Porte, with an expected 350 units) and three residential subdivisions (Fairmont Lakes North, with 84 lots; Lakes at Fairmont Greens, with 85 lots in Phase 2; and Morgan's Landing, with 642 lots) will provide some relief.

For fiscal year (FY) 2020, the District anticipates a peak enrollment of 7,230 students, which is down from FY 2019. The District's pre-Hurricane Ike average daily attendance (ADA) was 7,670, while FY 2019 ADA was 6,798 and is anticipated to be close to 6,700 for FY 2020. Decreased enrollment equates to decreased revenue, and the District was able to increase the maintenance and operations (M&O) compressed tax rate by 7 cents for 2019 to help meet the needs of students. The property tax rate for 2018-19 was $1.38 per $100 of assessed value with $1.17 for maintenance and operations and $0.21 for debt service; the 2019-2020 rate is $1.28 per $100 of assessed value with $1.04 for maintenance and operations and $0.24 for debt service.

The District currently has eight Chapter 313 agreements, as well as one under consideration. Under a Chapter 313 agreement, for the purpose of M&O taxes, the taxable value of the property is limited, but for the purpose of bond repayment, the taxable value of the property cannot be limited. Chapter 313 also limits the reduction of M&O taxable value to a floor that generates $100 per student in ADA. The agreement, a negotiable payment in lieu of taxes, as well as negotiable support for supplemental school district endeavors such as a foundation perhaps, are made directly to the taxing entity. In the District's case, the payment would come directly to the District and be outside of the current school funding system and not subject to recapture or equalization payments to the State. The Chapter 313 agreements are not factored into the District budget until they are approved, constructed, and assessed. These agreements are a major contributing factor to the District's increased base.

The District continues to incur a significant cost in property and casualty insurance due to the location of the District on Galveston Bay. The District has $200 million of property in AE flood zones close to Galveston Bay and $100 million in coverage. This coverage costs the District $1.8 million annually of the M&O tax collections, which are then recaptured. Escalating insurance market conditions remain a concern. The District also has costs to maintain two recovery storm shelters and has routine shelter in place drills. Between summer 2008 and summer 2017, the District spent $348 million for replacement and renovation of educational facilities with storm mitigation at the forefront of design and investment.

The District has 1,180 faculty and staff comprised of the following: 40 employees in central administration departments; 537 teachers, librarians, counselors, and nurses; 267 other school leadership and support staff; 113 maintenance employees; 105 cafeteria workers; and 118 employees in transportation for the 2019-2020 budget. The District's Board of Trustees (the "Board") approved a 4 percent general pay increase with 4.5 percent for classroom teachers with six or more years' experience. The Board also approved a salary stipend of $1,200 for each classroom teacher and $1,250 performance incentive for all classroom teachers. The beginning teacher salary increased to $55,200. This is all aligned with the first major policy of HB3.

The 2019 preliminary certified taxable property value as reported by the Harris and Chambers County Appraisal Districts totaled $10,754,656,164, which is approximately 7.6 percent higher than the 2018 preliminary certified taxable values. The certified values that the District received after the budget was adopted for both Harris and Chambers County Appraisal Districts totaled $10,785,811,782, of which $1,117,225,210 is from Chapter 313 participants.

Supplemental funding sources that support student programs include: Title I, Title II Part A, Title III, Carl Perkins Grant, State Compensatory Education, School Health Advisory Competitive Grant, and a Governor's Grant for Communities in Schools (CIS) services for both junior high school campuses and high school campus. The CIS Afterschool Centers on Education Grant provides for afterschool programs at Bayshore Elementary and La Porte Elementary. In addition, the La Porte Education Foundation supports teachers through grants that fund innovative instructional projects and programs.

House Bill 2610, passed by the 84th Texas Legislature, changes the school year from 180 days to 75,600 minutes. This continues to provide more flexibility for the District when constructing the educational calendars. The District adopted a calendar based on instructional minutes instead of instructional days. This calendar allows the District better operational and instructional efficiency.

The District became a District of Innovation, which provides flexibility for the District to develop an instructional calendar that supports the continuous improvement of student learning; ensure a safe and secure learning environment for students and staff; increase opportunities for the retention and recruitment of professional staff; attract and hire hard-to-fill Career and Technical Education (CTE) and Science, Technology, Engineering, Art, and Math (STEAM) staff positions; and develop a teacher appraisal cycle whereby teachers may be appraised less than annually. In partnership with the College, La Porte High School's Accelerated College Education (ACE) program continues. The District provides transportation, tuition, fees, and textbooks to all dual enrollment students. ACE is the next step in the District's continuing journey to increase our students' career and college readiness opportunities.

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 1002 San Jacinto St., La Porte, Texas 77571, or by calling (281) 604-7048.

BASIC FINANCIAL STATEMENTS

(This page intentionally left blank.)

LA PORTE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION - EXHIBIT A-1

June 30, 2019

Data Control Codes		1 Governmental Activities
	Assets	
1110	Cash and cash equivalents	$ 80,007,663
1120	Investments	2,000,000
1220	Property taxes receivable	3,640,076
1230	Allowance for uncollectible taxes	(1,099,200)
1240	Due from other governments	2,352,284
1250	Accrued interest	23,823
1267	Due from fiduciary funds	6,809
1290	Other receivables	65,003
1300	Inventories	107,796
1410	Prepaids	1,358,475
		88,462,729
	Capital assets:	
1510	Land	10,520,373
1520	Buildings and improvements, net	336,524,236
1530	Equipment and vehicles, net	9,390,003
1580	Construction in progress	3,135
		356,437,747
1000	**Total Assets**	444,900,476
	Deferred Outflows of Resources	
1700	Deferred charge on refunding	7,143,454
1705	Deferred ouflows - pensions	14,436,552
1710	Deferred outflows - OPEB	3,936,131
	Total Deferred Outflows of Resources	25,516,137
	Liabilities	
2110	Accounts payable	1,690,432
2140	Interest payable	4,917,953
2160	Accrued liabilities	2,731,239
2177	Due to fiduciary funds	1,887
2180	Due to other governments	13,885,686
2300	Unearned revenue	250,912
		23,478,109
	Noncurrent liabilities:	
2501	Long-term liabilities due within one year	15,508,072
2502	Long-term liabilities due in more than one year	386,325,878
		401,833,950
2000	**Total Liabilities**	425,312,059
	Deferred Inflows of Resources	
2605	Deferred inflows - pensions	1,566,661
2610	Deferred inflows - OPEB	9,812,098
	Total Deferred Inflows of Resources	11,378,759
	Net Position	
3200	Net investment in capital assets	31,956,441
	Restricted for:	
3850	Debt service	5,899,452
3890	Grant funds	897,476
3900	Unrestricted	(5,027,574)
3000	**Total Net Position**	$ 33,725,795

See Notes to Financial Statements.

(This page intentionally left blank.)

LA PORTE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES - EXHIBIT B-1

For the Year Ended June 30, 2019

			Program Revenues		Net (Expense)
		1	3	4	6
Data Control Codes	Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
	Governmental Activities				
11	Instruction	$ 58,059,849	$ 129,935	$ 4,142,814	$ (53,787,100)
12	Instructional resources				
12	and media services	371,144	13,002	7,036	(351,106)
13	Curriculum/instructional				
13	staff development	985,087	5,143	270,907	(709,037)
21	Instructional leadership	1,155,213	-	256,267	(898,946)
23	School leadership	4,852,010	10,310	190,289	(4,651,411)
31	Guidance, counseling, and				
31	evaluation services	3,960,798	5,449	1,250,311	(2,705,038)
32	Social work services	268,286	-	1,999	(266,287)
33	Health services	1,002,204	80	35,510	(966,614)
34	Student (pupil) transportation	3,068,613	1,411	52,658	(3,014,544)
35	Food services	4,567,997	1,303,054	3,028,483	(236,460)
36	Extracurricular activities	2,726,363	290,255	58,555	(2,377,553)
41	General administration	3,339,518	6,618	63,468	(3,269,432)
51	Plant maintenance & operations	11,491,142	551	146,864	(11,343,727)
52	Security and monitoring services	1,933,772	530	20,890	(1,912,352)
53	Data processing services	2,896,056	141	35,491	(2,860,424)
61	Community services	28,609	181	12,841	(15,587)
72	Debt service - interest	12,473,266	-	-	(12,473,266)
73	Bond issuance costs and fees	8,000	-	-	(8,000)
91	Contracted instructional services				
91	between schools	46,925,331	-	-	(46,925,331)
93	Payments to fiscal agent/member				
93	districts of SSA	128,845	-	-	(128,845)
95	Payments to juvenile justice				
95	alternative education programs	59,400	-	-	(59,400)
97	Payments to tax increment fund	2,779,617	-	-	(2,779,617)
99	Other intergovernmental charges	1,037,446	-	-	(1,037,446)
	Total Governmental Activities	$ 164,118,566	$ 1,766,660	$ 9,574,383	(152,777,523)

	General Revenues	
MT	Property taxes, levied for general purposes	105,918,780
DT	Property taxes, levied for debt service	21,204,806
GC	Grants and contributions not restricted	
GC	for specific programs	11,823,223
IE	Investment earnings	1,829,958
MI	Miscellaneous local and intermediate revenue	5,987,237
GA	Gain on sale of capital assets	2,732,055
TR	**Total General Revenues**	149,496,059
CN	**Change in Net Position**	(3,281,464)
NB	Beginning net position	37,007,259
NE	**Ending Net Position**	$ 33,725,795

See Notes to Financial Statements.

LA PORTE INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS - EXHIBIT C-1

June 30, 2019

Data Control Codes		199 General	599 Debt Service	699 Capital Projects	Total Nonmajor Funds
	Assets:				
1110	Cash and cash equivalents	$ 53,315,339	$ 10,810,250	$ 7,719,514	$ 6,352,338
1120	Investments	-	-	2,000,000	-
1220	Property taxes receivable	2,922,444	717,632	-	-
1230	Allowance for uncollectibles	(871,900)	(227,300)	-	-
1240	Due from other governments	1,694,392	7,155	-	650,737
1250	Accrued interest	11,357	-	12,466	-
1260	Due from other funds	607,554	-	7,119	17,924
1267	Due from fiduciary funds	6,658	-	-	151
1290	Other receivables	622	-	64,381	-
1300	Inventories	26,859	-	720	38,864
1410	Prepaid items	1,303,817	-	53,021	-
1000	**Total Assets**	$ 59,017,142	$ 11,307,737	$ 9,857,221	$ 7,060,014
	Liabilities:				
2110	Accounts payable	$ 547,169	$ -	$ 345,128	$ 797,874
2150	Payroll deductions and withholdings	583,223	-	-	-
2160	Accrued wages payable	1,465,354	-	-	148,929
2170	Due to other funds	76,918	-	45,017	520,830
2177	Due to fiduciary funds	1,887	-	-	-
2180	Due to other governments	13,885,320	-	-	321
2300	Unearned revenue	50,000	-	-	200,912
2000	**Total Liabilities**	16,609,871	-	390,145	1,668,866
	Deferred Inflows of Resources:				
2600	Unavailable revenue - property taxes	2,050,544	490,332	-	-
	Fund Balances:				
3410	Nonspendable - inventories	26,859	-	720	38,864
3430	Nonspendable - prepaid items	1,303,817	-	53,021	-
3450	Restricted - grants	-	-	-	897,476
3470	Restricted - capital acquisitions				
3470	and contractual obligations	-	-	9,413,335	-
3480	Restricted - debt service	-	10,817,405	-	-
3520	Committed - compensated absences	1,156,054	-	-	25,177
3540	Committed - self-insurance	1,000,000	-	-	-
3545	Committed - student				
3545	achievement and safety	-	-	-	4,429,631
3600	Unassigned	36,869,997	-	-	-
3000	**Total Fund Balances**	40,356,727	10,817,405	9,467,076	5,391,148
4000	**Total Liabilities, Deferred Inflows of Resources, and Fund Balances**	$ 59,017,142	$ 11,307,737	$ 9,857,221	$ 7,060,014

See Notes to Financial Statements.

98 Total Governmental Funds
$ 78,197,441
2,000,000
3,640,076
(1,099,200)
2,352,284
23,823
632,597
6,809
65,003
66,443
1,356,838
$ 87,242,114
$ 1,690,171
583,223
1,614,283
642,765
1,887
13,885,641
250,912
18,668,882
2,540,876
66,443
1,356,838
897,476
9,413,335
10,817,405
1,181,231
1,000,000
4,429,631
36,869,997
66,032,356
$ 87,242,114

(This page intentionally left blank.)

LA PORTE INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION - EXHIBIT C-1R

June 30, 2019

Total fund balances for governmental funds		$	66,032,356
Amounts reported for governmental activities in the Statement of Net Position are difference because:			
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.			
Capital assets - nondepreciable	10,523,508		
Capital assets - depreciable	345,914,239		
			356,437,747
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.			2,540,876
Internal service fund			1,329,341
Some liabilities, including bonds payable and the net pension and net OPEB liability are not reported as liabilities in the governmental funds.			
Accrued interest	(4,917,953)		
Deferred outflows - pensions	14,436,552		
Deferred inflows - pensions	(1,566,661)		
Deferred outflows - OPEB	3,936,131		
Deferred inflows - OPEB	(9,812,098)		
Deferred charges on refunding	7,143,454		
Noncurrent liabilities due in one year	(15,508,072)		
Noncurrent liabilities due in more than one year	(386,325,878)		
			(392,614,525)
Net Position of Governmental Activities		$	33,725,795

See Notes to Financial Statements.

LA PORTE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS - EXHIBIT C-2

For the Year Ended June 30, 2019

Data Control Codes		199 General	599 Debt Service	699 Capital Projects	Total Nonmajor Funds
	Revenues				
5700	Local and intermediate sources	$ 111,963,242	$ 21,634,749	$ 1,512,207	$ 2,061,978
5800	State program revenues	8,473,704	272,828	-	976,984
5900	Federal program revenues	3,076,691	-	-	5,618,773
5020	**Total Revenues**	123,513,637	21,907,577	1,512,207	8,657,735
	Expenditures				
	Current:				
0011	Instruction	41,204,195	-	310,232	2,602,108
0012	Instructional resources and media services	342,011	-	-	13,032
0013	Curriculum and instructional staff development	676,863	-	-	246,658
0021	Instructional leadership	824,068	-	-	204,223
0023	School leadership	4,469,733	-	-	35,598
0031	Guidance, counseling, and evaluation services	2,490,355	-	-	1,059,649
0032	Social work services	264,097	-	-	-
0033	Health services	927,231	-	-	308
0034	Student transportation	2,796,118	-	213,386	1,411
0035	Food service	-	-	-	4,218,728
0036	Extracurricular activities	1,629,216	-	-	296,829
0041	General administration	3,007,982	-	108,668	6,618
0051	Plant maintenance and operations	8,101,005	-	2,849,832	44,335
0052	Security and monitoring services	1,587,102	-	794,399	2,634
0053	Data processing services	1,533,809	-	874,927	2,039
0061	Community services	15,577	-	-	13,014
	Debt services:				
0071	Principal on long-term debt	-	15,465,000	-	-
0072	Interest on long-term debt	-	13,862,199	-	-
0073	Issuance costs and fees	-	8,000	-	-
	Capital outlay:				
0081	Facilities acquisition and construction	-	-	1,609,311	-
	Intergovernmental:				
0091	Contracted instructional services				
0091	between schools	46,925,331	-	-	-
0093	Payment related to shared service arrangements	128,845	-	-	-
0095	Payments to juvenile justice				
0095	alternative education programs	59,400	-	-	-
0097	Payments to tax increment fund	2,779,617	-	-	-
0099	Other intergovernmental charges	1,037,446	-	-	-
6030	**Total Expenditures**	120,800,001	29,335,199	6,760,755	8,747,184
1100	**Excess (Deficiency) of Revenues Over (Under) Expenditures**	2,713,636	(7,427,622)	(5,248,548)	(89,449)
	Other Financing Sources (Uses)				
7951	Sale of real or personal property	2,732,055		-	-
7915	Transfers in	2,450	-	-	-
8911	Transfers (out)	-	-	-	(2,450)
7080	**Total Other Financing Sources (Uses)**	2,734,505	-	-	(2,450)
1200	**Net Change in Fund Balances**	5,448,141	(7,427,622)	(5,248,548)	(91,899)
0100	Beginning fund balances	34,908,586	18,245,027	14,715,624	5,483,047
3000	**Ending Fund Balances**	$ 40,356,727	$ 10,817,405	$ 9,467,076	$ 5,391,148

See Notes to Financial Statements.

98 Total Governmental Funds
$ 137,172,176
9,723,516
8,695,464
155,591,156
44,116,535
355,043
923,521
1,028,291
4,505,331
3,550,004
264,097
927,539
3,010,915
4,218,728
1,926,045
3,123,268
10,995,172
2,384,135
2,410,775
28,591
15,465,000
13,862,199
8,000
1,609,311
46,925,331
128,845
59,400
2,779,617
1,037,446
165,643,139
(10,051,983)
2,732,055
2,450
(2,450)
2,732,055
(7,319,928)
73,352,284
$ 66,032,356

(This page intentionally left blank.)

