Ratings: S&P: "AAA"
Moody's: "Aaa"
(See "RATINGS" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein)

OFFICIAL STATEMENT
Dated: February 9, 2021

NEW ISSUE: **BOOK-ENTRY-ONLY**

Interest on the Bonds (defined below) is not excluded from gross income for federal tax purposes. "TAX MATTERS" herein.

$76,415,000
LA PORTE INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Harris and Chambers Counties, Texas)
Unlimited Tax Refunding Bonds, Taxable Series 2021

Interest Accrual/Accretion Date: Date of Delivery
Dated Date: February 15, 2021 **Due: February 15, as shown on the inside cover page**

The La Porte Independent School District Unlimited Tax Refunding Bonds, Taxable Series 2021 (the "Bonds") which are issued in part as Current Interest Bonds ("CIBs") and in part as Premium Capital Appreciation Bonds ("CABs"), as shown on the inside cover page hereof, are being issued pursuant to the Constitution and general laws of the State of Texas, including Chapter 1207, Texas Government Code, as amended ("Chapter 1207"), and an order (the "Bond Order") authorizing the issuance of the Bonds adopted on November 10, 2020 by the Board of Trustees (the "Board") of the La Porte Independent School District (the "District"). As permitted by the provisions of Chapter 1207, the Board, in the Bond Order, delegated the authority to certain District officials (each, a "Pricing Officer") to execute approval of a pricing certificate establishing the pricing terms for the Bonds (the "Pricing Certificate" and, together with the Bond Order, the "Order"). The Pricing Certificate was executed by the Pricing Officer on February 9, 2021, which completed the sale of the Bonds. The Bonds are payable as to principal and interest from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, against all taxable property located within the District. The District has received conditional approval from the Texas Education Agency for the Bonds to be guaranteed under the State of Texas Permanent School Fund Guarantee Program (hereinafter defined) which will automatically become effective when the Attorney General of Texas approves the Bonds. (See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").

Interest on the CIBs will accrue from the Date of Delivery (defined below) and will be payable on February 15 and August 15 of each year, commencing August 15, 2021, until stated maturity or prior redemption. Interest on the CABs will accrete from the Date of Delivery, compound semiannually on each February 15 and August 15, commencing August 15, 2021, and will be payable only upon stated maturity. The CIBs will be issued in fully registered form in principal denominations of $5,000 or any integral multiple thereof within a stated maturity, and the CABs will be issued as fully registered bonds in denominations of $5,000, representing the total amount of principal, plus the initial premium, if any, paid therefor, and accreted interest payable upon stated maturity (the "Maturity Value"), or any integral multiple thereof. Principal of the CIBs and Maturity Value of the CABs 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; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein. Interest on the CIBs is payable by check dated as of the interest payment date and mailed by the Paying Agent/Registrar to the registered owners as shown on the records of the Paying Agent/Registrar on the close of business as of the last business day of the month next preceding each interest payment date.

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

Proceeds from the sale of the Bonds will be used to (i) refund a portion of the District's outstanding bonds for debt service savings and (ii) pay the costs of issuing the Bonds. (See "THE BONDS - Authorization and Purpose" and "SCHEDULE I – Schedule of Refunded Bonds").

The CIBs maturing on and after February 15, 2031 are subject to redemption at the option of the District in whole or in part, in principal amounts of $5,000 or integral multiples thereof, on August 15, 2030 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. The CABs are not subject to redemption prior to stated maturity. (See "THE BONDS – Redemption Provisions").

MATURITY SCHEDULE
(On Inside Cover)

The Bonds are offered for delivery when, as and if issued, and received by the Underwriters subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Hunton Andrews Kurth LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas. The Bonds are expected to be available for initial delivery through the facilities of DTC on or about March 9, 2021 (the "Date of Delivery").

HilltopSecurities

CITIGROUP **RAYMOND JAMES** **STEPHENS INC.**

$76,415,000
LA PORTE INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Harris and Chambers Counties, Texas)
UNLIMITED TAX REFUNDING BONDS, TAXABLE SERIES 2021

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

$73,785,000 Current Interest Bonds

Maturity Date (2/15)	Principal Amount	Interest Rate	Initial Yield	CUSIP No. Suffix[(1)]
2030	$2,800,000	1.403%	1.403%	T95
2031	2,775,000	1.473	1.473	U28
2032	8,020,000	1.503	1.503	U36
2033	8,150,000	1.603	1.603	U44
2034	8,285,000	1.703	1.703	U51
2035	8,425,000	1.783	1.783	U69
2036	8,580,000	1.863	1.863	U77
2037	8,740,000	1.913	1.913	U85
2038	8,915,000	1.963	1.963	U93
2039	9,095,000	2.003	2.003	V27

(Interest to accrue from the Date of Delivery)

$2,630,000 Capital Appreciation Bonds

Maturity Date (2/15)	Principal Amount	Initial Yield to Maturity	Maturity Value	Initial Offering Price per $5,000 in Maturity Value	CUSIP Suffix No.[(1)]
2022	$810,000	0.265%	$1,210,000	$4,987.65	V35
2023	535,000	0.415	1,215,000	4,960.05	V43
2024	345,000	0.537	1,210,000	4,921.95	V50
2025	345,000	0.772	1,845,000	4,850.70	V68
2026	210,000	0.922	1,760,000	4,778.15	V76
2027	135,000	1.199	1,670,000	4,657.60	V84
2028	150,000	1.339	2,930,000	4,558.10	V92
2029	100,000	1.623	2,850,000	4,398.20	W26

(Interest to accrete from the Date of Delivery)

[(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 Underwriters 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
David Janda, President	2012	2021	Teacher
Dee Anne Thomson, Vice President	2010	2022	Warehouse Operations Manager
Kathy Green, Secretary	2004	2023	Retired Training Coordinator
Chris Murdock, Member	2020	2023	Patrol Deputy
Russell Schoppe, Member	2020	2023	Teacher/Coach
Lee Wallace, Member	2010	2021	Retired GB Biosciences
Charlcya Wheeler, Member	2004	2022	Retired Business Manager

APPOINTED OFFICIALS

Name	Position	Length of Education Service	Length of Service with the District
Dr. Walter Jackson	Superintendent	26 Years	6 Months
Mike Clausen	Deputy Superintendent	51 Years	51 Years
Dr. Linda Wadleigh	Deputy Superintendent	35 Years	20 Years
Rhonda Cumbie	Chief Financial Officer	23 Years	12 Years
Sheila Cantu	Director of Finance	19 Years	11 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:

Dr. Walter Jackson
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

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

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

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

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

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

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

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

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

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

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

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SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The District	The 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 $76,415,000 pursuant to the Constitution and general laws of the State of Texas, including Chapter 1207, Texas Government Code, as amended ("Chapter 1207"), and an order adopted by the Board of Trustees on November 10, 2020 (the "Bond Order"). As permitted by the provisions of Chapter 1207, the Board, in the Bond Order, delegated the authority to certain District officials (each, a "Pricing Officer") to execute a pricing certificate establishing the pricing terms for the Bonds (the "Pricing Certificate" and, together with the Bond Order, the "Order"). The Pricing Certificate was executed by the Pricing Officer on February 9, 2021, which completed the sale of the Bonds. The Bonds are being issued in part as Current Interest Bonds ("CIBs") and in part as Premium Capital Appreciate Bonds ("CABs"). Proceeds from the sale of the Bonds will be used to (i) refund a portion of the District's outstanding bonds for debt service savings and (ii) pay the costs of issuing the Bonds. (See "THE BONDS - Authorization and Purpose" and "SCHEDULE I – Schedule of Refunded Bonds").
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 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 guaranteed by the corpus of the Permanent School Fund of Texas. (See "THE BONDS – Security" and "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein).
Redemption Provisions	The CIBs maturing on and after February 15, 2031 are subject to redemption at the option of the District in whole or in part, in principal amounts of $5,000 or integral multiples thereof, on August 15, 2030 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. The CABs are not subject to redemption prior to stated maturity. (See "THE BONDS – Redemption Provisions").
Permanent School Fund Guarantee	The District has received conditional approval from the Texas Education Agency for the payment of the Bonds to be guaranteed under the Permanent School Fund Guarantee Program, which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. (See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").
Ratings	The Bonds are rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "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 ratings, including the Bonds, are "Aa2" by Moody's and "AA" by S&P, respectively. (See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "RATINGS" herein.)
Tax Matters	Interest on the Bonds is not excluded from gross income for federal income tax purposes. (See "TAX MATTERS" herein).
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.
Delivery	When issued, anticipated to be on or about March 9, 2021.

INTRODUCTORY STATEMENT

This Official Statement (the "Official Statement"), which includes the cover page, Schedule I and II 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 Refunding Bonds, Taxable Series 2021 (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, the Order (as defined below) and certain other information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained by writing the La Porte Independent School District, 1002 San Jacinto Drive, 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 to its date, and the information contained herein is subject to change. A copy of this Final Official Statement and the hereinafter defined Escrow Agreement pertaining to the Bonds will be deposited with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system. See "CONTINUING DISCLOSURE OF INFORMATION" herein for a description of the District's undertaking to provide certain information on a continuing basis.

COVID-19

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

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency (including TEA) that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation. These include, for example, the issuance on October 7, 2020 of Executive Order GA-32, which, among other things, provided further guidelines for the reopening of businesses and the maximum threshold level of occupancy related to such establishments. Certain businesses, such as cybersecurity services, child care services, local government operations, youth camps, recreational programs, schools, and religious services, do not have the foregoing limitations. The Governor's order also states, in providing or obtaining services, every person (including individuals, businesses, and other legal entities) should use good-faith efforts and available resources to follow the minimum standard health protocols. Executive Order GA-32 permits visits to nursing homes, state supported living centers, assisted living facilities, or long-term care facilities as determined through the guidance from the Texas Health and Human Services Commission. Executive Order GA-32 remains in place until amended, rescinded, or superseded by the Governor.

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

On December 10, 2020, TEA issued updated public planning health guidance related to instructional and operational flexibilities in planning for the 2020-2021 school year to address on campus and virtual instruction, non-UIL extracurricular sports and activities, and other activities that cannot be accomplished virtually. Within the guidance, TEA instructs schools to provide parental and public notices of the school district's plan for on-campus instruction (posted one week prior to the commencement of in person education) in order to mitigate COVID-19 within their facilities and confirms the attendance requirements for promotion (which may be completed by virtual education). The guidance further details screening mechanisms, identification of symptoms, and procedures for confirmed, suspected, and exposed cases. Certain actions, such as notification to health department officials and closure of high-traffic areas, will be required in the instance of confirmed cases. Schools are highly encouraged to engage in mitigation practices promoting health and hygiene consistent with CDC guidelines (including social distancing, facial coverings, frequent disinfecting of all areas, limiting visitations, etc.) to avoid unnecessary exposure to others to prevent the spread of COVID-19.

The TEA recently advised districts that for the 2020-2021 school year district funding will return to being based on ADA calculations requiring attendance to be taken. However, the TEA is crafting an approach for determining ADA that provides districts with several options for determining daily attendance. These include, remote synchronous instruction, remote asynchronous instruction, on campus instruction, and the Texas Virtual Schools Network. To stabilize funding expectations, districts will be provided an ADA grace period for the first three six weeks of Foundation School Program reporting. Specifically, if ADA counts during those three six weeks are more than 1% less than the first three six weeks of the 2019- 2020 school year, the first two six weeks will be excluded from 2020-21 ADA calculations, subject to some restrictions. In addition to this grace period, districts will also have an attendance grace period for remote asynchronous instruction plan approval, which continues through the end of the third six weeks. Additional information regarding the plans for the 2020-2021 school year may be obtained from the TEA. Following the initial grace period, the return to funding based on ADA calculations requiring attendance to be taken during the Pandemic may have a negative impact on revenues available to the District for operations and maintenance if students do not take part in the instruction options made available by the District.

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

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

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

THE BONDS

Authorization and Purpose

The Bonds are being issued in the principal amount of $76,415,000 pursuant to the Constitution and general laws of the State, including Chapter 1207, Texas Government Code, as amended ("Chapter 1207"), and an order adopted on November 10, 2020 (the "Bond Order") by the Board of Trustees of the District (the "Board") authorizing the issuance of the Bonds. As permitted by the provisions of Chapter 1207, the Board, in the Bond Order, delegated the authority to certain District officials (each, a "Pricing Officer") to execute a pricing certificate establishing the pricing terms for the Bonds (the "Pricing Certificate" and, together with the Bond Order the "Order"). The Pricing Certificate was executed by the Pricing Officer on February 9, 2021, which completed the sale of the Bonds. Proceeds from the sale of the Bonds will be used to (i) refund a portion of the District's outstanding bonds (the "Refunded Bonds") for debt service savings and (ii) pay the costs of issuing the Bonds. (See "Schedule I – Schedule of Refunded Bonds").