LA PORTE INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - EXHIBIT C-3

For the Year Ended June 30, 2019

Net change in fund balances - total governmental funds	$	(7,319,928)
Amounts reported for governmental activities in the Statement of Activities 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 and reported as depreciation expense.		
Depreciation		(13,011,339)
Capital outlay		2,785,541
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(82,376)
The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when it is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities.		
Principal repayments		15,465,000
Accrued interest		280,374
Amortization of loss on refunding		(975,544)
Amortization of premiums		2,084,103
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences		(84,118)
Change in net pension liability		(12,344,654)
Deferred inflows - pensions		917,553
Deferred outflows - pensions		9,192,247
Change in net OPEB liability		(5,119,506)
Deferred inflows - OPEB		1,025,867
Deferred outflows - OPEB		3,573,104
Net on-behalf contribtions for GASB 68 and 75 - revenues		5,591,204
Net on-behalf contribtions for GASB 68 and 75 - expenses		(5,591,204)
Some revneues/expenditures reported in governmental funds are not not recognized as revenues/expenses in the Statement of Activities.		
Fund level on-behalf adjustment - revenues		(2,997,345)
Fund level on-behalf adjustment - expenses		2,997,345
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.		332,212
Change in Net Position of Governmental Activities	$	(3,281,464)

See Notes to Financial Statements.

(This page intentionally left blank.)

LA PORTE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS - EXHIBIT D-1

June 30, 2019

Data Control Codes			Internal Service
	Assets		
	Current assets:		
1110	Cash and cash equivalents		$ 1,810,222
1260	Due from other funds		57,909
1300	Inventories, at cost		41,353
1410	Prepaid items		1,637
1000		**Total Assets**	1,911,121
	Liabilities		
	Current liabilities:		
2110	Accounts payable		261
2170	Due to other funds		47,741
2180	Due to other governments		45
2200	Accrued expenses		533,733
		Total Liabilities	581,780
	Net Position		
3900	Unrestricted		1,329,341
3000		**Total Net Position**	$ 1,329,341

See Notes to Financial Statements.

(This page intentionally left blank.)

LA PORTE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS - EXHIBIT D-2

For the Year Ended June 30, 2019

Data Control Codes			Internal Service Funds
	Operating Revenues		
5700	Charges for services		$ 796,180
5020		**Total Operating Revenues**	796,180
	Operating Expenses		
6100	Payroll costs		66,034
6200	Professional and contracted services		365,871
6300	Supplies and materials		33,264
6400	Other operating costs		1,207
6030		**Total Operating Expenses**	466,376
		Operating Income	329,804
	Nonoperating Revenues		
7020	Earnings on investments		2,408
8030		**Total Nonoperating Revenues**	2,408
1300		**Change in Net Position**	332,212
0100	Beginning net position		997,129
3300		**Ending Net Position**	$ 1,329,341

See Notes to Financial Statements.

(This page intentionally left blank.)

LA PORTE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS - EXHIBIT D-3

For the Year Ended June 30, 2019

		Internal Service
Cash Flows from Operating Activities		
Cash received from user charges	$	796,180
Cash payments for insurance claims		(333,901)
Cash payments for other operating expenses		(140,508)
Net Cash Provided by Operating Activities		321,771
Cash Flows from Investing Activities		
Proceeds from earnings on investments		2,408
Net Cash Provided by Investing Activities		2,408
Net Increase in Cash and Cash Equivalents		324,179
Beginning cash and cash equivalents, beginning of year		1,486,043
Ending Cash and Cash Equivalents	$	1,810,222
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income	$	329,804
Effect of increases and decreases in current assets and liabilities		
Increase in due from other funds		(2,558)
Decrease in other receivables		178
Increase in inventory		(486)
Decrease in prepaid items		1,317
Decrease in accounts payable		(1,131)
Increase in due to other funds		15,389
Decrease in due to other governments		(2)
Decrease in accrued liabilities		(20,740)
Net Cash Provided by Operating Activities	$	321,771

See Notes to Financial Statements.

(This page intentionally left blank.)

LA PORTE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS - EXHIBIT E-1

June 30, 2019

Data Control Codes			820 Trust	865 Student
	Assets			
1110	Cash and cash equivalents		$ 257,155	$ 186,453
1267	Due from others		-	1,887
1000		**Total Assets**	257,155	188,340
	Liabilities			
2110	Account payable		15,637	2,367
2177	Due to others		151	6,658
2180	Due to other governments		-	2,085
2190	Due to student groups		30,153	177,230
2000		**Total Liabilities**	45,941	188,340
	Net Position			
3800	Held in trust for private purpose		211,214	-
		Total Net Position	$ 211,214	$ -

See Notes to Financial Statements.

(This page intentionally left blank.)

LA PORTE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS - EXHIBIT E-2

For the Year Ended June 30, 2019

Data Control Codes			820 Trust
	Additions		
5740	Gift and contributions		$ 138,702
		Total Additions	138,702
	Deductions		
6399	Administrative costs		148,138
		Total Deductions	148,138
		Change in Net Position	(9,436)
	Beginning net position		220,650
		Ending Net Position	$ 211,214

(This page intentionally left blank.)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

The District is an independent political subdivision of the State of Texas governed by a board elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations, and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the District's financial reporting entity. No other entities have been included in the District's reporting entity. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonable equivalent in value to the interfund services provided.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following governmental funds:

General Fund

The general fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The general fund is always considered a major fund for reporting purposes.

Debt Service Fund

The debt service fund is used to account for and report financial resourees that are restricted, committed, or assigned to expenditures for principal and interest on all long-term debt of the District. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

Capital Projects Fund

The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlay, including the acquisition or construction of capital facilities and other capital assets. The capital projects fund is considered a major fund for reporting purposes.

Special Revenue Funds

The special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes other than debt service or capital projects. The restricted proceeds of specific revenue sources comprise a substantial portion of the inflows of these special revenue funds. Most federal and some state financial assistance is accounted for in a special revenue fund.

Proprietary Funds

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the District's business-type activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues include charges for services. Operating expenses includes costs of material, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The proprietary fund type used by the District includes the following:

Internal Service Funds

These funds are used to account for and report revenue and expenses related to services provided to parties inside the District on a cost-reimbursement basis. These funds account for the District's group health insurance benefits and workers' compensation risk management as well as activity in the District's print shop. Because the principal users of the internal service funds are the District's governmental activities, this fund type is included in the governmental activities column of the governmental-wide financial statements.

Fiduciary Funds

The fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The District has the following types of fiduciary funds:

Agency Funds

The agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for the District's student activity funds.

Trust Funds

The trust funds are custodial in nature and are accounted for using the accrual basis of accounting. These funds are used to account for the District's student scholarships.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal services funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide, proprietary fund, and 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. 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.

The 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 District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt services expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for the revenue source (within 60 days of year end). All other revenue items are considered measurable and available only when cash is received by the District.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

Investments, except for certain investment pools, commercial paper, money market funds, and investment contracts, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest earning contracts, such as certificates of deposits, are reported at cost.

The District has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act (PFIA), Chapter 2256, Texas Government Code. In summary, the District is authorized to invest in the following:

Direct obligations of the U.S. Government
Fully collateralized certificates of deposit and money market accounts
Government investment pools and commercial paper

3. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred (i.e., the purchase method). Certain payments to vendors reflect costs applicable to the future accounting period (prepaid expenditures) are recognized as expenditures when utilized.

4. Capital Assets

Capital assets, which include land, buildings, furniture, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Asset Description	Estimated Useful Life
Buildings and improvements	20 to 65 years
Equipment and Vehicles	5-20 years

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension/other postemployment benefits (OPEB) activities are amortized over the average of the expected service lives of pension/OPEB plan members, except for the net differences between the projected and actual investment earnings on the pension/OPEB plan assets, which are amortized over a period of five years.

- For employer pension/OPEB plan contributions that were made subsequent to the measurement date through the end of the District's fiscal year, the amount is deferred and recognized as a reduction to the net pension/OPEB liability during the measurement period in which the contributions were made.

- A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

At the fund level, the District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payment of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable, available financial resources.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund.

7. Compensated Absences

Twelve-month employees with less than ten years of service accrue .834 days of vacation each month between July 1 and June 30. Twelve-month employees with great than 10 years of service accrue 1.25 vacation days each month between July 1 and June 30. Employees may accrue up to a maximum of 35 vacation days. Earned vacation time shall be paid to an employee who voluntarily separates from employment.

A permanent employee who was employed by the District prior to September 1, 1994, who contributes to the Teacher Retirement System (TRS) through payroll deductions, who was employed by the District for the past ten consecutive years, and who retires from the District under the provisions of TRS shall be paid for all unused state and local sick leave accrued while employed by the District. The total paid days cannot exceed 90 and will be based on the employee's then current rate during the 2003-2004 year.

In lieu of benefits provided in the preceding paragraph, an employee eligible for such benefits may opt to receive a lump sum equivalent to seventy percent of the eligible benefits made available by this policy in exchange for waiving all other benefits owed under this policy.

The accrual for accumulated unpaid sick leave and vacation leave benefits has been recorded in the government-wide financial statements.

8. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

9. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

10. Fund Balance Policies

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted fund balance.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The District's Board is the highest level of decision-making authority for the District that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The District's Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

11. Estimates

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

12. Data Control Codes

The data control codes refer to the account code structure prescribed by TEA in the Resource Guide. The TEA requires school districts to display these codes in the financial statements filed with the TEA in order to insure accuracy in building a statewide database for policy development and funding plans.

13. Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g. purchase orders, contracts) outstanding at year-end are reported as restricted, committed, or assigned fund balances as appropriate. The encumbrances do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

14. Pensions

The fiduciary net position of the Teacher Retirement System ("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.

15. Other Postemployment Benefits

The fiduciary net position of the Teacher Retirement System of Texas' (TRS) Texas Public School Retired Employees Group Insurance Program ("TRS-Care") 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 other postemployment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, 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.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

All taxes due to the District on real or personal property are payable at the Office of the Tax Assessor-Collector and may be paid at any time after the tax rolls for the year have been completed and approved, which is no later than October 1. Taxes are due by January 31, and all taxes not paid prior to this date are deemed delinquent and are subject to such penalty and interest.

Property taxes attach as an enforceable lien on property as of January 1 each year. Taxes are levied on October 1 and are payable prior to the next February 1. District property tax revenues are recognized when collected.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The District adopts annual appropriations type budgets for the general fund, national school breakfast and lunch program special revenue fund, and the debt service fund using the same method of accounting as for financial reporting, as required by law. The remaining special revenue funds (primarily federal grant programs) utilize a managerial type budget. These grants are subject to Federal, State and locally imposed project length budgets and monitoring through submission of reimbursement reports.

Expenditures may not legally exceed budgeted appropriations at the function or activity level. Expenditure requests which require an increase in total budgeted appropriations must be approved by the Board through formal a formal budget amendment. State law prohibits trustees from making budget appropriations in excess of funds available and estimated revenues. State law also prohibits amendment of the budget after fiscal year end.

The administrative level at which responsibility for control of budgeted appropriations begins at the organization level within each function of operations. The finance department reviews closely the expenditures requests submitted by the various organizational heads (principal and department heads) throughout the year to ensure proper spending compliance. No public funds of the District shall be expended in any manner other than as provided for in the budget adopted by the Board.

The official school budget was prepared for adoption for budgeted governmental fund types by July 1, 2018. The budget was formally adopted by the Board at a duly advertised public meeting prior to the expenditure of funds. The final amended budget is filed with the TEA through inclusion in the annual financial and compliance report.

Encumbrance accounting is utilized in all governmental fund types. Encumbrances for goods or purchased services are documented by purchase order contracts. Under Texas law, appropriations lapse at year end.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Cash and investments as of June 30, 2019 consisted of the following:

	Cash & Investments
Deposits with financial institutions	$ 8,997,606
Investments	73,453,665
Total	$ 82,451,271

As of June 30, 2019, the District had the following investments:

Investments	**Amount**	**Percent of Total Investments**	**Weighted Average Maturity (Days)**	**Rating**
Investments mesaured at amortized cost:				
LoneStar Corporate Overnight Fund	$ 16,589,443	23%	39	AAAm
LoneStar Governemnt Overnight Fund	8,158,063	11%	26	AAAm
Texpool Investment Pool	6,351,116	9%	36	AAAm
Texpool PRIME	9,524,372	13%	42	AAAm
TexasTERM Cooperative Pool	2,580,886	3%	34	AAAm
Texas CLASS Investment Pool	10,915,412	14%	51	AAAm
Texas CLASS Government	14,334,373	20%	57	AAAm
Investments measured at cost:				
Certificates of Deposit	5,000,000	7%	147	N/A
Total Investments	$ 73,453,665			

Interest rate risk. In accordance with its investment policy, the District manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and invest operating funds primarily in short-term securities.

Credit risk. The District's policy requires that investment pools must be rated no lower than 'AAA' or 'AAAm'. As of June 30, 2019, the District's investments credit ratings met acceptable levels required by legal guidelines prescribed by both the PFIA and the District's investment policy.

Custodial credit risk – deposits. In the case of deposits, this is the risk that the District's deposits may not be returned in the event of a bank failure. The District's investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of June 30, 2019, fair market values of pledged securities and FDIC coverage exceeded bank balances.

Custodial credit risk – investments. For an investment, this is the risk that the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party in the event of the failure of the counterparty. The District's investment policy requires that it will seek to safekeep securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, shall be conducted on a delivery versus payment basis or commercial book entry system as utilized by the Federal Reserve and shall be protected through the use of a third-party custody/safekeeping agent.

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rates TexPool 'AAAm'. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review.

TexPool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, the investment pool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity, and diversification requirements within TexPool. TexPool transacts at a net asset value of $1.00 per share, has weighted average maturities of 60 days or less, and weighted average lives of 120 days or less. Investments held are highly rated by nationally recognized statistical rating organizations, have no more than five percent of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and may redeem daily. TexPool may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national state of emergency that affects TexPool's liquidity.

Texas CLASS

The Texas Cooperative Liquid Assets Securities System Trust – Texas (CLASS) is a public funds investment pool under Section 2256.016 of the Public Funds Investment Act, Texas Government Code, as amended. CLASS is created under an amended and restated trust agreement, dated as of December 14, 2011 (the "Agreement"), among certain Texas governmental entities investing in CLASS (the "Participants"), with Cutwater Investor Services Corporation as program administrator and Wells Fargo Bank Texas, NA as custodian. CLASS is not SEC registered and is not subject to regulation by the State of Texas. Under the Agreement, however, CLASS is administered and supervised by a seven-member board of trustees (the "Board"), whose members are investment officers of the Participants, elected by the Participants for overlapping two-year terms. In the Agreement and by resolution of the Board, CLASS has contracted with Cutwater Investors Service Corporation to provide for the investment and management of the public funds of CLASS. Separate financial statements for CLASS may be obtained from CLASS' website at www.texasclass.com.

Lone Star

The Lone Star Investment Pool ("Lone Star") is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards ("TASB"), with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the Boards eleven members are Lone Star participants by either being employees or elected officials of a Participant. Lone Star has established an advisory board composed of both Pool members and nonmembers. Lone Star is rated AAA by Standard and Poor's and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The District is invested in the Government Overnight Fund of Lone Star which seeks to maintain a net asset value of one dollar. Lone Star has three different funds: Government Overnight, Corporate Overnight, and Corporate Overnight Plus. Government Overnight and Corporate Overnight maintain a net asset value of one dollar and the Corporate Overnight Plus maintains a net asset value of 50 cents.

TexasTERM

The Texas Term Local Government Investment Pool ("TexasTERM") is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. TexasTERM is administered by PFM Asset Management LLC, which also serves as the investment advisor. The reported value of the TexasTERM is the same as the fair value of the TexasTERM shares. Investment options include TexasDAILY, a money market portfolio, that is rated AAAm by Standard and Poor's, and TexasTERM CD Purchase Program, a fixed rate, fixed-term investment option enabling investors to invest in FDIC insured Certificate of Deposit's from banks throughout the United States.

B. Capital Assets

A summary of changes in capital assets for governmental activities at year end is as follows:

Governmental Activities:	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	$ 10,520,373	$ -	$ -	$ 10,520,373
Construction in progress	18,190,975	1,417,438	19,605,278	3,135
Total capital assets not being depreciated	28,711,348	1,417,438	19,605,278	10,523,508
Other capital assets:				
Buildings and improvements	415,599,536	19,632,130	-	435,231,666
Equipment and vehicles	25,264,761	1,341,251	-	26,606,012
Total other capital assets	440,864,297	20,973,381	-	461,837,678
Less accumulated depreciation for:				
Buildings and improvements	87,285,639	11,421,791	-	98,707,430
Equipment and vehicles	15,626,461	1,589,548	-	17,216,009
Total accumulated depreciation	102,912,100	13,011,339	-	115,923,439
Other capital assets, net	337,952,197	7,962,042	-	345,914,239
Governmental Activities Capital Assets, Net	$ 366,663,545	$ 9,379,480	$ 19,605,278	356,437,747
			Less associated debt	(341,038,095)
			Plus unspent bond proceeds	9,413,335
			Plus deferred charge on refunding	7,143,454
			Net Investment in Capital Assets	$ 31,956,441

Depreciation was charged to governmental functions as follows:

		Governmental Activities
11	Instruction	$ 10,768,216
12	Instructional resources/media services	1,424
21	Instructional leadership	17,905
23	School leadership	1,050
33	Health services	760
34	Student (pupil) transportation	160,778
35	Food services	112,967
36	Extracurricular activities	691,433
41	General administration	83,304
51	Plant maintenance and operations	710,927
52	Security and monitoring services	42,118
53	Data processing services	420,457
	Total Depreciation Expense	$ 13,011,339

Construction in progress and remaining commitments, as of June 30, 2019 were as follows:

Project	Approved Construction Budget	Construction in Progress	Remaining Commitment
Security upgrades	$ 5,000,000	$ 3,135	$ 4,996,865

C. Long-Term Debt

The following is a summary of changes in the District's total governmental long-term liabilities for the year. In general, the District uses the debt service fund to liquidate governmental long-term liabilities.

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds payable:					
General obligation bonds	$ 335,450,000	$ -	$ 15,465,000	$ 319,985,000 *	$ 15,385,000
Bond premiums	23,137,198	-	2,084,103	21,053,095 *	-
	358,587,198	-	17,549,103	341,038,095	15,385,000
Other liabilities:					
Compensated absences	1,097,113	202,333	118,215	1,181,231	123,072
Net pension liability	16,241,030	12,344,654	-	28,585,684	-
Net OPEB liability	25,909,434	5,119,506	-	31,028,940	-
Total Governmental Activities	$ 401,834,775	$ 17,666,493	$ 17,667,318	$ 401,833,950	$ 15,508,072
			Long-term liabilities due in more than one year	$ 386,325,878	
			***Debt associated with capital assets**	$ 341,038,095	

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities as well as for renovations and repairs to existing facilities as needed.

In prior years, the District defeased certain general obligation bonds by placing the proceeds of the bonds in an irrevocable trust for all future debt service payments on the refunded bonds. Accordingly the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. There were no defeased bonds outstanding as of June 30, 2019.

Bonded debt payable as of June 30, 2019 is as follows:

Description	Interest Rate Payable	Final Maturity	Original Amounts Issued	Amounts Outstanding 06/30/18	Retired Current Year	Amounts Outstanding 06/30/19
Unlimited Tax School Building Bonds Series 2016.	2.00-5.00%	2039	$ 43,385,000	$ 36,765,000	$ 985,000	$ 35,780,000
Unlimited Tax Refunding Bonds Series 2016.	2.50-5.00%	2031	$ 21,370,000	21,370,000	1,185,000	20,185,000
Unlimited Tax School Building Bonds Series 2015.	2.00-5.00%	2039	$ 72,545,000	59,765,000	3,125,000	56,640,000
Unlimited Tax Refunding Bonds Series 2015.	3.00-5.00%	2031	$ 67,760,000	64,870,000	3,150,000	61,720,000
Unlimited Tax Refunding Bonds Series 2014.	2.00-4.00%	2031	$ 6,090,000	2,770,000	100,000	2,670,000
Unlimited Tax School Building Bonds Series 2014.	1.50-5.00%	2039	$ 99,675,000	85,410,000	2,530,000	82,880,000
Unlimited Tax Refunding Bonds Series 2012.	2.00-5.00%	2031	$ 40,685,000	39,390,000	1,160,000	38,230,000
Unlimited Tax Schoolhouse Bonds Taxable Series 2010B (BABs).	3.52-4.64%	2027	$ 18,880,000	18,880,000	-	18,880,000
Unlimited Tax Schoolhouse Bonds Series 2010A (Tax-Exempt).	2.00-4.00%	2020	$ 7,780,000	3,030,000	735,000	2,295,000
Unlimited Tax Refunding Bonds, Series 2010.	2.25-5.00%	2021	$ 19,500,000	3,200,000	2,495,000	705,000
			Totals	$ 335,450,000	$ 15,465,000	$ 319,985,000

The annual requirements to amortize debt issues outstanding at year end were as follows:

Year Ended June 30	Principal	Interest	Total Requirements
2020	$ 15,385,000	$ 13,187,399	$ 28,572,399
2021	15,340,000	12,466,599	27,806,599
2022	15,315,000	11,747,020	27,062,020
2023	15,825,000	11,017,725	26,842,725
2024	16,370,000	10,344,053	26,714,053
2025-2029	90,270,000	40,668,731	130,938,731
2030-2034	77,565,000	24,003,394	101,568,394
2035-2039	73,915,000	9,969,682	83,884,682
	$ 319,985,000	$ 133,404,603	$ 453,389,603

D. Operating Leases

Commitments under operating leases (non-capitalized) for facilities and equipment are subject to fiscal funding clauses and are cancellable by the District. The District therefore is not obligated for minimum future rental payments as of June 30, 2019.

Rental expenditures for the fiscal year ended June 30, 2019 totaled to $249,719.

E. Interfund Transactions

Amounts recorded as due to/from are considered to be temporary loans and will be repaid during the following year. The composition of interfund balances as of year end were as follows:

Due To	Due From	Amount
General	Nonmajor governmental	$ 514,796
General	Internal service	47,741
General	Capital projects	45,017
Internal service	Nonmajor governmental	6,034
Capital projects	General	7,119
Nonmajor governmental	General	17,924
Internal service	General	51,875
	Total	$ 690,506

Interfund transfers are defined as "flows of assets without equivalent flow of assets in return and without a requirement for repayment." Transfers are the use of funds collected in one fund and transferred to finance various programs accounted for in other funds. The following is a summary of the District's interfund transfers for the fiscal year ended June 30, 2019.

Transfers From	Transfers To	Amount
Nonmajor governmental	General	$ 2,450
	Total	$ 2,450

IV. OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District purchases commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

In addition, the District is a member of the Texas Association of School Boards Join Account Self-Insurance (the "Fund"). The Fund was created to formulate, develop and administer a program of modified self-funding for unemployment compensation coverage for its membership, provide claims administration, and develop a comprehensive loss control program. The District pays contributions to the Fund for its unemployment compensation coverage. The District's agreement with the Fund provides that the Fund will be self-sustaining through member premiums and will provide, through commercial companies, reinsurance contracts.

Effective in fiscal year 2008, the District established a self-insurance plan for workers' compensation benefits for employees (the "Plan"). The District's retention of risk is $1,000,000 per occurrence with an aggregate stop-loss limit of $5,000,000. Claims incurred by the employees of the District are handled by a third-party administrator who is responsible for estimating losses to be incurred by the District and ultimately paid to the claimant.

Settled claims have not exceeded the aggregate coverage in any year the plan has been in effect. Insurance coverage has not been reduced for the year from the prior year. Accrued claims payable of $533,733 as of June 30, 2019, includes provisions for claims reported but not paid and claims incurred but not reported. The provision for reported claims and claims incurred but not yet reported is determined by estimating the amount that will ultimately be paid each claimant and is calculated and provided by the District's third party administrator. Accrued claims payable have not been discounted to their present value as the District expects such claims to be paid within the following fiscal year. The District believes that any discount of the claims payable would not be material to the overall financial statements.

Changes in the Plan claims liability amount for the fiscal year ended June 30, 2019 are as follows:

	2019	2018
Liability, beginning of year	$ 554,473	$ 533,295
Current year claims charges and estimates	198,971	395,971
Claim payments	(219,711)	(374,793)
Liability, End of Year	$ 533,733	$ 554,473

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or not performed correctly, it could result in a substantial liability to the District. The District has engaged an arbitrage consultant to perform the calculations in accordance with IRS rules and regulations.

C. Litigation

The District is a party to various legal actions, none of which is believed by the administration or its legal counsel to have a material effect on the financial condition of the District. Accordingly no provision for losses has been recorded in the accompanying basic financial statements for such contingencies.

D. Defined Benefit Pension Plan

Teacher Retirement System

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 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 TRS.

Pension Plan Fiduciary Net Position

Detailed information about the TRS's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and Required Supplementary Information. That report may be obtained on the Internet at http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule.

There are no automatic postemployment benefit changes, including automatic cost of living adjustments (COLAs). Ad hoc postemployment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan Description above.

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of TRS during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 85th Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same.

Contribution Rates	2018	2019
Member	7.7%	7.7%
NECE (State)	6.8%	6.8%
Employers	6.8%	6.8%

	Measurement Year (2018)	Fiscal Year (2019)
Employer contributions	$ 1,749,522	$ 1,800,737
Member contributions	$ 4,119,754	$ 4,125,544
NECE on-behalf contributions	$ 2,414,618	$ 2,502,509

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational, and general or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to TRS an amount equal to 50% of the state contribution rate for certain instructional or administrative employees and 100% of the state contribution rate for all other employees.

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

- When employing a retiree of TRS, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors, and Disability Insurance Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees and 100% of the state contribution rate for all other employees.

Actuarial Assumptions

The total pension liability (TPL) in the August 31, 2017 actuarial valuation rolled forward to August 31, 2018 was determined using the following actuarial assumptions:

Valuation date	August 31, 2017 rolled forward to August 31, 2018
Actuarial cost method	Individual entry age normal
Asset valuation method	Market value
Single discount rate	6.907%
Long-term expected investment rate of return	7.25%
Municipal bond rate	3.69%. 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)	2116
Inflation	2.3%
Salary increases including inflation	3.05% to 9.05%
Benefit changes during the year	None
Ad hoc postemployment benefit changes	None

The actuarial methods and assumptions are primarily based on a study of actual experience for the three-year period ending August 31, 2017 and adopted in July 2018.

Discount Rate

The single discount rate used to measure the TPL was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.69%. The projection of cash flows used to determine the discount rate assumed that contributions from TRS members and those of the contributing employers and the NECE are made at the statutorily required rates. Based on those assumptions, TRS's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the TRS's target asset allocation as of August 31, 2018 are summarized below:

Teacher Retirement System of Texas
Asset Allocation and Long-Term Expected Real Rate of Return
As of August 31, 2018

	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns *
Global Equity			
U.S.	18.0%	5.7%	1.0%
Non-U.S. Developed	13.0%	6.9%	0.9%
Emerging Markets	9.0%	8.9%	0.8%
Directional Hedge Funds	4.0%	3.5%	0.1%
Private Equity	13.0%	10.2%	1.3%
Stable Value			
U.S. Treasuries	11.0%	1.1%	0.1%
Absolute Returns	0.0%	0.0%	0.0%
Hedge Funds (Stable Value)	4.0%	3.1%	0.1%
Cash	1.0%	-0.3%	0.0%
Real Return			
Global Inflation-Linked Bonds	3.0%	0.7%	0.0%
Real Assets	14.0%	5.2%	0.7%
Energy and Natural Resources	5.0%	7.5%	0.4%
Commodities	0.0%	0.0%	0.0%
Risk Parity			
Risk Parity	5.0%	3.7%	0.2%
Inflation Expectation	0.0%		2.3%
Alpha	0.0%		-0.8%
Total	100.0%		7.1%

* The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.907%) in measuring the NPL:

	1% Decrease in Discount Rate (5.907%)	Current Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
District's proportionate share of the net pension liability	$ 43,142,651	$ 28,585,684	$ 16,800,955

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

At June 30, 2019, the District reported a liability of $28,585,684 for its proportionate share of the TRS's NPL. 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 NPL that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	$	28,585,684
State's proportionate share that is associated with the District		39,477,362
Total	$	68,063,046

The NPL was measured as of August 31, 2017 and rolled forward to August 31, 2018, and the TPL used to calculate the NPL was determined by an actuarial valuation as of August 31, 2017 rolled forward to August 31, 2018. The District's proportion of the NPL was based on the District's contributions to the pension plan relative to the contributions of all employers to TRS for the period September 1, 2017 through August 31, 2018.

At August 31, 2018, the District's proportion of the collective NPL was 0.0519339%, which was an increase of 0.001144% from its proportion measured as of August 31, 2017.

Changes Since the Prior Actuarial Valuation – The following were changes to the actuarial assumptions or other inputs that affected measurement of the TPL since the prior measurement period.

- The TPL as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.

- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.

- Economic assumptions, including rates of salary increase for individual participants, were updated based on the same experience study.

- The discount rate changed from 8.000% as of August 31, 2017 to 6.907% as of August 31, 2018.

- The long-term assumed rate of return changed from 8.00% to 7.25%.

- The change in the long-term assumed rate of return, combined with the change in the single discount rate, was the primary reason for the increase in the NPL.

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

For the year ended June 30, 2019, the District recognized pension expense of $3,907,207 and revenue of $3,907,207 for support provided by the State.

At June 30 ,2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	$ 178,180	$ (701,380)
Changes in actuarial assumptions	10,306,516	(322,079)
Difference between projected and actual investment earnings	-	(542,393)
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,436,748	(809)
Contributions paid to TRS subsequent to the measurement date	1,515,108	-
Total	$ 14,436,552	$ (1,566,661)

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

Year Ended June 30	Pension Expense
2020	$ 3,037,226
2021	1,895,800
2022	1,583,881
2023	1,887,994
2024	1,780,989
Thereafter	1,168,893
Total	$ 11,354,783

E. Defined Other Postemployment Benefit Plans

Plan Description

The District participates in TRS-Care. It is a multiple-employer, cost-sharing defined benefit OPEB plan that has a special funding situation. TRS-Care is administered through a trust by the TRS Board of Trustees (the "Board"). It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position

Detailed information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and Required Supplementary Information. That report may be obtained on the Internet at www.trs.state.tx.us/about/documents/cafr.pdf#CAFR; 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 TRS-Care as of August 31, 2018 are as follows:

Total OPEB liability	$ 50,729,490,103
Less: plan fiduciary net position	798,574,633
Net OPEB Liability	$ 49,930,915,470
Net position as a percentage of total OPEB liability	1.57%

Benefits Provided

TRS-Care provides a basic health insurance coverage, TRS-Care 1 (the "Basic Plan") at no cost to all retirees from public schools, charter schools, regional education service centers, and other educational districts who are members of TRS. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits, TRS-Care 2 and TRS-Care 3 (the "Optional Health Insurance"). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least ten years of service credit in TRS. The Board 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. There are no automatic postemployment benefit changes, including automatic cost-of-living adjustments.

The premium rates for the Optional Health Insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage:

TRS-Care Plan Premium Rates
Effective January 1, 2018 - December 31, 2018

	Medicare	**Non-Medicare**
Retiree*	$ 135	$ 200
Retiree and spouse	$ 529	$ 689
Retiree* and children	$ 468	$ 408
Retiree and family	$ 1,020	$ 999

**or surviving spouse*

Contributions

Contribution rates for TRS-Care are established in state statute by the Texas Legislature and there is no continuing obligation to provide benefits beyond each fiscal year. TRS-Care 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 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 0.75% 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. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to TRS-Care by type of contributor:

Contribution Rates

	Fiscal Year	
	2018	**2019**
Active employee	0.65%	0.65%
NECE (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private funding remitted by employers	1.25%	1.25%

	Measurement Year (2018)	Fiscal Year (2019)
Employer contributions	$ 428,703	$ 431,500
Member contributions	$ 347,771	$ 348,260
NECE on-behalf contributions	$ 638,735	$ 669,731

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

TRS-Care received supplemental appropriations from the State as the NECE in the amount of $182.6 million in fiscal year 2018. The 85th Texas Legislature, House Bill 30 provided an additional $212 million in one-time supplemental funding for fiscal year 2018-19 biennium to continue to support the program. This was also received in fiscal year 2018 bringing the total appropriations received in fiscal year 2018 to $394.6 million.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended June 30, 2019, 2018, and 2017, the subsidy payments received by TRS-Care on behalf of the District were $206,420, $208,880, and $240,612, respectively.

Actuarial Assumptions

The total OPEB liability in the August 31, 2017 actuarial valuation was rolled forward to August 31, 2018. The actuarial valuation was determined using the following actuarial assumptions:

- A change was made in the measurement date of the total OPEB liability for the TRS 2018 fiscal year. The actuarial valuation was performed as of August 31, 2017. Update procedures were used to roll forward the total OPEB liability to August 31, 2018. This was the first year the roll-forward procedures were used.

- The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the TRS pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including rates of retirement, termination, and disability; and most of the economic assumptions, including general inflation, salary increases, and general payroll growth, used in the OPEB valuation were identical to those used in the respective TRS pension valuation.

- The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The post-retirement mortality rates 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 scale.

- Initial medical trend rates of 107.74% and 9.00% for Medicate retirees and an initial medical trend rate of 6.75 percent for non-Medicare retirees were used. The initial prescription drug trend rate was 11.00% for all retirees. The first-year trend rate increase for the Medicare Advantage (medical) premiums reflects the anticipated return of the Health Insurer Fee (HIF) in 2020.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation that was rolled forward to August 31, 2018:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growtl
Rates of Disability Incidence	

Additional actuarial methods and assumptions are as follows:

Valuation date	8/31/2017 rolled forward to 8/31/2018
Actuarial cost method	Individual entry age normal
Inflation	2.30%
Single discount rate	3.69%. Sourced from fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal fonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2018.
Aging factors	Based on plan-specific experience
Election rates	Normal retirement: 70% participation prior to age 65 and 75% participation after age 65.
Expenses	Third-party administrative expenses related to the delivery of healthcare benefits are included in the age-adjusted claims costs.
Projected salary increases*	3.05% to 9.05%, including inflation
Ad hoc postemployment benefit changes	None

The impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of $850/$2,292 were indexed annually by 2.5%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25-basis point addition to the long-term trend rate assumption.

Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of 0.27% in the discount rate since the previous year. Because TRS-Care 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 NECE are made at the statutorily required rates. Based on those assumptions, TRS-Care'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 applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability

Discount Rate Sensitivity Analysis – The following schedule shows the impact of the net OPEB liability if the discount rate used was one percent less than and one percent greater than the discount rate that was used in measuring the net OPEB liability:

	1% Decrease in Discount Rate (2.69%)	Current Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
District's proportionate share of the net OPEB liability	$ 36,935,099	$ 31,028,940	$ 26,356,787

Healthcare Cost Trend Rates Sensitivity Analysis – The following presents the net OPEB liability of TRS-Care using the assumed healthcare cost trend rate of 8.5%, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one percent less than or one percent higher than the assumed healthcare cost trend rate:

	1% Decrease in Healthcare Cost Trend	Current Healthcare Cost Trend	1% Increase in Healthcare Cost Trend
District's proportionate share of the net OPEB liability	$ 25,770,040	$ 31,028,940	$ 37,955,024

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

At June 30, 2019, the District reported a liability of $31,028,940 for its proportionate share of TRS-Care'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	$	31,028,940
State's proportionate share that is associated with the District		46,296,733
Total	$	77,325,673

The net OPEB liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's contributions to TRS-Care relative to the contributions of all employers to TRS-Care for the period September 1, 2017 through August 31, 2018.

At the August 31, 2018 measurement date, the District's proportion of the collective net OPEB liability was 0.0621437 percent, which was an increase of 0.0025637% as of August 31, 2017.

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:

- Adjustments were made for retirees that were known to have discontinued their healthcare coverage in fiscal year 2018. This change increased the total OPEB liability.
- The healthcare trend rate assumption was updated to reflect the anticipated return of the HIF in 2020. This change increased the total OPEB liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This changed increased the total OPEB liability.
- The discount rate was changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the total OPEB liability by $2.3 billion.

The following are changes in benefit terms since the prior measurement date effective September 1, 2017 by the 85th Texas Legislature:

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
- Created a single Medicaid Adventure plan and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed TRS-Care to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.

- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during plan years 2018 through 2021, requiring members to contribute $200 per month toward their health insurance premiums.

For the year ended June 30, 2019, the District recognized OPEB expense of $1,683,997 and revenue of $1,683,997 for support provided by the State.

At June 30, 2019, the District reported its proportionate share of TRS-Care'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
Difference between expected and actual economic experience	$ 1,646,590	$ (489,682)
Changes in actuarial assumptions	517,789	(9,322,416)
Difference between projected and actual investment earnings	5,427	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,404,818	-
Contributions paid to TRS subsequent to the measurement date	361,507	-
Total	$ 3,936,131	$ (9,812,098)

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

Year Ended June 30	OPEB Expense
2020	$ (1,046,466)
2021	(1,046,466)
2022	(1,046,466)
2023	(1,047,492)
2024	(1,048,079)
Thereafter	(1,002,505)
Total	$ (6,237,474)

F. Unemployment Compensation

During the year ended June 30, 2019, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the unemployment compensation pool.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2018 are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

G. Tax Abatements

The District entered into various property tax abatement agreements with local businesses under Texas Tax Code, Title 3. Subtitle B. Chapter 313. Texas Economic Development Act (the Act). Under the Act, Texas school districts may grant property tax abatements according to the category of taxable value. The qualified property is limited only from maintenance and operation (M&O) property tax. The tax abatements, which are approved by the Texas Comptroller's office and the District's Board, are granted for the purpose of enhancing the local community; improving the public education system; creating high-paying jobs; and advancing economic development goals.

The agreements are for local businesses to invest a minimum capital investment totaling $210,000,000 within the District's boundaries during a qualifying period and to create jobs. Each investment would be limited to taxable value of the lesser of the qualified appraised value or $30,000,000. The District's tax abatements expire in increments beginning in 2024 through 2031.

For the fiscal year ended June 30, 2019, the District has foregone collecting property taxes totaling approximately $12.4 million resulting from the M&O tax rate of $1.17 per $100 of taxable value. The qualified property per the agreements had a taxable value of approximately $1.3 billion and was limited to a taxable value of $210,000,000. However, in foregoing the property tax revenue, the District receives state funding through the Foundation School Program funding formula to offset the loss of property tax revenues.

REQUIRED SUPPLEMENTARY INFORMATION

(This page intentionally left blank.)

LA PORTE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND - EXHIBIT G-1

For the Year Ended June 30, 2019

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
	Revenues				
5700	Local, intermediate, and out-of-state	$ 108,370,130	$ 111,038,642	$ 111,963,242	$ 924,600
5800	State program revenues	8,381,951	8,185,806	8,473,704	287,898
5900	Federal program revenues	1,266,000	1,513,423	3,076,691	1,563,268
5020	**Total Revenues**	118,018,081	120,737,871	123,513,637	2,775,766
	Expenditures				
0011	Instruction	42,016,819	41,661,735	41,204,195	457,540
0012	Instructional resources	452,511	402,348	342,011	60,337
0013	Curriculum and staff development	726,267	738,368	676,863	61,505
0021	Instructional leadership	927,378	866,492	824,068	42,424
0023	School leadership	4,497,502	4,501,293	4,469,733	31,560
0031	Guidance, counseling, and				
0031	evaluation services	2,927,493	2,699,408	2,490,355	209,053
0032	Social work services	313,966	303,966	264,097	39,869
0033	Health services	910,295	932,853	927,231	5,622
0034	Student (pupil) transportation	3,146,492	3,096,493	2,796,118	300,375
0036	Extracurricular activities	1,818,364	1,743,070	1,629,216	113,854
0041	General administration	3,391,644	3,240,946	3,007,982	232,964
0051	Plant maintenance and operations	8,539,436	8,839,436	8,101,005	738,431
0052	Security and monitoring services	2,066,559	1,991,560	1,587,102	404,458
0053	Data processing services	1,570,714	1,586,414	1,533,809	52,605
0061	Community services	44,600	38,300	15,577	22,723
	Intergovernmental:				
0091	Contracted instructional services				
0091	between schools	44,689,195	47,000,000	46,925,331	74,669
0093	Shared service arrangements	155,998	155,998	128,845	27,153
0095	Payments to juvenile justice				
0095	alternative education programs	59,400	59,400	59,400	-
0097	Payments to tax increment fund	1,700,714	2,779,617	2,779,617	-
0099	Other intergovernmental charges	1,000,000	1,037,446	1,037,446	-
6030	**Total Expenditures**	120,955,347	123,675,143	120,800,001	2,875,142
1100	**Excess (Deficiency) of Revenues Over (Under) Expenditures**	(2,937,266)	(2,937,272)	2,713,636	5,650,908
	Other Financing (Uses)				
7912	Sale of real or personal property	-	-	2,732,055	2,732,055
7915	Transfers in	-	-	2,450	2,450
7080	**Total Other Financing Source**	-	-	2,734,505	2,734,505
1200	**Net Change in Fund Balance**	(2,937,266)	(2,937,272)	5,448,141	8,385,413
0100	Beginning fund balance	34,908,586	34,908,586	34,908,586	-
3000	**Ending Fund Balance**	$ 31,971,320	$ 31,971,314	$ 40,356,727	$ 8,385,413

La Porte Independent School District

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY TEACHER RETIREMENT SYSTEM OF TEXAS (TRS) - EXHIBIT G-2

For the Year Ended June 30, 2019

	Measurement Year*			
	2018	**2017**	**2016**	**2015**
District's proportion of the net pension liability	0.0519339%	0.0507900%	0.0504400%	0.0513500%
District's proportionate share of the net pension liability (asset)	$ 28,585,684	$ 16,241,030	$ 19,059,283	$ 18,151,082
State's proportionate share of the net pension liability associated with the District	39,477,362	23,985,725	29,292,219	27,003,832
Total	$ 68,063,046	$ 40,226,755	$ 48,351,502	$ 45,154,914
District's covered payroll**	$ 53,503,293	$ 52,116,034	$ 50,779,368	$ 47,658,971
District's proportionate share of the net pension liability as a percentage of its covered payroll	53.43%	31.16%	37.53%	38.09%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	82.17%	78.00%	78.43%

* Only five years' worth of information is currently available.

Notes to Required Supplementary Information:

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

The TPL, as of August 31, 2018, was developed using a roll-forward method from the August 31, 2017 valuation.

Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.

Economic assumptions including rates of salary increase for individual participants were updated based on the same experience study.

The discount rate changed from 8.000 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.

The long-term assumed rate of return changed from 8.00 percent to 7.25 percent.

The change in the long-term assumed rate of return, combined with the change in the single discount rate, was the primary reason for the increase in the net pension liability.

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

Measurement Year 2014
0.0353100%
$ 9,433,339
23,350,382
$ 32,783,721
$ 46,141,521
20.44%
83.25%

LA PORTE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS

TEACHER RETIREMENT SYSTEM OF TEXAS (TRS) - EXHIBIT G-3

Last 10 Fiscal Years*

	Fiscal Year			
	2019	**2018**	**2017**	**2016**
Contractually required contribution	$ 1,800,737	$ 1,739,592	$ 1,603,245	$ 1,520,457
Contributions in relations to the contractually required contribution	1,800,737	1,739,592	1,603,245	1,520,457
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 53,578,488	$ 53,503,293	$ 51,900,186	$ 50,468,268
Contributions as a percentage of covered payroll	3.36%	3.25%	3.09%	3.01%

**Only five years of information currently available. The District will build this schedule over the next five years.*

Fiscal Year
2015
$ 895,354
895,354
$ -
$ 46,141,521
1.94%

(This page intentionally left blank.)

LA PORTE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEXAS PUBLIC SCHOOL RETIRED EMPLOYEE GROUP INSURANCE PROGRAM (TRS-CARE)
EXHIBIT G-4

For the Year Ended June 30, 2019

	Measurement Year*	
	2018	**2017**
District's proportion of the collective net OPEB liability	0.0621437%	0.0595800%
District's proportionate share of the collective net OPEB liability	$ 31,028,940	$ 25,909,434
State's proportionate share of the collective net OPEB liability associated with the District	46,296,733	41,428,528
Total	$ 77,325,673	$ 67,337,962
District's covered payroll**	$ 53,503,293	$ 52,116,034
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	57.99%	49.71%
Plan fiduciary net position as a percentage of the total OPEB liability	1.57%	0.91%

* Only two years' worth of information is currently available.

Notes to Required Supplementary Information:

Changes in Assumptions:

Adjustments were made for retirees that were known to have discontinued their healthcare coverage in fiscal year 2018. This change increased the total OPEB liability.

The healthcare trend rate assumption was updated to reflect the anticipated return of the HIF in 2020. This change increased the total OPEB liability.

Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This changed increased the total OPEB liability.

The discount rate was changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the total OPEB liability by $2.3 billion.

Changes in Benefits:

Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.

Created a single Medicare Adventure plan and Medicare prescription drug plan for all Medicare-eligible participants.

Allowed TRS-Care to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.

Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.

Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during plan years 2018 through 2021, requiring members to contribute $200 per month toward their health insurance premiums.

(This page intentionally left blank.)

LA PORTE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS

TEXAS PUBLIC SCHOOL RETIRED EMPLOYEE GROUP INSURANCE PROGRAM (TRS-CARE)

EXHIBIT G-5

For the Year Ended June 30, 2019

	Fiscal Year*	
	2019	**2018**
Statutorily required contributions	$ 431,500	$ 411,241
Contributions in relations to the statutorily required contributions	431,500	411,241
Contribution Deficiency (Excess)	$ -	$ -
District's covered payroll	$ 53,578,488	$ 53,503,293
Contributions as a percentage of covered payroll	0.81%	0.77%

* Only two years' worth of information is currently available.

(This page intentionally left blank.)

SUPPLEMENTARY INFORMATION

(This page intentionally left blank.)

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Speical revenue funds are used to account for specific revenue sources that are restricted, committed, or assigned to expenditures for particular purposes.

Fund 211 ESEA Title I Part A.

Provide supplemental funds to help improve teaching and learning in high-poverty schools in particular for children most at-risk of meeting challenging state academic standards.

Fund 224 IDEA Part B Formula

Funds to operate educational programs for children with disabilities.

Fund 225 IDEA Part B Preschool

Funds to operate educational programs for preschool children with disabilities.

Fund 226 IDEA Part B Supplement

Funds to support regional day school programs for the deaf, private residential placements, priority projects and other emerging needs for children with disabilities.

Fund 240 National School Breakfast & Lunch Program

Funds used for food service when the service is subsidized with federal reimbursement revenues from the United States Department of Agriculture (USDA).

Fund 244 Career and Technical Basic Grant

Funds to provide career and technical education (CTE) and to develop new and/or improve existing CTE programs for paid and unpaid employment.

Fund 255 ESEA Title II Part A

Funds used to improve student academic achievement by improving teacher and principal quality and increasing the number of highly qualified teachers, principals, and assistant principals.

Fund 263 Title III Part A

Funds granted to improve the education of children with limited English proficiency by helping the children learn English and meet challenging academic achievement standards.

Fund 272 Medicaid Administration Claims

Funds allocated to districts to reimburse eligible administrative costs for activities that implement the Medicaid state plan.

Fund 289 Federally Funded Special Revenue

Funds for drug and violence prevention, character education, community service projects, conflict resolution and peer mediation programs, and other activities.

Fund 397 Advanced Placement Incentives

Funds to award campuses for Advanced Placement examinations.

Fund 410 State Instructional Materials

Funds for instructional materials to include textbooks, software, supplemental materials, DVDs, online services, open-source materials, and other means of conveying information electronically.

Fund 429 State Funded Special Revenue

Funds from the state for disaster relief and Funds provided by the state through the sale of specialty license plates for public school libraries and to strengthen campus reading programs.

Fund 461 Campus Activity

Funds for transactions related to the principals' activity funds.

Fund 481 La Porte Education Foundation

Funds from the La Porte Education Foundation for grants awarded to teachers for innovative programs.

Fund 483 Local Grants and Donations

Funds from local businesses and grants for specific purposes.

Fund 484 SHAC-EKG Grant

Funds to allow EKGs for UIL student participants.

LA PORTE INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS - EXIBHIT H-1 (Page 1 of 2)

June 30, 2019

Data Control Codes		211 ESEA Title I Part A Imp. Basic Programs	224 IDEA Part B Formula	225 IDEA Part B Preschool	226 IDEA-B Supplement
	Assets				
1110	Cash and cash equivalents	$ -	$ -	$ -	$ -
1240	Due from other governments	99,676	353,321	3,393	69,817
1260	Due from other funds	-	9	-	-
1267	Due from fiduciary funds	-	-	-	-
1300	Inventories, at cost	-	-	-	-
1000	**Total Assets**	$ 99,676	$ 353,330	$ 3,393	$ 69,817
	Liabilities				
2110	Accounts payable	$ 11,185	$ -	$ -	$ -
2160	Accrued wages payable	18,276	54,997	1,081	-
2170	Due to other funds	70,215	298,333	2,312	69,817
2180	Due to other governments	-	-	-	-
2300	Unearned revenue	-	-	-	-
2000	**Total Liabilities**	99,676	353,330	3,393	69,817
	Fund Balances				
3410	Nonspendable - inventories	-	-	-	-
3450	Restricted - grants	-	-	-	-
3520	Committed -				
3520	compensated absences	-	-	-	-
3545	Committed - student				
3545	achievement and safety	-	-	-	-
3000	**Total Fund Balances**	-	-	-	-
4000	**Total Liabilities and Fund Balances**	$ 99,676	$ 353,330	$ 3,393	$ 69,817

240 National Sch. Breakfast/ Lunch Program	244 Career and Technical Basic Grant	255 ESEA Title II Part A Training and Recruiting	263 Title III Part A English Language Acquisition	272 Medicaid Administ. Claiming Program	289 Federally Funded Special Rev. Funds
$ 1,005,829	$ -	$ -	$ -	$ -	$ 7,769
24,217	4,853	14,080	19,090	56,877	5,413
17,654	-	-	-	-	-
151	-	-	-	-	-
38,864	-	-	-	-	-
$ 1,086,715	$ 4,853	$ 14,080	$ 19,090	$ 56,877	$ 13,182
$ 7,161	$ 4,853	$ -	$ 11,356	$ -	$ -
61,338	-	4,226	-	2,224	2,409
8,254	-	9,854	7,734	43,505	-
-	-	-	-	-	-
59,593	-	-	-	-	10,773
136,346	4,853	14,080	19,090	45,729	13,182
38,864	-	-	-	-	-
886,328	-	-	-	11,148	-
25,177	-	-	-	-	-
-	-	-	-	-	-
950,369	-	-	-	11,148	-
$ 1,086,715	$ 4,853	$ 14,080	$ 19,090	$ 56,877	$ 13,182

LA PORTE INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS - EXIBHIT H-1 (Page 2 of 2)

June 30, 2019

Data Control Codes		397 Advanced Placement Incentives	410 State Instructional Materials	429 State Funded Special Revenue Fund	461 Campus Activity
	Assets				
1110	Cash and cash equivalents	$ -	$ 866,159	$ 3,894,598	$ 532,323
1240	Due from other governments	-	-	-	-
1260	Due from other funds	-	-	-	261
1267	Due from fiduciary funds	-	-	-	-
1300	Inventories	-	-	-	-
1000	**Total Assets**	$ -	$ 866,159	$ 3,894,598	$ 532,584
	Liabilities				
2110	Accounts payable	$ -	$ 735,613	$ -	$ 24,533
2160	Accrued wages payable	-	-	-	4,378
2170	Due to other funds	-	-	-	10,305
2180	Due to other governments	-	-	-	321
2300	Unearned revenue	-	130,546	-	-
2000	**Total Liabilities**	-	866,159	-	39,537
	Fund Balances				
3410	Nonspendable - inventories	-	-	-	-
3450	Restricted - grants	-	-		
3520	Committed -				
3520	compensated absences	-	-	-	-
3545	Committed - student				
3545	achievement and safety	-	-	3,894,598	493,047
3000	**Total Fund Balances**	-	-	3,894,598	493,047
4000	**Total Liabilities and Fund Balances**	$ -	$ 866,159	$ 3,894,598	$ 532,584