Refunded Bonds

The Refunded Bonds, and interest due thereon, are to be paid on their scheduled interest payment dates and redemption date from cash and investments to be deposited with The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, a national banking association (the "Escrow Agent") pursuant to an Escrow and Trust Agreement dated as of November 10, 2020 (the "Escrow Agreement") between the District and the Escrow Agent.

The Order provides that the District will deposit certain proceeds of the sale of the Bonds with the Escrow Agent in the amount necessary and sufficient to accomplish the discharge and final payment of the Refunded Bonds at their scheduled redemption date (the "Redemption Date"). Such funds shall be held by the Escrow Agent in an escrow fund (the "Escrow Fund") irrevocably pledged to the payment of principal of and interest on the Refunded Bonds. Amounts on deposit in the Escrow Fund shall be invested in certain direct, noncallable obligations of the United States of America (including obligations unconditionally guaranteed by the United States of America) that were, on the date the Bond Order was adopted, rated as to investment quality by a nationally recognized rating firm of not less than "AAA" (the "Escrowed Securities").

Prior to, or simultaneously with, the issuance of the Bonds, the District will give irrevocable instructions to provide notice to the owners of the Refunded Bonds that the Refunded Bonds will be redeemed prior to stated maturity on which date money will be made available to redeem the Refunded Bonds from money held under the Escrow Agreement.

Public Finance Partners LLC will issue its report (the "Report") verifying at the time of delivery of the Bonds to the Underwriters thereof the mathematical accuracy of the schedules that demonstrate the Escrowed Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS." Such maturing principal of and interest on the Escrowed Securities will not be available to pay the Bonds.

By the deposit of the Escrowed Securities and cash with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of all of the Refunded Bonds in accordance with the law. It is the opinion of Bond Counsel, in reliance upon the Report, that as a result of such defeasance the Refunded Bonds will be outstanding only for the purpose of receiving payments from the Escrow Fund held for such purpose by the Escrow Agent and such Refunded Bonds will not be deemed as being outstanding obligations of the District payable from taxes nor for the purpose of applying any limitation on the issuance of debt.

The District has covenanted in the Escrow Agreement to make timely deposits to the Escrow Fund, from lawfully available funds, of any additional amounts required to pay the principal of and interest on the Refunded Bonds, if for any reason, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund be insufficient to make such payment.

Upon defeasance of the Refunded Bonds, the payment of the Refunded Bonds will no longer be guaranteed by the Permanent School Fund of Texas.

General Description

The Bonds are dated February 15, 2021 and are issued as (i) obligations on which interest accrues and is payable semiannually and at stated maturity or prior redemption (the "Current Interest Bonds" or the "CIBs") and (ii) obligations on which interest accretes and is payable only at stated maturity (the "Premium Capital Appreciation Bonds" or "CABs"). Interest on the CIBs will accrue from the date of their initial delivery (the "Date of Delivery") to the initial purchasers thereof set forth on the cover page of this Official Statement (the "Underwriters"); interest on the CABs will accrete from the Date of Delivery to their respective dates of stated maturity (the principal amount of each CAB, plus the initial premium (if any) paid therefor, and accreted interest on such CAB payable at stated maturity is referred to herein as the "Maturity Value"). The CIBs will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. The CABs will mature on the dates and in the Maturity Values set forth on the inside cover page, and will accrete interest at the stated interest rates, but the yields to the Underwriters will be the approximate yields shown on the inside cover page resulting from the initial offering prices to the public.

Interest on the CIBs will be computed on the basis of a 360-day year of twelve 30-day months, and is payable on February 15 and August 15 of each year, commencing August 15, 2021, until stated maturity or prior redemption. Interest on the CABs will compound on each February 15 and August 15, commencing August 15, 2021, until stated maturity. The sum of the principal of, interest accreted on and the initial premium, if any, on the CABs per $5,000 Maturity Value as of each February 15 and August 15 is computed on the basis of the initial offering price to the public as adjusted by semiannual compounding at the initial offering yield set forth on the inside cover page of this Official Statement (the "Accreted Value"). A table of Accreted Values based on such initial offering price is set forth herein under Schedule II. Such Accreted Value table is provided for informational purposes only and may not reflect prices for the CABs in the secondary market.

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

Interest on the CIBs 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 registration books on the Record Date (as defined herein) or by such other customary banking arrangement acceptable to the Paying Agent/Registrar and the registered owner to whom interest is to be paid, provided, however, that such person shall bear all risk and expense of such other arrangements. Principal of the CIBs and the Maturity Value of the CABs will be payable only upon presentation of such Bonds at the corporate trust office of the Paying Agent/Registrar at stated maturity or, with respect to the CIBs, prior redemption. So long as the Bonds are registered in the name of CEDE & CO. or other nominee for The Depository Trust Company New York, New York ("DTC"), payments of principal and interest or Maturity Value, as applicable, of the Bonds will be made as described in "BOOK-ENTRY-ONLY SYSTEM" herein.

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

Redemption Provisions

Optional Redemption of CIBs: The CIBs maturing on and after February 15, 2031 are subject to redemption, at the option of the District, in whole or in part, in principal amounts of $5,000 or integral multiples thereof, on August 15, 2030, or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. If less than all of the CIBs 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 CIBs, or portions thereof, to be redeemed.

No Redemption of CABs: The CABs are not subject to redemption prior to stated maturity.

Notice of Redemption and DTC Notices

Not less than 30 days prior to a redemption date for the CIBs, 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 CIB to be redeemed, in whole or in part, at the address of the holder appearing on the Bond Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE BONDHOLDERS FAILED TO RECEIVE SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE CIBS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CIB OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CIB OR PORTION THEREOF SHALL CEASE TO ACCRUE.

The Paying Agent/Registrar and the District, so long as the Book-Entry-Only System is used for the Bonds, will send any notice of redemption of a CIB, 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 CIBs called for redemption or any other action premised on such notice or any such notice. Redemption of portions of the CIBs by the District will reduce the outstanding principal amount of such CIBs held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such CIBs 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 CIBs from the Beneficial Owners. Any such selection of CIBs 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 CIBs for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Yield on Premium Capital Appreciation Bonds

The yields of the CABs as set forth on the inside cover page of this Official Statement are the approximate yields based upon the initial offering price therefor set forth on the inside cover page of this Official Statement. Such offering price includes the principal amount of such CABs plus premium equal to the amount by which such offering price exceeds the principal amount of such CABs. Because of such premium, the approximate offering yield on the CABs is lower than the bond interest rates thereon. The yield on the CABs to a particular purchaser may differ depending upon the price paid by that purchaser. For various reasons, securities that do not pay interest periodically, such as the CABs, have traditionally experienced greater price fluctuations in the secondary market than securities that pay interest on a periodic basis.

Security

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

Permanent School Fund Guarantee

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

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

Legality

The Bonds are offered when, as and if issued, subject to the approval of legality by the Attorney General of the State and 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 Order provides that the District may discharge its obligations to the registered owners of any or all of the Bonds to pay principal of and interest on the CIBs and the Maturity Value of the CABs in any manner permitted by law. Under current Texas law, such discharge may be accomplished either by (i) depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium if any, and all interest to accrue on the Bonds to maturity or (ii) by depositing with a paying agent, or other authorized escrow agent, amounts sufficient to provide for the payment of the Bonds; provided that such deposits may be invested and reinvested only in authorized defeasance securities. The Orders 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 and (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 adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. There is no assurance that the ratings for U.S. Treasury securities used for defeasance purposes or that for any other defeasance security will be maintained at any particular rating category.

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

Defeasance of the Bonds cancels the Permanent School Fund guarantee with respect to such defeased Bonds.

Sources and Uses of Funds

The proceeds from the sale of the Bonds, together with a contribution from the District, will be applied approximately as follows:

Sources		
Par Amount of the CIBs	$	73,785,000.00
Par Amount of CABs		2,630,000.00
Premium		11,178,891.45
Issuer Contribution		1,187,013.78
Total Sources of Funds	$	88,780,905.23
Uses		
Deposit to Escrow Fund	$	87,992,271.23
Costs of Issuance		312,263.35
Underwriters' Discount		476,370.65
Total Uses of Funds	$	88,780,905.23

REGISTERED OWNERS' REMEDIES

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

BOOK-ENTRY-ONLY SYSTEM

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

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

DTC, New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each stated maturity of the Bonds, each in the aggregate principal amount or Maturity Value 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 an S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions (CIBs only), 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 (CIBs only) shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Direct or Indirect Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the 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 its 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 or Maturity Value, as the case may be, 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 CIBs 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 CIB appearing on the books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing of such notice.

Limitation on Transfer of Bonds

The Paying Agent/Registrar shall not be required to make any such transfer, conversion or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal, interest or Maturity Value payment date or (ii) with respect to any CIB or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date; provided, however, that such limitation shall not apply to uncalled portions of a CIB redeemed in part.

Replacement Bonds

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

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

This disclosure statement provides information relating to the program (the "Guarantee Program") administered by the Texas Education Agency (the "TEA") with respect to the Texas Permanent School Fund guarantee of tax-supported bonds issued by Texas school districts and the guarantee of revenue bonds issued by or for the benefit of Texas charter districts. The Guarantee Program was authorized by an amendment to the Texas Constitution in 1983 and 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 five member board, the membership of which consists of the Commissioner of the Texas General Land Office (the "Land Commissioner") and four citizen members appointed by the Governor. (See "2019 Texas Legislative Session" for a description of legislation that changed the composition of the SLB). As of August 31, 2020, the General Land Office (the "GLO") managed approximately 15% 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 Texas voters of the 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 2020 SBOE distributions to the ASF amounted to an estimated $347 per student and the total amount distributed to the ASF by the SBOE and SLB was $1,701.7 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, 2020, when filed with the MSRB in accordance with the PSF undertaking and agreement made in accordance with Rule 15c2-12 ("Rule 15c2-12") of the federal Securities and Exchange Commission (the "SEC"), as described below, is hereby incorporated by reference into this disclosure. Information included herein for the year ended August 31, 2020 is derived from the audited financial statements of the PSF, which are included in the Annual Report when and as it is filed and posted. Reference is made to the Annual Report for the complete Message and MD&A for the year ended August 31, 2020 and for a description of the financial results of the PSF for the year ended August 31, 2020, the most recent year for which audited financial information regarding the Fund is available. The 2020 Annual Report speaks only as of its date and the TEA has not obligated itself to update the 2020 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 changed 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 are 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, as approved by State voters at the November 5, 2019 referendum.

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 July 2020. 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. Periodic changes in the asset allocation policies have been made with the objective of providing diversity to Fund assets, and have included an alternative asset allocation in addition 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, approved in July 2020, is as follows: (i) an equity allocation of 37% (consisting of U.S. large cap equities targeted at 14%, international large cap equities at 14%, emerging market equities at 3%, and U.S. small/mid cap equities at 6%), (ii) a fixed income allocation of 25% (consisting of a 12% allocation for core bonds, a 7% allocation for emerging market debt in local currency, a 3% allocation for high yield bonds, and a 3% allocation for U.S. Treasury bonds), and (iii) an alternative asset allocation of 38% (consisting of a private equity allocation of 15%, a real estate allocation of 11%, an absolute return allocation of 7%, a 1% allocation for private equity and real estate for emerging managers, and a real return allocation of 4%). As compared to the 2016 asset allocation, the 2020 asset allocation increased U.S. large cap equities and small/mid-cap U.S. equities by a combined 2%, added high yield bonds and U.S Treasury bonds to the fixed income allocation in the amounts noted above, increased combined private equity and real estate from 23% to 27%, eliminated the risk parity allocation, which was previously a 7% allocation within the global risk control strategy category of alternative assets, and reduced the absolute return allocation within the global risk control strategy category of alternative assets to 7% from 10%.

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. In July 2020, the SBOE adopted an asset allocation policy for the liquidity account consisting of 20% cash, 40% equities and 40% fixed income, and that asset allocation is

expected to be fully implemented in the first calendar quarter of fiscal year 2022. The liquidity account equity allocation consists of U.S. large cap, U.S. small/mid cap and international large cap equities of 20%, 5% and 15%, respectively. The liquidity account fixed income allocation consists of core bonds, Treasury Inflation Protection Securities and short duration fixed income categories of 10%, 5% and 25%, respectively. At August 31, 2020, the market value of the liquidity account was $4,050,631,451, of which 0.00% was equity investments, 39.43% was fixed income investments and 60.57% was cash.