481 La Porte Education Foundation	483 Local Grants and Donations	484 SHAC-EKG Grant	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
$ 8,251	$ 31,099	$ 6,310	$ 6,352,338
-	-	-	650,737
-	-	-	17,924
-	-	-	151
-	-	-	38,864
$ 8,251	$ 31,099	$ 6,310	$ 7,060,014
$ -	$ 440	$ 2,733	$ 797,874
-	-	-	148,929
501	-	-	520,830
-	-	-	321
-	-	-	200,912
501	440	2,733	1,668,866
-	-	-	38,864
			897,476
-	-	-	25,177
7,750	30,659	3,577	4,429,631
7,750	30,659	3,577	5,391,148
$ 8,251	$ 31,099	$ 6,310	$ 7,060,014

LA PORTE INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS - EXIBHIT H-2 (Page 1 of 2)

For the Year Ended June 30, 2019

Data Control Codes		211 ESEA Title I Part A Imp. Basic Programs	224 IDEA Part B Formula	225 IDEA Part B Preschool	226 IDEA-B Supplement
	Revenues				
5700	Local and intermediate sources	$ -	$ -	$ -	$ -
5800	State program revenues	-	-	-	-
5900	Federal program revenues	865,012	1,482,809	49,554	69,817
5020	**Total Revenues**	865,012	1,482,809	49,554	69,817
	Expenditures				
0011	Instruction	765,504	342,974	49,554	45,817
0012	Instructional resources				
0012	and media services	-	-	-	-
0013	Curriculum and instructional				
0013	staff development	60,746	1,685	-	-
0021	Instructional leadership	1,935	170,058	-	-
0023	School leadership	19,423	-	-	-
0031	Guidance, counseling,				
0031	and evaluation services	10,979	968,092	-	24,000
0033	Health services	-	-	-	-
0034	Student transportation	-	-	-	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0052	Security and monitoring services	-	-	-	-
0053	Data processing services	-	-	-	-
0061	Community services	6,425	-	-	-
6030	**Total Expenditures**	865,012	1,482,809	49,554	69,817
	Other Financing Sources (Uses)				
8911	Transfers (out)	-	-	-	-
7080	**Total Other Financing (Uses)**	-	-	-	-
1200	**Net Change in Fund Balances**	-	-	-	-
0100	Beginning fund balances	-	-	-	-
3000	**Ending Fund Balances**	$ -	$ -	$ -	$ -

240 National Sch. Breakfast/ Lunch Program	244 Career and Technical Basic Grant	255 ESEA Title II Part A Training and Recruiting	263 Title III Part A English Language Acquisition	272 Medicaid Administ. Claiming Program	289 Federally Funded Special Rev. Funds
$ 1,303,054	$ -	$ -	$ -	$ -	$ -
21,258	-	-	-	-	-
2,764,891	45,713	151,788	89,241	56,877	43,071
4,089,203	45,713	151,788	89,241	56,877	43,071
-	44,003	-	56,176	38,314	629
-	-	-	-	-	-
-	1,710	150,303	17,295	-	-
-	-	1,085	-	31,145	-
-	-	400	1,850	-	695
-	-	-	7,512	-	41,747
-	-	-	-	-	-
-	-	-	-	-	-
4,218,728	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
43,784	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	6,408	-	-
4,262,512	45,713	151,788	89,241	69,459	43,071
-	-	-	-	-	-
-	-	-	-	-	-
(173,309)	-	-	-	(12,582)	-
1,123,678	-	-	-	23,730	-
$ 950,369	$ -	$ -	$ -	$ 11,148	$ -

LA PORTE INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS - EXIBHIT H-2 (Page 2 of 2)

For the Year Ended June 30, 2019

Data Control Codes		397 Advanced Placement Incentives	410 State Instructional Materials	429 State Funded Special Revenue Fund	461 Campus Activity
	Revenues				
5700	Local, intermediate, and out-of-state	$ -	$ -	$ -	$ 560,787
5800	State program revenues	1,200	937,463	17,063	-
5900	Federal program revenues	-	-	-	-
5020	**Total Revenues**	1,200	937,463	17,063	560,787
	Expenditures				
0011	Instruction	-	936,873	14,584	129,935
0012	Instructional resources				
0012	and media services	-	-	30	13,002
0013	Curriculum and instructional				
0013	staff development	5,920	590	-	5,143
0021	Instructional leadership	-	-	-	-
0023	School leadership	-	-	-	10,310
0031	Guidance, counseling,				
0031	and evaluation services	-	-	-	5,449
0033	Health services	-	-	-	80
0034	Student transportation	-	-	-	1,411
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	-	-	290,255
0041	General administration	-	-	-	6,618
0051	Plant maintenance and operations	-	-	-	551
0052	Security and monitoring services	-	-	-	530
0053	Data processing services	-	-	-	141
0061	Community services	-	-	-	181
6030	**Total Expenditures**	5,920	937,463	14,614	463,606
	Other Financing Sources				
8911	Transfers (out)	-	-	(2,450)	-
7080	**Total Other Financing (Uses)**	-	-	(2,450)	-
1200	**Net Change in Fund Balances**	(4,720)	-	(1)	97,181
0100	Beginning fund balances	4,720	-	3,894,599	395,866
3000	**Ending Fund Balances**	$ -	$ -	$ 3,894,598	$ 493,047

481 La Porte Education Foundation	483 Local Grants and Donations	484 SHAC-EKG Grant	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
$ 158,890	$ 34,957	$ 4,290	$ 2,061,978
-	-	-	976,984
-	-	-	5,618,773
158,890	34,957	4,290	8,657,735
155,737	22,008	-	2,602,108
-	-	-	13,032
-	3,266	-	246,658
-	-	-	204,223
-	2,920	-	35,598
1,870	-	-	1,059,649
-	228	-	308
-	-	-	1,411
-	-	-	4,218,728
-	460	6,114	296,829
-	-	-	6,618
-	-	-	44,335
-	2,104	-	2,634
-	1,898	-	2,039
-	-	-	13,014
157,607	32,884	6,114	8,747,184
-	-	-	(2,450)
-	-	-	(2,450)
1,283	2,073	(1,824)	(91,899)
6,467	28,586	5,401	5,483,047
$ 7,750	$ 30,659	$ 3,577	$ 5,391,148

(This page intentionally left blank.)

NONMAJOR INTERNAL SERVICE FUNDS

Internal Service Funds

Internal service funds are used to account for services provided to other departments of the District on a cost-reimbursment basis.

Fund 752 Print Shop

Transactions related to print shop services to other organizational units of the District and organizations outside the District.

Fund 753 Workers Compensation

Transactions related to self-insurance for workers' compensation.

(This page intentionally left blank.)

LA PORTE INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF NET POSITION

PROPRIETARY FUNDS - EXHIBIT H-3

June 30, 2019

Data Control Codes		752 Print Shop	753 Workers' Compensation	Total Internal Service Funds
	Assets			
	Current assets:			
1110	Cash and cash equivalents	$ -	$ 1,810,222	$ 1,810,222
1260	Due from other funds	2,080	55,829	57,909
1300	Inventories, at cost	41,353	-	41,353
1410	Prepaid items	1,637	-	1,637
		45,070	1,866,051	1,911,121
	Liabilities			
2110	Accounts payable	261	-	261
2170	Due to other funds	47,741	-	47,741
2180	Due to other governments	45	-	45
2200	Accrued liabilities	-	533,733	533,733
2000	**Total Liabilities**	48,047	533,733	581,780
	Net Position			
3900	Unrestricted	(2,977)	1,332,318	1,329,341
3000	**Total Net Position**	$ (2,977)	$ 1,332,318	$ 1,329,341

(This page intentionally left blank.)

LA PORTE INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS - EXHIBIT H-4

For the Year Ended June 30, 2019

Data Control Codes		752 Print Shop	753 Workers' Compensation	Total Internal Service Funds
	Operating Revenues			
5700	Charges for services	$ 140,508	$ 655,672	$ 796,180
5020	**Total Operating Revenues**	140,508	655,672	796,180
	Operating Expenses			
6100	Payroll costs	66,034	-	66,034
6200	Professional and contracted services	53,213	312,658	365,871
6300	Supplies and materials	33,264	-	33,264
6400	Other operating expense	1,207	-	1,207
6030	**Total Operating Expenses**	153,718	312,658	466,376
	Operating Income (Loss)	(13,210)	343,014	329,804
	Nonoperating Revenues			
7020	Earnings on investments	-	2,408	2,408
8030	**Total Nonoperating Revenues**	-	2,408	2,408
1300	**Change in Net Position**	(13,210)	345,422	332,212
0100	Beginning net position	10,233	986,896	997,129
3300	**Ending Net Position**	$ (2,977)	$ 1,332,318	$ 1,329,341

(This page intentionally left blank.)

LA PORTE INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS - EXHIBIT H-5

For the Year Ended June 30, 2019

	752	753	
	Print Shop	**Workers' Compensation**	**Total Internal Service Funds**
Cash Flows from Operating Activities			
Cash received from user charges	$ 140,508	$ 655,672	$ 796,180
Cash payments for insurance claims	-	(333,901)	(333,901)
Cash payments for other operating expenses	(140,508)	-	(140,508)
Net Cash Provided by Operating Activities	-	321,771	321,771
Proceeds from earnings on investments	-	2,408	2,408
Net Cash Provided by Investing Activities	-	2,408	2,408
Net Increase in Cash and Cash Equivalents	-	324,179	324,179
Cash and cash equivalents, beginning of year	-	1,486,043	1,486,043
Ending Cash and Cash Equivalents	$ -	$ 1,810,222	$ 1,810,222
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	$ (13,210)	$ 343,014	$ 329,804
Effect of Increases and Decreases in Current Assets and Liabilities			
Increase in due from other funds	(2,055)	(503)	(2,558)
Decrease in other receivables	178		178
Increase in inventory	(486)	-	(486)
Decrease in prepaid items	1,317	-	1,317
Decrease in accounts payable	(1,131)	-	(1,131)
Increase in due to other funds	15,389		15,389
Decrease in due to other governments	(2)		(2)
Decrease in accrued liabilities	-	(20,740)	(20,740)
Net Cash Provided (Used) by Operating Activities	$ -	$ 321,771	$ 321,771

(This page intentionally left blank.)

FIDUCIARY FUNDS

Agency Fund

Agency funds are used to account for short-term custodial collections on resources on behalf of another individual, entity, or government.

Fund 865 Student Activity

Accounting for activity on behalf of various student groups and organizations.

(This page intentionally left blank.)

La Porte Independent School District

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - EXHIBIT H-6

AGENCY FUND

For the Year Ended June 30, 2019

Data Control Codes		Beginning Balance July 1, 2018	Additions	Deductions	Ending Balance June 30, 2019
	Assets				
1110	Cash and cash equivalents	$ 196,411	$ 627,593	$ 637,551	$ 186,453
1267	Due from others	-	55,676	53,789	1,887
1290	Other receivables	28,769	-	28,769	-
1000	**Total Assets**	225,180	683,269	720,109	188,340
	Liabilities				
2110	Accounts payable	28,027	478,335	503,995	2,367
2177	Due to others	-	116,077	109,419	6,658
2180	Due to other governments	2,577	6,528	7,020	2,085
2190	Due to student groups	194,576	597,728	615,074	177,230
2000	**Total Liabilities**	$ 225,180	$ 1,198,668	$ 1,235,508	$ 188,340

LA PORTE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE - EXHIBIT J-1

For the Year Ended June 30, 2019

	1	2	3	10
	Tax Rates		Net Assessed/ Appraised Value For School	Beginning Balance
Last Ten Years	Maintenance	Debt Service	Tax Purposes	7/1/18
2010 and prior	Various	Various	Various	$ 414,392
2011	$ 1.0400	$ 0.2850	$ 5,789,629,020	108,141
2012	$ 1.0400	$ 0.3150	$ 6,004,563,235	76,739
2013	$ 1.0400	$ 0.2900	$ 6,208,701,705	94,744
2014	$ 1.0400	$ 0.2900	$ 6,601,456,565	193,471
2015	$ 1.0400	$ 0.4100	$ 7,047,165,791	324,735
2016	$ 1.0400	$ 0.4100	$ 8,118,723,905	438,366
2017	$ 1.0400	$ 0.3800	$ 9,431,612,882	466,171
2018	$ 1.0400	$ 0.3400	$ 9,820,930,163	1,689,559
2019	$ 1.1700	$ 0.2100	$ 10,199,854,026	-
1000 Totals				$ 3,806,318

9000 - Portion of row 1000 for taxes paid into tax increment zone under Chapter 311, Tax Code (Function 97)

20 Current Year's Total Levy	31 Maintenance Total Collected	32 Debt Service Total Collected	40 Entire Year's Adjustments	50 Ending Balance 6/30/19
$ -	$ 11,584	$ 3,166	$ (108,556)	$ 291,086
-	3,737	1,024	(983)	102,397
-	2,977	902	(3,788)	69,072
-	6,458	1,801	398	86,883
-	110,572	30,833	44,496	96,562
-	167,271	65,944	48,685	140,205
-	163,005	64,262	63,216	274,315
-	162,571	59,401	22,604	266,803
-	86,537	28,291	(1,115,012)	459,719
128,005,460	105,203,331	20,949,923	828	1,853,034
$ 128,005,460	$ 105,918,043	$ 21,205,547	$ (1,048,112)	$ 3,640,076
	$ 2,779,617	$ -		

(This page intentionally left blank.)

LA PORTE INDEPENDENT SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM - EXHIBIT J-2

For the Year Ended June 30, 2019

Data Control Codes		1 Budgeted Amounts Original	2 Final	3 Actual	Variance with Final Budget Positive (Negative)
	Revenues				
5700	Local, intermediate, and out-of-state	$ 1,525,000	$ 1,525,000	$ 1,303,054	$ (221,946)
5800	State program revenues	24,000	24,000	21,258	(2,742)
5900	Federal program revenues	2,587,456	2,587,456	2,764,891	177,435
5020	**Total Revenues**	4,136,456	4,136,456	4,089,203	(47,253)
	Expenditures				
0035	Food service	4,510,704	4,532,855	4,218,728	314,127
0051	Plant maintenance and operations	56,000	56,000	43,784	12,216
6030	**Total Expenditures**	4,566,704	4,588,855	4,262,512	326,343
1200	**Net Change in Fund Balance**	(430,248)	(452,399)	(173,309)	279,090
0100	Beginning fund balance	1,123,678	1,123,678	1,123,678	-
3000	**Ending Fund Balance**	$ 693,430	$ 671,279	$ 950,369	$ 279,090

(This page intentionally left blank.)

LA PORTE INDEPENDENT SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE FUND - EXHIBIT J-3

For the Year Ended June 30, 2019

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts			
		Original	Final	Actual	
	Revenues				
5700	Local, intermediate, and out-of-state	$ 20,655,000	$ 20,655,000	$ 21,634,749	$ 979,749
5800	State program revenues	-	-	272,828	272,828
5020	**Total Revenues**	20,655,000	20,655,000	21,907,577	1,252,577
	Expenditures				
0071	Principal	15,465,000	15,465,000	15,465,000	-
0072	Interest	13,862,200	13,862,200	13,862,199	1
0073	Bond issuance costs and fees	20,000	20,000	8,000	12,000
6030	**Total Expenditures**	29,347,200	29,347,200	29,335,199	12,001
1200	**Net Change in Fund Balance**	(8,692,200)	(8,692,200)	(7,427,622)	1,264,578
0100	Beginning fund balance	18,245,027	18,245,027	18,245,027	-
3000	**Ending Fund Balance**	$ 9,552,827	$ 9,552,827	$ 10,817,405	$ 1,264,578

(This page intentionally left blank.)

STATISTICAL SECTION

(This page intentionally left blank.)

STATISTICAL SECTION

This part of the La Porte Independent School District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and Required Supplementary Information says about the District's overall financial health.

Contents **Page**

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

LA PORTE INDEPENDENT SCHOOL DISTRICT

NET POSITION BY COMPONENT - EXHIBIT L-1

Last Ten Years
(accrual basis of accounting)

	Fiscal Year			
	2010	**2011**	**2012**	**2013**
Governmental activities				
Net investment in capital assets	$ 47,802,639	$ 50,203,269	$ 59,397,384	$ 61,780,754
Restricted	9,331,393	8,856,190	4,044,889	5,177,592
Unrestricted	15,439,706	7,787,870	14,213,315	7,598,907
Total Governmental Activities Net Position	$ 72,573,738	$ 66,847,329	$ 77,655,588	$ 74,557,253
Primary Government				
Net investment in capital assets	$ 47,802,639	$ 50,203,269	$ 59,397,384	$ 61,780,754
Restricted	9,331,393	8,856,190	4,044,889	5,177,592
Unrestricted	15,439,706	7,787,870	14,213,315	7,598,907
Total Primary Government Net Position	$ 72,573,738	$ 66,847,329	$ 77,655,588	$ 74,557,253

Source: La Porte Independent School District's Audit Reports

Fiscal Year					
2014	2015	2016	2017	2018	2019
$ 49,715,550	$ 44,176,078	$ 35,725,150	$ 33,311,721	$ 30,910,969	$ 31,956,441
7,899,261	8,586,196	11,272,475	11,551,291	14,810,662	6,796,928
13,511,147	10,206,293	22,800,483	22,128,205	(8,714,372)	(5,027,574)
$ 71,125,958	$ 62,968,567	$ 69,798,108	$ 66,991,217	$ 37,007,259	$ 33,725,795
$ 49,715,550	$ 44,176,078	$ 35,725,150	$ 33,311,721	$ 30,910,969	$ 31,956,441
7,899,261	8,586,196	11,272,475	11,551,291	14,810,662	6,796,928
13,511,147	10,206,293	22,800,483	22,128,205	(8,714,372)	(5,027,574)
$ 71,125,958	$ 62,968,567	$ 69,798,108	$ 66,991,217	$ 37,007,259	$ 33,725,795

LA PORTE INDEPENDENT SCHOOL DISTRICT

CHANGES IN NET POSITION - EXHIBIT L-2 (Page 1 of 2)

Last Ten Years
(accrual basis of accounting)

	Fiscal Year			
	2010	2011	2012	2013
Expenses				
Governmental activities				
Instruction	$ 30,595,268	$ 43,789,099	$ 41,910,445	$ 41,356,893
Instructional resources and media services	1,188,805	825,891	727,755	501,443
Curriculum and staff development	659,289	671,220	585,541	641,689
Instructional leadership	1,128,163	1,026,317	994,257	1,142,625
School leadership	4,095,558	3,752,183	3,625,048	3,681,792
Guidance, counseling and evaluation services	2,711,579	2,432,240	2,130,352	2,253,409
Social work services	161,929	181,588	162,220	165,195
Health services	820,900	815,913	745,019	691,172
Student transportation	3,245,909	3,151,946	2,855,000	3,078,612
Food service	3,664,602	3,765,475	3,750,711	3,821,034
Cocurriculum/extracurricular activities	2,272,727	2,248,364	1,889,910	1,863,511
General administration	3,221,504	3,441,371	3,127,086	2,946,863
Plant maintenance and operations	2,879,643	9,498,226	9,276,851	10,146,172
Security and monitoring services	668,566	609,179	548,739	519,364
Data processing services	233,706	1,757,198	2,614,906	2,584,811
Community services	62,136	85,274	60,520	52,049
Interest on long-term debt	8,651,042	9,807,789	8,787,513	8,788,707
Facilities repairs and maintenance	25,858,090	1,432,410	784,746	232,769
Contracted instructional services	15,963,897	15,406,248	17,321,383	16,808,844
Payments related to SSAs	80,739	89,793	87,265	99,000
Payments to juvenile justice alternative ed. programs	18,900	20,790	19,620	19,620
Payments to tax increment fund	1,088,059	1,110,264	934,600	877,868
Other intergovernmental charges	651,956	644,788	655,091	660,402
Total Governmental Activities Expenses	109,922,967	106,563,566	103,594,578	102,933,844
Program Revenues				
Governmental activities				
Charges for services				
Instruction	$ 26,398	$ 27,886	$ 20,509	$ 53,863
Student transportation	-	-	-	-
Food services	1,807,115	1,847,263	1,765,220	1,705,036
Extracurricular	131,114	111,767	155,870	134,466
General administration	-	-	-	-
Plant maintenance and operations	32,869	50,931	58,838	114,583
Operating grants and contributions	21,772,771	12,287,750	10,022,070	9,441,913
Total Primary Government Program Revenues	$ 23,770,267	$ 14,325,597	$ 12,022,507	$ 11,449,861
Net (Expense)				
Governmental activities	$ (86,152,700)	$ (92,237,969)	$ (91,572,071)	$ (91,483,983)
Total Primary Government Net (Expense)	$ (86,152,700)	$ (92,237,969)	$ (91,572,071)	$ (91,483,983)

Fiscal Year					
2014	2015	2016	2017	2018	2019
$ 42,995,224	$ 44,530,011	$ 49,759,289	$ 52,296,542	$ 38,856,109	$ 58,059,849
482,710	484,361	458,306	454,722	348,770	371,144
734,170	1,282,550	1,329,946	1,025,854	693,000	985,087
1,170,527	839,282	925,493	1,025,658	615,858	1,155,213
3,913,052	3,991,291	4,302,695	4,374,173	2,853,808	4,852,010
2,456,356	2,574,355	2,887,377	2,997,386	1,824,276	3,960,798
195,190	204,158	207,172	231,094	228,045	268,286
736,101	813,607	839,418	875,217	591,858	1,002,204
3,109,273	3,422,132	3,619,700	3,024,166	2,383,859	3,068,613
3,879,868	4,001,664	4,269,781	4,517,973	3,250,726	4,567,997
2,130,598	2,171,413	2,374,697	2,320,363	2,122,573	2,726,363
3,103,491	2,949,663	3,255,560	3,155,391	2,707,853	3,339,518
10,193,730	9,929,472	11,431,976	10,633,698	10,070,631	11,491,142
542,011	524,177	551,098	1,300,140	1,243,185	1,933,772
2,518,335	3,736,801	3,899,246	3,577,687	2,435,287	2,896,056
68,500	75,006	39,369	38,258	20,614	28,609
8,474,442	12,548,106	14,074,233	13,762,377	13,000,225	12,473,266
73,997	9,506	44,521	29,396	8,000	8,000
17,754,454	20,877,309	24,531,648	31,237,688	33,224,648	46,925,331
120,968	130,571	118,619	108,101	111,516	128,845
19,620	19,800	19,800	19,800	19,800	59,400
1,253,630	1,407,985	1,671,451	2,054,938	1,141,045	2,779,617
661,254	788,330	886,598	964,114	993,774	1,037,446
106,587,501	117,311,550	131,497,993	140,024,736	118,745,460	164,118,566
$ 36,253	$ 31,727	$ 36,083	$ 100,103	$ 91,553	$ 163,919
-	-	-	-	-	1,411
1,664,048	1,664,582	1,549,946	1,467,338	1,113,247	1,303,054
106,928	119,255	115,921	146,275	102,690	290,255
-	-	-	-	-	6,618
98,187	73,480	70,918	72,836	74,181	1,403
10,043,558	9,702,933	11,674,605	10,009,652	(4,549,099)	9,574,383
$ 11,948,974	$ 11,591,977	$ 13,447,473	$ 11,796,204	$ (3,167,428)	$ 11,341,043
$ (94,638,527)	$ (105,719,573)	$ (118,050,520)	$ (128,228,532)	$ (121,912,888)	$ (152,777,523)
$ (94,638,527)	$ (105,719,573)	$ (118,050,520)	$ (128,228,532)	$ (121,912,888)	$ (152,777,523)

LA PORTE INDEPENDENT SCHOOL DISTRICT

CHANGES IN NET POSITION - EXHIBIT L-2 (Page 2 of 2)

Last Ten Years
(accrual basis of accounting)

	Fiscal Year			
	2010	2011	2012	2013
General Revenues				
Governmental activities				
Property taxes				
Levied for general purposes	$ 61,352,576	$ 60,018,204	$ 62,322,911	$ 63,383,117
Levied for debt service	16,874,731	16,423,702	18,615,934	18,932,619
Investment earnings	341,475	148,288	139,912	134,986
Unrestricted grants and contributions	6,930,134	8,084,729	20,407,945	4,772,137
Miscellaneous	2,036,388	2,366,955	1,068,263	1,162,789
Transfers	(43,997)	-	(61,182)	-
Special items	-	(530,318)	(113,453)	-
Total Primary Government	$ 87,491,307	$ 86,511,560	$ 102,380,330	$ 88,385,648
Changes in Net Position				
Governmental activities	$ 1,338,607	$ (5,726,409)	$ 10,808,259	$ (3,098,335)
Implementation of GASB 68/71/75	-	-	-	-
Total Primary Government	$ 1,338,607	$ (5,726,409)	$ 10,808,259	$ (3,098,335)

Source: La Porte Independent School District's Audit Reports

Fiscal Year					
2014	2015	2016	2017	2018	2019
$ 67,863,048	$ 79,067,056	$ 85,819,764	$ 94,533,779	$ 96,468,292	$ 105,918,780
20,270,780	23,617,432	33,374,353	35,688,808	32,937,911	21,204,806
96,660	90,049	488,351	897,470	1,238,456	1,829,958
3,182,174	3,286,104	3,046,813	5,962,210	5,701,540	11,823,223
1,576,588	2,351,123	2,257,067	2,853,468	1,066,686	5,987,237
-	(2,500)	-	-	-	-
-	-	(106,287)	(14,514,094)	-	2,732,055
$ 92,989,250	$ 108,409,264	$ 124,880,061	$ 125,421,641	$ 137,412,885	$ 149,496,059
$ (1,649,277)	$ 2,689,691	$ 6,829,541	$ (2,806,891)	$ 15,499,997	$ (3,281,464)
(1,782,018)	(10,847,082)	-	-	(45,483,955)	-
$ (3,431,295)	$ (8,157,391)	$ 6,829,541	$ (2,806,891)	$ (29,983,958)	$ (3,281,464)

LA PORTE INDEPENDENT SCHOOL DISTRICT

FUND BALANCES OF GOVERNMENTAL FUNDS - EXHIBIT L-3

Last Ten Years
(modified accrual basis of accounting)

	Fiscal Year			
	2010	**2011**	**2012**	**2013**
General Fund				
Nonspendable	$ -	$ 85,551	$ 83,910	$ 1,612,141
Committed	-	1,980,372	1,931,661	2,016,430
Assigned	-	-	44,651	-
Unassigned	-	21,746,547	33,127,599	29,565,826
Designated	2,900,127	-	-	-
Reserved	1,037,264	-	-	-
Unreserved	22,918,219	-	-	-
Total General Fund	$ 26,855,610	$ 23,812,470	$ 35,187,821	$ 33,194,397
All Other Governmental Funds				
Nonspendable				
Inventories	$ -	$ 54,749	$ 53,679	$ 48,189
Prepaid items	-	49,293	56,751	56,924
Restricted				
Grant funds	-	1,218,644	1,438,989	1,666,962
Capital acquisitions	-	29,148,114	20,684,431	12,691,463
Retirement of long-term debt	-	10,956,433	5,284,442	6,407,019
Committed				
Compensated absences	-	-	-	-
Local special revenue	-	5,055,950	5,123,908	4,595,283
Reserved				
Food service	8,618,103	-	-	-
Capital acquisitions	15,540,934	-	-	-
Retirement of long-term debt	11,314,332	-	-	-
Total All Other Governmental Funds	$ 35,473,369	$ 46,483,183	$ 32,642,200	$ 25,465,840

Source: La Porte Independent School District's Audit Reports

Fiscal Year					
2014	2015	2016	2017	2018	2019
$ 1,320,438	$ 1,081,967	$ 1,055,954	$ 1,008,312	$ 1,310,465	$ 1,330,676
2,059,320	2,177,197	2,215,787	1,986,505	2,067,367	2,156,054
-	-	-	-	35,828	-
27,436,294	25,053,340	25,827,182	30,245,650	31,494,926	36,869,997
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ 30,816,052	$ 28,312,504	$ 29,098,923	$ 33,240,467	$ 34,908,586	$ 40,356,727
$ 25,697	$ 51,812	$ 32,204	$ 22,999	$ 14,580	$ 39,584
57,768	567,936	291,682	96,400	63,389	53,021
1,888,968	2,043,567	1,775,411	1,437,143	1,103,082	897,476
8,195,876	87,578,978	97,351,152	31,925,319	14,652,235	9,413,335
8,774,566	10,236,018	14,209,608	14,883,619	18,245,027	10,817,405
-	-	29,415	26,820	29,746	25,177
4,603,191	4,387,056	4,390,052	4,342,599	4,335,639	4,429,631
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ 23,546,066	$ 104,865,367	$ 118,079,524	$ 52,734,899	$ 38,443,698	$ 25,675,629

LA PORTE INDEPENDENT SCHOOL DISTRICT

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS - EXHIBIT L-4

Last Ten Years
(modified accrual basis of accounting)

	Fiscal Year			
	2010	**2011**	**2012**	**2013**
Revenues				
Local and intermediate sources	$ 89,127,430	$ 81,473,480	$ 84,896,434	$ 86,324,262
State program revenues	19,865,831	11,450,986	19,455,261	6,882,569
Federal program revenues	8,468,030	8,168,383	7,216,160	6,784,709
Total Revenues	117,461,291	101,092,849	111,567,855	99,991,540
Expenditures				
Instruction	42,117,065	41,364,695	38,257,864	36,703,186
Instructional resources and media services	1,178,508	840,162	727,947	499,708
Curriculum and staff development	657,914	680,217	586,159	641,380
Instructional leadership	1,121,204	1,049,824	997,049	1,134,434
School leadership	4,068,569	3,839,423	3,633,863	3,668,061
Guidance, counseling and evaluation services	2,697,581	2,487,147	2,137,025	2,249,211
Social work services	161,289	184,084	162,440	164,796
Health services	816,045	835,669	747,347	691,033
Student transportation	2,995,348	2,981,265	3,804,994	2,835,617
Food service	3,641,157	3,824,108	3,862,600	3,870,741
Cocurriculum/extracurricular activities	1,921,559	1,920,415	1,531,135	1,490,065
General administration	3,318,237	3,138,540	2,733,142	2,922,056
Plant maintenance and operations	10,188,508	9,508,406	8,942,257	9,627,818
Security and monitoring services	670,124	615,768	550,351	519,360
Data processing services	2,521,175	1,428,274	2,817,503	2,249,310
Community services	56,962	80,101	55,661	46,876
Principal on long-term debt	7,430,000	7,290,000	7,725,000	8,210,000
Interest on long-term debt	8,772,064	9,565,232	9,787,163	8,653,933
Bond issuance costs and fees	513,883	291,512	405,182	4,850
Capital outlay	44,840,376	11,027,305	1,926,056	4,513,155
Other intergovernmental charges	17,803,551	17,271,883	19,017,959	18,465,734
Total Expenditures	157,491,119	120,224,030	110,408,697	109,161,324
Excess (Deficiency) of Revenues Over (Under) Expenditures	(40,029,828)	(19,131,181)	1,159,158	(9,169,784)
Other Financing Sources (Uses)				
Refunding bonds issued	19,500,000	-	-	-
Capital-related debt issued (regular bonds)	29,480,000	26,660,000	40,685,000	-
Sale of real or personal property	-	-	-	-
Extraordinary item - insurance recovery	-	-	3,040,289	-
Transfers in	336,892	1,525	-	-
Premium or discount on issuance of bonds	1,745,271	437,855	4,008,196	-
Transfer out	(380,889)	(1,525)	(61,182)	-
Other uses	(20,974,388)	-	(51,297,093)	-
Total Other Financing Sources (Uses)	29,706,886	27,097,855	(3,624,790)	-
Net Change in Fund Balances	$ (10,322,942)	$ 7,966,674	$ (2,465,632)	$ (9,169,784)
Debt service as a percentage of noncapital expenditures*	14.84%	15.70%	16.52%	16.12%

* The ratio of debt service expenditures to noncapital expenditures is calculated using total expenditures from the schedule above less capital outlay from the reconciliation between the government-wide statement of activities and the statement of revenues, expenditures, and changes in fund balance.