For a variety of reasons, each change in asset allocation for the Fund, including the 2020 modifications, have been or will be 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, 2020, the Fund's financial assets portfolio was invested as follows: 37.67% in public market equity investments; 14.39% in fixed income investments; 9.83% in absolute return assets; 13.31% in private equity assets; 8.66% in real estate assets; 3.24% in risk parity assets; 5.72% in real return assets; 6.83% in emerging market debt; and 0.35% in unallocated cash, exclusive of the liquidity account.

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 within 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. The State Law Capacity increased from $123,509,204,770 on August 31, 2019 to $128,247,002,583 on August 31, 2020 (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 Final IRS Regulations will result in a substantial increase in the amount of bonds guaranteed under the Guarantee Program, and as the amount of guaranteed bonds approaches the IRS Limit, it is expected that the SBOE will seek changes to the existing IRS guidance regarding the Guarantee Program with the objective of obtaining an increase in the IRS Limit. 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 March 20, 2020 (the most recent date for which data is available), the percentage of students enrolled in open-enrollment charter schools (excluding charter schools authorized by school districts) to the total State scholastic census was approximately 6.15%. At January 4, 2021, there were 187 active open-enrollment charter schools in the State and there were 838 charter school campuses active under such charters (though as of such date, three 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, 2020, the amount of outstanding bond guarantees represented 77.00% of the IRS Limit (which is currently the applicable capacity limit) for the Guarantee Program. 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 6.15% in March 2020. 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. As a result of SB 1480, the amount of charter district bonds eligible for guarantee in fiscal years 2018, 2019 and 2020 increased by the full 20% increase permitted by SB 1480, which increased 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% 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% 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% of the savings to the charter district that is a result of the lower interest rate on the bond due to the guarantee by the PSF. The amount due shall be paid on receipt by the charter district of the bond proceeds. However, the deposit requirement will not apply if the balance of the Charter District Reserve Fund is at least equal to 3.00% of the total amount of outstanding guaranteed bonds issued by charter districts. As of October 31, 2020, the Charter District Reserve Fund contained $43,875,326, which represented approximately 1.69% 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 is held and invested as a non-commingled fund under the administration of the PSF staff.

Charter District Risk Factors

Open-enrollment charter schools in the State may not charge tuition and, unlike school districts, charter districts have no taxing power. Funding for charter district operations is largely from amounts appropriated by the Legislature. 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.

Infectious Disease Outbreak

A respiratory disease named "2019 novel coronavirus" ("COVID-19") has recently spread to many parts of the world, including Texas and elsewhere in the U.S. On March 13, 2020, the U.S. president declared a national emergency and the Governor of Texas (the "Governor") declared COVID-19 as a statewide public health disaster (the "COVID-19 Declarations"). Subsequent actions by the Governor imposed temporary restrictions on certain businesses and ordered all schools in the State to temporarily close. This situation is rapidly developing; for additional information on these events in the State, reference is made to the website of the Governor, https://gov.texas.gov/, and, with respect to public school events, the website of TEA, https://tea.texas.gov/texas-schools/safe-and-healthy-schools/coronavirus-covid-19-support-and-guidance.

Potential Impact of COVID-19 in the State and Investment Markets

The anticipated continued spread of COVID-19, and measures taken to prevent or reduce its spread, have adversely impacted State, national and global economic activities and, accordingly, materially adversely impacted the financial condition and performance of the State. The continued spread of COVID-19, and measures taken to prevent or reduce its spread, may also adversely affect the tax bases of school districts in the State, including districts that have bonds that are guaranteed under the Guarantee Program.

As noted herein, the PSF investments are in diversified investment portfolios and it is expected that the Fund will reflect the general performance returns of the markets in which it is invested. Stock values, crude oil prices and other investment categories in the U.S. and globally in which the Fund is invested or which provide income to the Fund, have seen significant volatility attributed to COVID-19 concerns, which could adversely affect the Fund's values.

TEA Continuity of Operations

Since 2007, Texas Labor Code Section 412.054 has required each State agency to develop and submit to the State Office of Risk Management an agency-level continuity of operations plan to keep the agency operational in case of disruptions to production, finance, administration or other essential operations. Such plans may be implemented during the occurrence or imminent threat of events such as extreme weather, natural disasters and infectious disease outbreaks. TEA has adopted a continuity of operations plan, which provides for, among other measures and conditions, steps to be taken to ensure performance of its essential missions and functions under such threats and conditions in the event of a pandemic event. TEA annually conducts risk assessments and risk impact analysis that include stress testing and availability analysis of system resources, including systems that enable TEA employees to work remotely, as is occurring as a result of the COVID-19 declarations. As noted above, under "The School District Bond Guarantee Program," the Guarantee Program is in significant part an intercept program whereby State funding for school districts and charter districts reimburse the Fund for any guarantee payment from the Fund for a non-performing district. In addition to the continuity of operations plan provisions noted above, the Fund maintains cash positions in its portfolios that are intended to provide liquidity to the Fund for payments under the Guarantee Program pending reimbursement of the Fund by the Comptroller. Fund management is of the view that its liquidity position, which changes from time to time in light of then current circumstances, is sufficient for payment of claims made on the Guarantee Program.

Impact of COVID-19 on School Districts and Charter Districts

TEA cannot predict whether any school or charter district may experience short- or longer-term cash flow emergencies as a direct or indirect effect of COVID-19 that would require a payment from the PSF to be made to a paying agent for a guaranteed bond. Most school district bonds in the State are issued as fixed rate debt, with semiannual payments in February and August. Taxes levied by school districts for payment of bonds are generally collected by the end of January in each year. Consequently, scheduled bond payments for school districts for the 2020 calendar year have generally not been affected by COVID-19. TEA has issued guidance to school districts and charter districts regarding a variety of matters pertaining to school operations in light of the on-going COVID-19 pandemic. Certain aspects of TEA's guidance include waivers pertaining to State funding provisions, local financial matters and general operations. TEA has implemented "hold harmless" funding for school districts and charter districts for the last 12 weeks of school year 2019–2020 and during the first 12 weeks of the 2020–21 school year. Additional information in this regard is available at the TEA website at https://tea.texas.gov/texas-schools/health-safety-discipline/covid/coronavirus-covid-19-support-and-guidance.