Source: La Porte Independent School District's Audit Reports

Fiscal Year					
2014	**2015**	**2016**	**2017**	**2018**	**2019**
$ 92,060,038	$ 106,967,548	$ 123,940,130	$ 136,414,687	$ 134,069,758	$ 137,172,176
6,240,932	6,380,373	6,539,522	7,832,361	8,321,677	9,723,516
6,417,978	6,598,936	6,275,753	6,533,129	7,294,080	8,695,464
104,718,948	119,946,857	136,755,405	150,780,177	149,685,515	155,591,156
37,956,249	39,983,002	42,725,036	42,649,201	44,431,254	44,116,535
481,502	483,055	449,017	455,095	452,218	355,043
730,821	1,279,256	1,276,907	1,018,560	926,444	923,521
1,164,769	811,019	892,790	1,015,259	1,048,954	1,028,291
3,913,097	4,041,551	4,109,820	4,331,402	4,443,357	4,505,331
2,447,110	2,592,682	2,770,528	2,892,230	3,200,710	3,550,004
194,897	206,208	207,178	231,422	248,452	264,097
736,770	818,826	821,738	863,729	898,597	927,539
2,921,010	4,518,528	3,254,781	2,880,812	2,793,250	3,010,915
4,312,726	3,880,325	4,170,770	4,265,215	4,058,859	4,218,728
1,476,177	1,488,549	1,569,493	1,566,840	1,882,915	1,926,045
2,993,062	2,874,950	3,077,179	3,076,752	3,310,708	3,123,268
9,695,257	9,903,980	11,271,596	10,085,701	10,926,378	10,995,172
542,059	524,607	550,551	1,296,131	1,427,474	2,384,135
2,119,760	3,519,556	4,203,028	3,175,788	2,365,772	2,410,775
62,092	69,503	32,944	38,184	20,632	28,591
8,255,000	17,570,000	17,365,000	20,355,000	15,530,000	15,465,000
8,748,930	10,378,396	13,248,523	14,796,017	14,554,292	13,862,199
4,850	1,617,541	1,529,646	8,750	8,000	8,000
451,003	23,065,236	103,801,648	62,596,529	14,289,548	1,609,311
19,809,926	23,223,995	27,228,116	34,384,641	35,490,783	50,930,639
109,017,067	152,850,765	244,556,289	211,983,258	162,308,597	165,643,139
(4,298,119)	(32,903,908)	(107,800,884)	(61,203,081)	(12,623,082)	(10,051,983)
-	73,850,000	115,930,000	-	-	-
-	99,675,000	21,620,711	-	-	-
-	-	-	-	-	2,732,055
-	-	-	-	-	-
-	2,623	-	6,300	8,517	2,450
-	18,587,626	8,101,456	-	-	-
-	(5,123)	-	(6,300)	(8,517)	(2,450)
-	(80,390,465)	(23,850,707)	-	-	-
-	111,719,661	121,801,460	-	-	2,732,055
$ (4,298,119)	$ 78,815,753	$ 14,000,576	$ (61,203,081)	$ (12,623,082)	$ (7,319,928)
15.67%	22.78%	22.84%	23.54%	20.33%	18.01%

LA PORTE INDEPENDENT SCHOOL DISTRICT

PROPERTY TAX RATES-DIRECT AND ALL OVERLAPPING GOVERNMENTS - EXHIBIT L-5

Last Ten Years

	Fiscal Year			
	2010	**2011**	**2012**	**2013**
School District				
Maintenance and Operations	$ 1.0400	$ 1.0400	$ 1.0400	$ 1.0400
Debt Service	0.2850	0.2850	0.3150	0.2900
District Total	$ 1.3250	$ 1.3250	$ 1.3550	$ 1.3300
County				
Chambers*	0.4968	0.4968	0.4968	0.4968
Harris	0.3892	0.3881	0.3912	0.4002
Harris County Department of Education	0.0058	0.0060	0.0066	0.0066
Harris County Flood Control District	0.0308	0.0292	0.0281	0.0281
Port of Houston Authority	0.0177	0.1640	0.0186	0.0195
San Jacinto Jr. College District	0.1634	0.1708	0.1856	0.1856
Cities				
Deer Park	0.7050	0.7050	0.7200	0.7200
La Porte	0.7100	0.7100	0.7100	0.7100
Morgan's Point	0.6460	0.6460	0.6460	0.6460
Pasadena	0.5620	0.5620	0.5916	0.5916
Water Districts				
Clear Lake City Water Authority	0.2800	0.2800	0.2800	0.2800

* 100% of the property located in Chambers County is submerged.
Rates are per $100 of assessed valuation
Harris County Appraisal District - Chambers County Appraisal District
The District has no facilities and does not serve any students in Chambers County.
Source: Harris County Truth in Taxation Summary

Fiscal Year					
2014	2015	2016	2017	2018	2019
$ 1.0400	$ 1.0400	$ 1.0400	$ 1.0400	$ 1.0400	$ 1.1700
0.2900	0.4100	0.4100	0.3800	0.3400	0.2100
$ 1.3300	$ 1.4500	$ 1.4500	$ 1.4200	$ 1.3800	$ 1.3800
0.5221	0.5327	0.5403	0.5527	0.5425	0.5425
0.4146	0.4173	0.4192	0.4166	0.4180	0.4186
0.0064	0.0060	0.0054	0.0052	0.0052	0.0052
0.0283	0.0274	0.0273	0.0283	0.0283	0.0288
0.0172	0.0513	0.0134	0.0133	0.0126	0.0116
0.1856	0.1856	0.1758	0.1824	0.1833	0.1793
0.7200	0.7200	0.7144	0.7200	0.7200	0.7200
0.7100	0.7100	0.7100	0.7100	0.7100	0.7100
0.6362	0.8191	0.8191	0.9118	0.8911	0.8883
0.5916	0.5769	0.5754	0.5754	0.5754	0.6154
0.2800	0.2800	0.2700	0.2700	0.2700	0.2700

(This page intentionally left blank.)

LA PORTE INDEPENDENT SCHOOL DISTRICT

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY - EXHIBIT L-6

Last Ten Years

Year Ended June 30,	Real Property Assessed Actual Value	Personal Property Assessed Actual Value	Total Assessed Actual Value**	Total Direct Rate*
2010	$ 4,638,204,779	$ 1,328,157,500	$ 5,966,362,279	$ 1.3250
2011	$ 4,579,085,602	$ 1,210,543,418	$ 5,789,629,020	$ 1.3250
2012	$ 4,836,345,185	$ 1,168,218,050	$ 6,004,563,235	$ 1.3550
2013	$ 5,178,358,804	$ 1,030,342,901	$ 6,208,701,705	$ 1.3300
2014	$ 5,994,901,356	$ 606,555,209	$ 6,601,456,565	$ 1.3300
2015	$ 5,234,296,126	$ 1,812,869,665	$ 7,047,165,791	$ 1.4500
2016	$ 6,099,088,029	$ 2,019,635,876	$ 8,118,723,905	$ 1.4500
2017	$ 6,409,074,023	$ 3,022,538,859	$ 9,431,612,882	$ 1.4200
2018	$ 7,933,845,192	$ 1,887,084,971	$ 9,820,930,163	$ 1.3800
2019	$ 7,152,159,589	$ 3,047,694,437	$ 10,199,854,026	$ 1.3800

*Per $100 of assessed value

**Total Estimated Taxable Value is Net of Exemptions

Source: Goose Creek CISD Tax Services Tax Roll Summary Report

(This page intentionally left blank.)

LA PORTE INDEPENDENT SCHOOL DISTRICT

PRINCIPAL PROPERTY TAX PAYERS - EXHIBIT L-7

Current Year and Nine Years Ago

	2019			2010		
Property Tax Payer	**Taxable Value**	**Rank**	**% of Total Taxable Value**	**Taxable Value**	**Rank**	**% of Total Taxable Value**
Equistar Chemicals LP	$ 628,004,998	1	19.80%	$ 225,221,259	1	15.93%
Fairway Methanol LLC	576,639,169	2	18.18%	-	-	0.00%
Enterprise Products	407,947,605	3	12.86%	-	-	0.00%
Kuraray America Inc	397,465,169	4	12.53%	-	-	0.00%
Air Liquide	391,799,334	5	12.35%	189,729,701	2	13.42%
Albemarle Catalysts Co LP	179,658,046	6	5.66%	124,988,420	6	8.84%
Noltex LLC	162,365,659	7	5.12%	-	-	0.00%
HRUS Underwood LLC	160,217,832	8	5.05%	-	-	0.00%
Linde Gas North American LLC	139,655,321	9	4.40%	-	-	0.00%
Celanese LTD	127,741,323	10	4.03%	102,802,997	10	7.27%
Basell USA Inc	-	-	-	146,170,690	3	10.34%
Lyondell Chemical Co	-	-	-	139,292,330	4	9.85%
Evalca	-	-	-	126,193,423	5	8.93%
Conoco Phillips Co	-	-	-	124,574,367	7	8.81%
Kaneka Texas Corp.	-	-	-	122,344,984	8	8.66%
Dow Chemical	-	-	-	-	-	0.00%
Turbine Maintenance Group	-	-	-	112,251,681	9	7.94%
Total	$ 3,171,494,456		100.00%	$ 1,413,569,852		100.00%
Total taxable assessed value*	$ 10,199,854,026			$ 5,966,362,279		

*Taxable assessed value is net exemptions

Note: Due to time constraints, and updated tax rolls being unavailable until late fall, instead of reporting tax year 2018 data on this schedule, the District will be reporting data for the tax year related to the fiscal year under audit.

Source: Municipal Advisory Council of Texas

(This page intentionally left blank.)

LA PORTE INDEPENDENT SCHOOL DISTRICT

PROPERTY TAX LEVIES AND COLLECTIONS - EXHIBIT L-8

Last Ten Years

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy: Amount	Collected within the Fiscal Year of the Levy: Percentage of Levy	Collections in Subsequent Years	Total Collections to Date: Amount	Total Collections to Date: Percentage of Levy
2010	$ 79,056,217	$ 77,853,757	98.48%	$ 1,027,330	$ 78,881,087	99.77%
2011	$ 76,832,164	$ 75,804,968	98.66%	$ 923,816	$ 76,728,784	99.86%
2012	$ 81,347,826	$ 80,319,639	98.74%	$ 955,326	$ 81,274,965	99.91%
2013	$ 82,998,592	$ 81,772,811	98.52%	$ 1,139,296	$ 82,912,107	99.89%
2014	$ 87,683,942	$ 86,946,201	99.16%	$ 685,674	$ 87,631,875	99.78%
2015	$ 102,609,803	$ 101,666,537	99.08%	$ 851,746	$ 102,518,283	99.68%
2016	$ 117,701,618	$ 116,785,513	99.22%	$ 705,005	$ 117,490,518	99.63%
2017	$ 119,265,281	$ 118,673,840	99.50%	$ 347,242	$ 119,021,082	99.61%
2018	$ 123,396,019	$ 121,706,460	98.63%	$ 114,828	$ 121,821,288	98.63%
2019	$ 128,005,460	$ 126,153,254	98.55%	-	$ 126,153,254	98.55%

Source: Goose Creek CISD Tax Office and City of La Porte Tax Office

LA PORTE INDEPENDENT SCHOOL DISTRICT

PROPERTY TAX COLLECTIONS - EXHIBIT L-9

Last Ten Years

	Fiscal Year of Collection			
Fiscal Year	**2019**	**2018**	**2017**	**2016**
2010	$ 2,430	$ 2,075	$ 4,267	$ 13,345
2011	$ 4,777	760	6,813	(42,020)
2012	$ 4,761	5,151	37,421	(92,518)
2013	$ 3,878	8,538	(158,135)	328,527
2014	$ 8,258	13,777	(108,665)	436,336
2015	$ 141,404	35,687	147,276	435,568
2016	$ 233,215	85,230	392,509	116,785,513
2017	$ 227,266	125,270	118,673,840	
2018	$ 114,828	121,706,460		
2019	$ 126,153,254			

Fiscal Year of Collection					
2015	**2014**	**2013**	**2012**	**2011**	**2010**
$ 18,078	$ 47,993	$ 64,029	$ 104,661	$ 768,105	$ 77,853,757
41,477	64,415	201,740	645,870	75,804,968	
43,091	191,447	766,856	80,319,639		
171,646	780,461	81,772,811			
202,822	86,946,201				
101,666,537					

LA PORTE INDEPENDENT SCHOOL DISTRICT

RATIOS OF NET GENERAL OBLIGATION BONDED DEBT OUTSTANDING - EXHIBIT L-10

Last Ten Years

	Fiscal Year			
	2010	**2011**	**2012**	**2013**
Assessed Value				
All property	$ 5,966,362,279	$ 5,789,629,020	$ 6,004,563,235	$ 6,208,701,705
Net Bonded Debt				
Gross bonded debt	$ 205,584,949	$ 224,932,491	$ 215,893,135	$ 207,007,460
Less debt service funds	11,314,332	10,956,433	5,284,442	6,407,019
Total Net Bonded Debt	$ 194,270,617	$ 213,976,058	$ 210,608,693	$ 200,600,441
Ratio of Net Bonded Debt To Assessed Value	3.26%	3.70%	3.51%	3.23%
Average Daily Attendence (ADA)	7,270	7,236	7,262	7,218
Ratio of Net Bonded Debt Per ADA	$ 26,722	$ 29,571	$ 29,001	$ 27,792
Population	36,776	37,275	37,845	34,654
Net Bonded Debt Per Capita	$ 5,283	$ 5,740	$ 5,565	$ 5,789

Note: Details regarding the District's outstanding debt can be found in the notes to the finanical statements.

Fiscal Year					
2014	2015	2016	2017	2018	2019
$ 6,601,456,565	$ 7,047,165,791	$ 8,118,723,905	$ 9,341,612,882	$ 9,820,930,163	$ 10,199,854,026
$ 198,049,993	$ 296,199,845	$ 399,494,016	$ 376,589,109	$ 358,587,198	$ 341,038,095
8,774,586	10,236,018	14,209,608	14,883,619	18,245,027	10,817,405
$ 189,275,407	$ 285,963,827	$ 385,284,408	$ 361,705,490	$ 340,342,171	$ 330,220,690
2.87%	4.06%	4.75%	3.87%	3.47%	3.24%
7,129	7,127	7,128	7,183	7,210	6,798
$ 26,550	$ 40,124	$ 54,052	$ 50,356	$ 47,204	$ 48,576
35,039	35,148	35,086	35,371	35,423	35,423
$ 5,402	$ 8,136	$ 10,981	$ 10,226	$ 9,608	$ 9,322

(This page intentionally left blank.)

LA PORTE INDEPENDENT SCHOOL DISTRICT

LEGAL DEBT MARGIN INFORMATION - EXHIBIT L-11

Last Ten Years

Legal Debt Margin Calculation for Fiscal Year 2019

Assessed value	$ 10,199,854,026
Debt limit (percent of 2018 - 2019 school year assessed value)*	10.00%
Maximum legal debt	1,019,985,403
Amount of debt applicable to debt limit**	319,985,000
Legal Debt Margin	$ 700,000,403

* This debt limit is established by law as stated in Vernon's Statues, Article 835p.

** Does not include capital lease obligations and is net of reserve for retirement of bonded debt

Fiscal Year	Debt Limit	Amount of Debt Applicable to Debt Limit	Legal Debt Margin	Total Net Debt Applicable to the Limit as a Percentage of Debt Limit
2010	$ 596,636,228	$ 190,350,668	$ 406,285,560	31.90%
2011	$ 578,962,902	$ 210,078,567	$ 368,884,335	36.29%
2012	$ 600,456,324	$ 203,560,558	$ 396,895,766	33.90%
2013	$ 620,870,171	$ 194,227,981	$ 426,642,190	31.28%
2014	$ 660,145,657	$ 183,605,414	$ 476,540,243	27.81%
2015	$ 704,716,579	$ 263,598,982	$ 441,117,597	37.40%
2016	$ 811,872,391	$ 357,125,392	$ 454,746,999	43.99%
2017	$ 934,161,288	$ 336,096,381	$ 598,064,907	35.98%
2018	$ 982,093,016	$ 317,204,973	$ 664,888,043	32.30%
2019	$ 1,019,985,403	$ 319,985,000	$ 700,000,403	31.37%

(This page intentionally left blank.)

LA PORTE INDEPENDENT SCHOOL DISTRICT

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT - EXHIBIT L-12

As Of June 30, 2019

Governmental Unit	Debt Outstanding	Percentage Applicable*	Share of Overlapping Debt
Chambers County	$ 45,395,000	*	$ -
Harris County	$ 2,050,758,022	2.26%	46,347,131
Harris County Department of Education	$ 6,320,000	2.26%	142,832
Harris County Flood Control District	$ 83,075,000	2.26%	1,877,495
Harris County Hospital District	$ 57,300,000	2.26%	1,294,980
Port of Houston Authority	$ 593,754,397	2.26%	13,418,849
San Jacinto Jr. College District	$ 500,272,707	18.70%	93,550,996
City of Deer Park	$ 72,565,000	29.76%	21,595,344
City of La Porte	$ 35,830,000	93.52%	33,508,216
City of Morgan's Point	$ 5,235,000	100.00%	5,235,000
City of Pasadena	$ 166,120,000	5.30%	8,804,360
City of Shoreacres	$ 4,500,000	100.00%	4,500,000
Clear Lake City Water Authority	$ 111,000,000	10.73%	11,910,300
Subtotal, overlapping debt			$ 242,185,504
District direct debt	$ 341,038,095	100.00%	$ 341,038,095
Total direct and overlapping debt			$ 583,223,599
Population (District)			35,423
Per Capita Debt-Direct and Overlapping			$ 16,465

Source: Municipal Advisory Council of Texas

* The "Percentage Applicable" is determined by dividing the City's certfied taxable value within the taxing jurisdiction by the certified taxable value of the taxing jurisdiction.

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of the District. This process recognizes that, when considering the District's ability to issue and repay long-term debt, the entire burden borne by the property taxpayers should be taken into account.