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 "RATINGS" herein.

Valuation of the PSF and Guaranteed Bonds

Permanent School Fund Valuations

Fiscal Year Ended 8/31	Book Value[1]	Market Value[1]
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	35,288,344,219	46,464,447,981
2020[2]	36,642,000,738	46,764,059,745

[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, 2020, 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, $200.4 million, $4,255.4 million, $7.5 million, and $333.8 million, respectively, and market values of approximately $2,115.4 million, $628.1 million, $3,824.2 million, $0.9 million, and $333.8 million, respectively. At October 31, 2020, the PSF had a book value of $37,040,181,304 and a market value of $46,902,584,511. October 31, 2020 values are based on unaudited data, which is subject to adjustment.

Permanent School Fund Guaranteed Bonds

At 8/31	Principal Amount[1]
2016	$68,303,328,445
2017	74,266,090,023
2018	79,080,901,069
2019	84,397,900,203
2020	90,336,680,245[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, 2020 (the most recent date for which such data is available), the TEA expected that the principal and interest to be paid by school districts and charter districts over the remaining life of the bonds guaranteed by the Guarantee Program was $139,992,934,246, of which $49,656,254,001 represents interest to be paid. As shown in the table above, at August 31, 2020, there were $90,336,680,245 in principal amount of bonds guaranteed under the Guarantee Program. Using the IRS Limit of $117,318,653,038 (the IRS Limit is currently the lower of the two federal and State capacity limits of Program capacity), net of the Program's 5% reserve, as of October 31, 2020, 94.88% of Program capacity was available to the School District Bond Guarantee Program and 5.12% 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
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	3,297	82,537,755,203	49	1,860,145,000	3,346	84,397,900,203
2020[2]	3,296	87,800,478,245	64	2,536,202,000	3,360	90,336,680,245

[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 October 31, 2020 (based on unaudited data, which is subject to adjustment), there were $91,697,104,332 of bonds guaranteed under the Guarantee Program, representing 3,340 school district issues, aggregating $89,106,892,332 in principal amount and 65 charter district issues, aggregating $2,590,212,000 in principal amount. At October 31, 2020, the capacity allocation of the Charter District Bond Guarantee Program was $5,702,716,863 (based on unaudited data, which is subject to adjustment).

Discussion and Analysis Pertaining to Fiscal Year Ended August 31, 2020

The following discussion is derived from the Annual Report for the year ended August 31, 2020, including the Message of the Executive Administrator of the Fund and the Management's Discussion and Analysis contained therein. Reference is made to the Annual Report, as filed with the MSRB, for the complete Message and MD&A. Investment assets managed by the fifteen member SBOE are referred to throughout this MD&A as the PSF(SBOE) and, with respect to the liquidity account, Liquid(SBOE) assets. As of August 31, 2020, the Fund's land, mineral rights and certain real assets are managed by the five-member SLB and these assets are referred to throughout as the PSF(SLB) assets. The current PSF(SBOE) asset allocation policy includes an allocation for real estate investments, and as such investments are made, and become a part of the PSF(SBOE) investment portfolio, those investments will be managed by the SBOE and not the SLB.

At the end of fiscal 2020, the Fund balance was $46.7 billion, an increase of $0.2 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 and restatements of fund balance. During the year, the SBOE updated the long-term strategic asset allocation, diversifying the PSF(SBOE) to strengthen the Fund, and initiated the strategic asset allocation for the Liquid(SBOE). 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, 2020, net of fees, were 7.50%, 7.55% and 8.19%, respectively, and the Liquid(SBOE) annual rate of return for the one year period ending August 31, 2020, net of fees, was 2.35% (total return takes into consideration the change in the market value of the Fund during the year as well as the interest and dividend income generated by the Fund's investments). In addition, the SLB continued its shift into externally managed real asset investment funds, and the one-year, five-year, and ten-year annualized total returns for the PSF(SLB) externally managed real assets, net of fees and including cash, were -12.27%, 2.49%, and 5.15%, 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, 2020, 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, U.S. Treasury Securities, real return commodities, and emerging market debt.

As of August 31, 2020, the SBOE has approved and the Fund made capital commitments to externally managed real estate investment funds in a total amount of $5.7 billion and capital commitments to private equity limited partnerships for a total of $7.5 billion. Unfunded commitments at August 31, 2020, totaled $2.0 billion in real estate investments and $2.4 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, 2020, the remaining commitments totaled approximately $2.73 billion.

The PSF(SBOE)'s investment in domestic large cap, domestic small/mid cap, international large cap, and emerging market equity securities experienced returns, net of fees, of 22.37%, 3.44%, 8.80%, and 15.84%, respectively, during the fiscal year ended August 31, 2020. The PSF(SBOE)'s investment in domestic fixed income securities produced a return of 5.50% during the fiscal year and absolute return investments yielded a return of 4.43%. The PSF(SBOE) real estate and private equity investments returned 2.93% and 4.63%, respectively. Risk parity assets produced a return of 2.41%, while real return assets yielded 3.33%. Emerging market debt produced a return of 1.67%. Combined, all PSF(SBOE) asset classes produced an investment return, net of fees, of 7.50% for the fiscal year ended August 31, 2020, under-performing the benchmark index of 8.54% by approximately 104 basis points. The Liquid(SBOE) investment in Short Term Fixed Income yielded 2.78% and Cash Reserves yielded 1.62%. Combined, Liquid(SBOE) asset classes produced an investment return, net of fees, of 2.35%, out-performing the benchmark index of 2.04% by approximately 31 basis points. All PSF(SLB) externally managed investments (including cash) returned -12.27% net of fees for the fiscal year ending August 31, 2020.

For fiscal year 2020, total revenues, inclusive of unrealized gains and losses and net of security lending rebates and fees, totaled $2.0 billion, a decrease of $1.7 billion from fiscal year 2019 earnings of $3.7 billion. This decrease reflects the performance of the securities markets in which the Fund was invested in fiscal year 2020. In fiscal year 2020, 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 5.6% for the fiscal year ending August 31, 2020. 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 2019 and 2020, the distribution from the SBOE to the ASF totaled $1.2 billion and $1.1 billion, respectively. Distributions from the SLB to the ASF for fiscal years 2019 and 2020 totaled $300 and $600 million, respectively.

At the end of the 2020 fiscal year, PSF assets guaranteed $90.3 billion in bonds issued by 872 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 7,789 school district and charter district bond issues totaling $202.1 billion in principal amount. During the 2020 fiscal year, the number of outstanding issues guaranteed under the Guarantee Program totaled 3,360. The dollar amount of guaranteed school and charter bond issues outstanding increased by $5.9 billion or 7.0%. The State Capacity Limit increased by $4.7 billion, or 3.8%, during fiscal year 2020 due to continued growth in the cost basis of the Fund used to calculate that Program capacity limit. The effective capacity of the Program did not increase during fiscal year 2020 as the IRS Limit was reached in a prior fiscal year, and it is the lower of the two State and federal capacity limits for the 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 2.974% Distribution Rate equating to $2.2 billion for State fiscal biennium 2020-2021, with the transfers to be made in equal monthly increments of $92.2 million. 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. In September 2020, the SBOE approved a special, one-time transfer of $300 million from the portion of the PSF managed by the SBOE to the Real Estate Special Fund Account of the PSF managed by the SLB, which amount is to be transferred to the ASF by the SLB in fiscal year 2021. In approving the special transfer, the SBOE determined that the transfer was in the best interest of the PSF due to the historic nature of the public health and economic circumstances resulting from the COVID-19 pandemic and its impact on the school children of Texas. In November 2020, the SBOE approved a projected $3.4 billion distribution to the ASF for State fiscal biennium 2022-2023. The biennial distribution determined by the SBOE in November 2020 represents a 4.18% Distribution Rate for the 2022-2023 biennium. As in prior biennia, the direct PSF distributions to the ASF will be made in equal monthly increments. In making its determination of the 2022-2023 Distribution Rate, the SBOE took into account the announced planned distribution to the ASF by the GLO of $875 million for the biennium.

Changes in the Distribution Rate for each biennial period have 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 another entity (described in statute as the School Land Board, Chapter 32, Natural Resources Code) that has responsibility for the management of revenues derived from land or other properties of the PSF to determine whether to transfer an amount each year to the ASF from the revenue derived during the current year from such land or properties. Prior to November 2019, the amount authorized to be transferred to the ASF from the GLO or SLB was limited to $300 million per year. On November 5, 2019, a constitutional amendment was approved by State voters that increased the maximum transfer to the ASF to $600 million each year from the revenue derived during that year from the PSF from the GLO or SLB, the SBOE or another entity to the extent such entity has the responsibility for the management of revenues derived from such land or other properties. Any amount transferred to the ASF pursuant to this constitutional provision is excluded from the 6% Distribution Rate limitation applicable to SBOE transfers. Additionally, in making its determination of the amount to distribute to the ASF, the SBOE takes into account information available to it regarding the planned annual distribution to be made to the ASF by the GLO.

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, 2020, 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 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 Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling bonds guaranteed by the Guarantee Program in the primary offering of such bonds.

Compliance with Prior Undertakings

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.

On January 12, 2021, the 87th Texas Legislature convened in general session which is scheduled to adjourn on May 31, 2021. Thereafter, the Texas Governor may call one or more additional special sessions. During this time, the Texas Legislature may enact laws that materially change current law as it relates to funding public schools, including the District. The District makes no representation regarding any actions the Texas Legislature may take but intends to monitor proposed legislation for any developments applicable to the District.

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.

CURRENT PUBLIC SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

For the 2020-2021 fiscal year, the District was designated as an "excess local revenue" district by the TEA. Accordingly, the District has entered into a wealth equalization agreement with the Commissioner for the purchase of attendance credits for the 2020-2021 school year, for the purpose of implementing permitted wealth equalization options.

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

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

AD VALOREM TAX PROCEDURES

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

Valuation of Taxable Property

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the District is the responsibility of the 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 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 – Assessed Valuation" for the reduction in taxable valuation, if any, attributable to local option homestead exemptions.

State Mandated Freeze on School District Taxes

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

Personal Property

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

Freeport and Goods-In-Transit Exemptions

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

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or 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 – Assessed Valuation" for the reduction in taxable valuation, if any, attributable to Goods-in-Transit or Freeport Property exemptions.

Other Exempt Property

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

Temporary Exemption for Qualified Property Damaged by a Disaster

The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. For more information on the exemption, reference is made to Section 11.35 of the Tax Code. Section 11.35 of the Tax Code was enacted during the 2019 legislative session, and there is no judicial precedent for how the statute will be applied. Texas Attorney General Opinion KP-0299, issued on April 13, 2020, concluded a court would likely find the Texas Legislature intended to limit the temporary tax exemption to apply to property physically harmed as a result of a declared disaster.

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 "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. The Property Tax Code permits taxpayers owning homes or certain businesses located in a disaster area and damaged as a direct result of the declared disaster to pay taxes imposed in the year following the disaster in four equal installments without penalty or interest, commencing on February 1 and ending on August 1. See "AD VALOREM TAX PROCEDURES – Temporary Exemption for Qualified Property Damaged by a Disaster" for further information related to a discussion of the applicability of this section of the Property Tax Code.

District's Rights in the Event of Tax Delinquencies

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

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

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

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

TAX RATE LIMITATIONS

M&O Tax Rate Limitations

The District is authorized to levy an M&O tax rate pursuant to the approval of the voters of the District at an election held on October 8, 1966, pursuant to 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 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 M&O tax rate per $100 of taxable value that may be adopted by a school district is the sum of $0.17 and the school district's MCR. A school district's MCR is, generally, inversely proportional to the change in taxable property values both within the school district and the State, and is subject to recalculation annually. For any year, the highest possible MCR for a school district is $0.93 (see "TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Funding for School Districts" herein).

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

I&S Tax Rate Limitations

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

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

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

General

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.

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. The District received $1,021,244.52 since 2018 pursuant to the agreements.

In essence, these Foreign Free Trade Zones serve a similar purpose as granting the Freeport Exemption and such agreements continue in perpetuity so long as foreign exemptions are maintained.

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	$ 147,328,537	$30,000,000	2013/14
Arkema Inc.	2012/13	$ 103,500,000	$30,000,000	2014/15
Oxiteno USA, LLC	2013/14	$ 100,943,030	$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	$ 822,227,043	$30,000,000	2016/17
Linde Gas North America, LLC	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	$ 312,000,000	$80,000,000	2021/22
Celanese LTD	2020/21	$ 400,020,000	$80,000,000	2024/25

[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.*
[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.