LA PORTE INDEPENDENT SCHOOL DISTRICT

DEMOGRAPHIC STATISTICS - EXHIBIT L-13

Last Ten Years

Population Information

Year	Estimated Population	Land Area	Density Per Square Mile	Population Change
2010	36,776	55	669	7.0%
2011	37,275	55	678	1.3%
2012	37,845	55	688	1.5%
2013	34,654	55	630	-9.2%
2014	35,039	55	637	1.1%
2015	35,148	55	639	0.3%
2016	35,086	55	638	-0.2%
2017	35,371	55	643	0.8%
2018	35,423	55	644	0.1%
2019*	35,423	55	644	0.0%

* Estimated population is only available through 2018, therefore, the same data was used for 2019
Source: United States Census Bureau

	Harris County 2010	Texas 2010	U.S. 2010
Population			
Median age	32.2	32.3	35.3
% School age	28%	27.3%	24%
% Working age	55.7%	54.7%	56.5%
% 65 and over	8.1%	10.3%	13%
Persons per household	2.85	2.78	2.59
Income			
Median family income	$ 51,444	$ 49,646	$ 51,914
% Below poverty level	16.8%	16.8%	13.8%
Per capita income	$ 26,788	$ 24,870	$ 27,334
Housing			
% Owner occupied	64.8%	64.8%	66.6%
% Built before 1939	-	5.6%	16.3%
% Built since last census	-	19.5%	16.5%
Owner occupied median value	$ 128,642	$ 105,779	$ 170,000
Median gross rent	$ 737	$ 661	$ 808
Occupied housing units	1,598,698	9,977,436	131,704,730

Source: United States Census Bureau

Harris County					
Personal Income *(in Thousands)*	Population *(Persons)*	Per Capita Personal* Income	Total Unemployment	Percent Unemployed County	Percent Unemployed State
$ 186,858,066	4,107,854	$ 45,487	171,777	8.3%	8.1%
$ 209,326,788	4,180,816	$ 50,154	165,513	7.8%	7.8%
$ 224,617,980	4,262,689	$ 52,805	143,053	6.6%	6.7%
$ 230,462,963	4,353,517	$ 53,141	132,300	6.0%	6.2%
$ 252,694,912	4,452,695	$ 56,896	110,802	4.9%	5.1%
$ 252,694,912	4,551,362	$ 56,896	103,637	4.6%	4.4%
$ 249,989,494	4,617,041	$ 55,088	119,025	5.3%	4.6%
$ 249,989,500	4,652,980	$ 55,088	108,287	4.7%	4.2%
$ 249,989,500	4,652,980	$ 55,088	108,287	4.4%	4.2%
$ 247,482,118	4,652,980	$ 53,188	100,473	4.4%	3.9%

* Information is only available through 2018 therefore same data was used for 2019
Source: Texas Workforce Commission (Texas LMI) & Bureau of Economic Analysis

(This page intentionally left blank.)

La Porte Independent School District

PRINCIPAL EMPLOYERS - EXHIBIT L-14

Current Year and Nine Years Ago

2019			2010		
Employer	**Employees**	**Percentage of Total Employment**	**Employer**	**Employees**	**Percentage of Total Employment**
Equistar Chemicals	1,635	9.26%	La Porte ISD	1,230	7.45%
La Porte ISD	1,042	5.90%	Rockwood Service Corp.	700	4.24%
Dupont Chemical	545	3.09%	Longview Inspection Corp.	664	4.02%
J V Piping	440	2.49%	Quest Tru TEC	636	3.85%
Total Petrochemicals USA	409	2.32%	Oxy vinyls, LP	530	3.21%
City of La Porte	390	2.21%	City of La Porte	381	2.31%
Ineos	385	2.18%	Ineos	350	2.12%
Mobley Industrial	382	2.16%	Equistar Chemicals, LP	334	2.02%
Kateon Natie Houston	350	1.98%	Sulzer Hickham	330	2.00%
CCC Group Inc.	300	1.70%	Air Liquide	170	1.03%
Total	5,878		Total	5,325	
Total City of La Porte Employment	17,651			16,518	

Source: City of La Porte Comprehensive Annual Financial Report for the Year Ended September 30, 2018,
Texas Workforce Commission (Texas LMI)

LA PORTE INDEPENDENT SCHOOL DISTRICT

FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION - EXHIBIT L-15

Last Ten Years

	Fiscal Year			
	2010	**2011**	**2012**	**2013**
Governmental Activities:				
Teachers	506.40	495.40	467.00	461.80
Professional support	105.60	107.10	87.40	89.10
Campus administration (school leadership)	31.00	28.80	29.10	30.00
Central administration	13.00	13.00	11.00	11.00
Educational aides	106.80	110.30	107.90	103.00
Auxiliary staff	403.20	318.90	301.00	292.80
Total District Positions	1,166.00	1,073.50	1,003.40	987.70

Source: Texas Education Agency Website - PEIMS

Fiscal Year					
2014	2015	2016	2017	2018	2019
464.00	470.07	495.46	495.00	500.63	488.81
90.00	94.43	101.45	101.42	92.54	96.50
30.00	30.00	29.02	30.00	31.79	31.00
10.00	10.00	8.00	10.89	11.62	12.00
105.57	110.23	117.28	120.56	130.56	138.50
291.54	293.70	289.03	283.99	293.95	292.13
991.11	1,008.43	1,040.24	1,041.86	1,061.09	1,058.94

LA PORTE INDEPENDENT SCHOOL DISTRICT

OPERATING STATISTICS - EXHIBIT L-16

Last Ten Years

	Year			
	2010	**2011**	**2012**	**2013**
Average Daily Attendence	7,270	7,236	7,262	7,218
Operating Expenditures*	$ 90,225,734	$ 88,981,366	$ 83,621,658	$ 83,950,073
Cost per pupil	$ 12,411	$ 12,297	$ 11,515	$ 11,631
Percentage change	3.44%	-0.92%	-6.36%	1.00%
Government-wide Expenses**	$ 108,529,002	$ 109,922,967	$ 106,563,566	$ 103,594,578
Cost per pupil	$ 14,928	$ 15,191	$ 14,674	$ 14,352
Percentage change	-0.08%	1.76%	-3.40%	-2.19%
Teaching Staff	508	506	495	482
Pupils to teacher	16	16	16	16

* Operating expenditures are total expenditures less debt service and facilities acquisition and construction from Changes in Fund Balance Schedule

** Government-wide expenses are total expenses from Change in Net Position Schedule

Source: Nonfinancial information from District records

Year					
2014	**2015**	**2016**	**2017**	**2018**	**2019**
7,129	7,127	7,128	7,183	7,210	6,799
$ 91,557,284	$ 100,219,592	$ 108,611,472	$ 114,226,962	$ 117,926,757	$ 117,926,757
$ 12,843	$ 14,062	$ 15,237	$ 15,902	$ 16,356	$ 17,346
10.42%	9.49%	8.36%	4.36%	2.85%	6.05%
$ 102,933,844	$ 106,587,501	$ 117,311,550	$ 131,497,993	$ 118,745,460	$ 118,745,460
$ 14,439	$ 14,955	$ 16,458	$ 18,307	$ 16,470	$ 17,466
0.60%	3.58%	10.05%	11.23%	-10.04%	6.05%
461	464	470	495	501	501
16	16	16	16	15	14

(This page intentionally left blank.)

LA PORTE INDEPENDENT SCHOOL DISTRICT

TEACHER BASE SALARIES - EXHIBIT L-17

Last Ten Years

Fiscal Year	Minimum Salary*	Maximum Salary*	Region Average Salary	Statewide Average Salary
2010	$ 44,900	$ 68,315	$ 50,129	$ 48,263
2011	$ 44,900	$ 70,606	$ 50,616	$ 48,638
2012	$ 44,900	$ 71,607	$ 50,383	$ 48,375
2013	$ 46,250	$ 70,432	$ 50,968	$ 48,821
2014	$ 48,950	$ 72,795	$ 52,222	$ 49,692
2015	$ 50,400	$ 74,350	$ 54,157	$ 50,715
2016	$ 51,600	$ 76,120	$ 55,580	$ 51,892
2017	$ 52,600	$ 78,842	$ 55,992	$ 52,525
2018	$ 53,100	$ 79,590	$ 57,076	$ 53,334
2019	$ 54,000	$ 81,793	$ 54,524	$ 54,122

* Amounts do not include additonal salary steps based on experience or academic credentials, nor fringe benefits such as pension, health insurance, disability, etc.

Sources: District Records
Texas Education Agency Website - PEIMS Standard Reports

(This page intentionally left blank.)

LA PORTE INDEPENDENT SCHOOL DISTRICT

ATTENDANCE DATA - EXHIBIT L-18

Last Ten Years

		Average Daily Attendance		
Fiscal Year	**Total Enrollment**	**Amount**	**Percentage Increase (Decrease)**	**Percentage of Attendance**
2010	7,847	7,270	-4.22%	92.64%
2011	7,816	7,236	-0.47%	92.57%
2012	7,768	7,262	0.36%	93.48%
2013	7,747	7,218	-0.60%	93.17%
2014	7,628	7,129	-1.23%	93.46%
2015	7,648	7,127	-0.02%	93.19%
2016	7,753	7,128	0.01%	91.94%
2017	7,713	7,183	0.77%	93.13%
2018	7,588	7,210	0.38%	95.02%
2019	7,384	6,799	-5.71%	92.07%

Source: Texas Education Agency Website - PEIMS (Snapshot) and Near Final SOF

LA PORTE INDEPENDENT SCHOOL DISTRICT

SCHOOL BUILDING INFORMATION - EXHIBIT L-19 (Page 1 of 2)

Last Ten Years

	Year			
	2010	**2011**	**2012**	**2013**
Elementary				
Bayshore Elementary				
Square feet	111,000	111,000	111,000	111,000
Capacity	750	750	750	750
Enrollment	340	532	561	577
College Park Elementary				
Square feet	75,301	75,301	75,301	75,301
Capacity	650	650	650	650
Enrollment	493	474	487	465
Heritage Elementary				
Square feet	100,000	100,000	100,000	100,000
Capacity	750	750	750	750
Enrollment	701	647	642	610
Jennie Reid Elementary				
Square feet	72,450	72,450	72,450	72,450
Capacity	600	600	600	600
Enrollment	537	515	494	487
La Porte Elementary				
Square feet	94,064	94,064	94,064	94,064
Capacity	700	700	700	700
Enrollment	588	523	525	502
Lomax Elementary				
Square feet	86,495	86,495	86,495	86,495
Capacity	700	700	700	700
Enrollment	591	536	548	523
Rizzuto Elementary				
Square feet	85,563	85,563	85,563	85,563
Capacity	750	750	750	750
Enrollment	612	587	584	582
Intermediate				
Baker 6th Grade Campus				
Square feet	140,060	140,060	140,060	140,060
Capacity	700	700	700	700
Enrollment	579	608	551	625

Year					
2014	2015	2016	2017	2018	2019
111,000	111,000	111,000	111,000	111,000	111,000
750	750	750	750	750	750
530	522	537	557	579	579
75,301	75,301	77,910	77,910	77,910	77,910
650	650	696	696	696	696
461	472	490	470	453	453
100,000	100,000	100,000	100,000	100,000	100,000
750	750	750	750	750	750
599	595	560	550	519	519
72,450	72,450	72,450	72,450	72,450	72,450
600	600	600	600	600	600
486	492	462	471	456	456
94,064	94,064	94,064	94,064	94,064	94,064
700	700	700	700	700	700
491	494	549	554	546	546
86,495	86,795	101,987	101,987	101,987	101,987
700	700	729	729	729	729
519	528	542	511	487	487
85,563	85,563	85,563	85,563	85,563	85,563
750	750	750	750	750	750
588	595	591	585	592	592
140,060	140,060	125,937	125,937	125,937	125,937
700	700	925	925	925	925
533	550	575	580	547	547

LA PORTE INDEPENDENT SCHOOL DISTRICT

SCHOOL BUILDING INFORMATION - EXHIBIT L-18 (Page 2 of 2)

Last Ten Years

	Year			
	2010	**2011**	**2012**	**2013**
Junior High Schools				
La Porte Junior High School				
Square feet	148,044	148,044	148,044	148,044
Capacity	725	725	725	725
Enrollment	540	553	566	536
Lomax Junior High School				
Square feet	125,645	125,645	125,645	125,645
Capacity	780	780	780	780
Enrollment	578	581	628	611
High School				
La Porte High School				
Square feet	502,332	502,332	502,332	504,652
Capacity	2,923	2,923	2,923	2,923
Enrollment	2,209	2,188	2,121	2,168
Alternative School				
DeWalt Alternative School				
Square feet	37,796	37,796	37,796	37,796
Capacity	250	250	250	250
Enrollment	79	72	61	61
Total Square Footage	1,578,750	1,578,750	1,578,750	1,581,070
Total Capacity	10,278	10,278	10,278	10,278
Total Enrollment	7,847	7,816	7,768	7,747

Source: District records

Year					
2014	2015	2016	2017	2018	2019
148,044	148,044	153,200	153,200	153,200	153,200
725	725	725	725	725	725
555	554	549	595	568	568
125,645	125,645	125,645	125,645	125,645	125,645
780	780	780	780	780	780
608	605	612	597	609	609
504,652	504,652	591,126	633,140	633,140	633,140
2,923	2,923	2,923	3,100	3,100	3,100
2,190	2,162	2,218	2,176	2,083	2,083
37,796	37,796	37,796	37,796	37,796	37,796
250	250	250	250	250	250
68	60	54	57	60	60
1,581,070	1,581,370	1,676,678	1,718,692	1,718,692	1,718,692
10,278	10,278	10,578	10,755	10,755	10,755
7,628	7,629	7,739	7,703	7,499	7,499

(This page intentionally left blank.)

COMPLIANCE SECTION

(This page intentionally left blank.)

INDEPENDENT AUDITORS' 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*

November 12, 2019

To the Board of Trustees of
La Porte Independent School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of La Porte Independent School District (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 12, 2019.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or 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 that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Houston · Austin · Bellville · Woodville
3210 Bingle Rd., Ste. 300, Houston, TX 77055 // P: 713.263.1123 // info@txauditors.com // www.texasauditors.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas

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

November 12, 2019

To the Board of Trustees of
La Porte Independent School District:

Report on Compliance for Each Major Federal Program

We have audited La Porte Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Houston · Austin · Bellville · Woodville
3210 Bingle Rd., Ste. 300, Houston, TX 77055 // P: 713.263.1123 // info@txauditors.com // www.texasauditors.com

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

For the Year Ended June 30, 2019

A. SUMMARY OF PRIOR YEAR AUDIT FINDINGS

No prior year findings.

(This page intentionally left blank.)

LA PORTE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2019

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of La Porte Independent School District (the "District").

2. No material weaknesses or significant deficiencies in internal control were disclosed by the audit of the basic financial statements.

3. No instances of noncompliance material to the financial statements were disclosed during the audit.

4. No material weaknesses or significant deficiencies in internal control over major federal award programs were disclosed by the audit.

5. The auditors' report on compliance for the major federal award programs expresses an unmodified opinion.

6. No audit findings relative to the major federal award programs for the District are reported in Part C of this schedule.

7. The programs included as major programs are:

CFDA Number(s)	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster

8. The threshold for distinguishing Type A and B programs was $750,000.

9. The District did qualify as a low-risk auditee.

B. FINDINGS –BASIC FINANCIAL STATEMENT AUDIT

None Noted

C. FINDINGS – FEDERAL AWARDS AUDIT

None Noted

(This page intentionally left blank.)

LA PORTE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - EXHIBIT K-1

For the Year Ended June 30, 2019

(1) Federal Grantor/Pass Through Grantor/Program or Cluster Title	(2) Federal CFDA Number	(2A) Pass-through Entity Identifying Number		(3) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION				
Passed Through State Department of Education				
ESEA Title I, Part A	84.010	18610101101916	$	27,832
ESEA Title I, Part A	84.010	19610101101916		837,179
IDEA B, Formula Grant*	84.027	186600011019166600		216,751
IDEA B, Formula Grant*	84.027	196600011019166600		1,266,058
IDEA B, High Cost Funds*	84.027	66001906		45,817
IDEA B, Capacity Grant*	84.027	10555001101916		24,000
IDEA B, Preschool*	84.173	186610011019166610		23,555
IDEA B, Preschool*	84.173	196610011019166610		25,999
Title III, Part A	84.365	18671001101916		11,356
Title III, Part A	84.365	19671001101916		77,885
Carl D. Perkins Basic Formula	84.048A	19420006101916		45,713
Title II, Part A, Supporting Effective Instruction	84.367	18694501101916		2,256
Title II, Part A, Supporting Effective Instruction	84.367	19694501101916		149,532
LEP Summer School	84.369	69551802		1,325
Title IV, Part A, Subpart 1	84.424	18680101101916		967
Title IV, Part A, Subpart 1	84.424	19680101101916		40,780
TOTAL U.S. DEPARTMENT OF EDUCATION				2,797,005
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through State Department of Education				
School Breakfast Programs*	10.553	806780706		657,000
National School Lunch*	10.555	806780706		1,817,765
USDA Commodities	10.565	806780706		290,126
TOTAL U.S. DEPARTMENT OF AGRICULTURE				2,764,891
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Medicaid Administrative Claims	93.778	N/A		56,877
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				56,877
TOTAL EXPENDITURES OF FEDERAL AWARDS			$	5,618,773

** Indicates clustered program under OMB Compliance Supplement*

Federal revenue per SEFA	$	5,618,773
IRS bond subsidy		257,565
Junior ROTC		62,279
SHARS		2,756,847
C-2 Federal revenue	$	8,695,464

The accompanying notes are an integral part of this schedule.

(This page intentionally left blank.)

NOTE 1: BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of La Porte Independent School District, and is presented on the accrual basis of accounting. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the SEFA may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2: INDIRECT COST RATE

The District has elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.

(This page intentionally left blank.)

LA PORTE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS - EXHIBIT K-2

For the Year Ended June 30, 2019

Data Control Codes		Responses
SF2	Were there any disclosures in the annual financial report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the District receive a clean audit? - Was there an unmodified opinion in the annual financial report?	Yes
SF5	Did the annual financial report disclose any instances of material weaknesses in internal controls?	No
SF6	Was there any disclosures in the Annual Financial Report of matierial noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school District make timely payments to the Teacher Retirement System Texas Workforce Comission, Internal Revenue Service, and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment scheudle for more than one fiscal year for an over allocation of Foundation School Program funds as a result of a financial hardship?	Yes
SF11	Net Pension Asset object (1920) at fiscal year end	$ -
SF 12	Net Pension Liaiblity object (2540) at fiscal year end	$ 28,585,684

Financial Advisory Services
Provided By:

SAMCO Capital