On December 8, 2020, Stepan Company ("Stepan") submitted an application for appraised value limitation on qualified property to the District. The Board accepted for consideration the application on December 8, 2020, and the application was determined to be complete by the District on December 9, 2020. On December 9, 2020, Stepan submitted the materials, including additional supplements thereto, to the Texas Comptroller's Office and requested the economic impact report for this application.

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 La Porte, 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.

WEATHER EVENTS

The District is located on the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. The District's area previously experienced multiple storms and future adverse weather events could result in damages to District facilities or damages to residential and commercial properties in the District that comprise the District's ad valorem tax base. If a weather event significantly damaged all or part of the properties comprising the tax base within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase the District's tax rate. There can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District or be sufficient for such purposes. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected.

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, 2020, 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.

RATINGS

The Bonds are rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "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 ratings, including the Bonds, are "Aa2" by Moody's and "AA" by S&P, respectively.

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

The above ratings are not a recommendation to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by Moody's and S&P. Any downward revision or withdrawal of the ratings 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 who will deliver its opinion to the effect that the Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property in the District, and based upon examination of such transcript of proceedings, the approving legal opinion of Hunton Andrews Kurth LLP, Bond Counsel to the District ("Bond Counsel"), to like effect. The form of Bond Counsel's opinion is 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. Certain legal matters will be passed upon for the Underwriters by their counsel, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas. The legal fee to be paid to counsel to the Underwriters for services rendered in connection with the issuance of the Bonds is contingent upon the sale of the delivery of the Bonds. McCall, Parkhurst & Horton L.L.P. also advises the TEA in connection with its disclosure obligations under federal securities laws, but such firm has not passed upon any TEA disclosures contained in the Official Statement.

Though it represents the Financial Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel was not requested to participate, and did not take part in the preparation of this Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information appearing under the captions or subcaptions "THE BONDS" (except under the subcaptions "Permanent School Fund Guarantee," "Payment Record," "Sources and Uses of Funds," "Yield on Premium Capital Appreciation Bonds" and the second paragraph under "Notice of Redemption and DTC Notices," as to which no opinion is expressed) "REGISTRATION, TRANSFER AND EXCHANGE," "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS," "CURRENT PUBLIC SCHOOL FINANCE SYSTEM," "TAX RATE LIMITATIONS – M&O Tax Rate Limitations" (first paragraph only) "LEGAL MATTERS" (except for the last three sentences of the first paragraph thereunder), "TAX MATTERS," "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE" and "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance with Prior Undertakings," as to which no opinion will be expressed) and such firm is of the opinion that the information relating to the Bonds and the Order contained under such captions is a fair and accurate summary of the information purported to be shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law.

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

TAX MATTERS

Taxation of Interest on the Bonds

Interest on the Bonds is not excluded from gross income for federal income tax purposes.

Tax Consequences Generally

The following is a discussion of material United States federal income tax matters regarding the purchase, ownership and disposition of the Bonds. This summary is based on the Internal Revenue Code of 1986, as amended (the "Code") and existing and proposed Treasury Regulations, revenue rulings, administrative interpretations and judicial decisions, all as currently in effect and all of which are subject to change, possibly with retroactive effect, and subject to different interpretations. Except as specifically set forth in this subsection, this summary deals only with Bonds purchased by a United States holder, as defined below, at original issuance, at par, and held as capital assets within the meaning of Section 1221 of the Code. It does not discuss all of the tax consequences that may be relevant to such a holder in light of his particular circumstances or to holders subject to special rules, such as insurance companies, financial institutions, regulated investment companies or real estate investment trusts, dealers or brokers in securities or foreign currencies, traders in securities that elect the mark-to-market accounting method, persons holding the Bonds as part of a hedging transaction, "straddle," conversion transaction, or other integrated transaction, or United States holders whose functional currency, as defined in Section 985 of the Code, is not the United States dollar. This discussion does not address United States estate tax consequences of holding the Bonds and, except as specifically described, does not address either tax consequences to pension plans or foreign investors or any aspect of state or local taxation with respect to the Bonds. Persons considering the purchase of the Bonds should consult with their own tax advisors concerning the application of the United States federal income tax laws to their particular situations as well as any tax consequences arising under the laws of any state, local or foreign jurisdiction. The opinion of Bond Counsel with respect to the Bonds will not address such matters.

If a partnership or other entity classified as a partnership for United States federal income tax purposes holds Bonds, the tax treatment of the partnership and each partner generally will depend on the activities of the partnership and the status of the partner. Partnerships acquiring Bonds, and partners in such partnerships, should consult their tax advisors.

United States Holder

As used in the sections below, the term "United States holder" means a beneficial owner of a Bond that is for United States federal income tax purposes (a) an individual citizen or resident of the United States, (b) a corporation (including an entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (c) an estate, the income of which is includible in gross income for United States federal income tax purposes, regardless of its source, or (d) a trust if (i) a court within the United States can exercise primary supervision over the administration of such trust and one or more United States persons have the authority to control all substantial decisions of such trust or (ii) the trust has in effect a valid election to be treated as a domestic trust for United States federal income tax purposes. Further, as described below, a non-United States holder is any holder of a Bond that is not a United States holder.

THE DISCUSSION OF THE MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE BONDS IS NOT INTENDED TO BE, NOR SHOULD IT BE CONSTRUED TO BE, LEGAL OR TAX ADVICE TO ANY PARTICULAR PERSON. ACCORDINGLY, ALL PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE U.S. FEDERAL, STATE AND LOCAL AND NON-U.S. TAX CONSEQUENCES RELATING TO THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE BONDS BASED ON THEIR PARTICULAR CIRCUMSTANCES.

Taxation of Interest

Subject to the discussion in "Original Issue Discount" below, interest payable on a Bond generally will be taxable to a United States holder as ordinary interest income at the time it accrues or is received, in accordance with the United States holder's method of tax accounting. In addition, United States holders that are individuals, estates or trusts generally will be required to pay a 3.8% Medicare tax on their net investment income (including interest from the Bonds), or in the case of estates and trusts, on their net income that is not distributed, in each case to the extent that their total adjusted gross income exceeds applicable thresholds.

Sale, Exchange or Retirement of the Bonds

Upon the sale, retirement or other taxable disposition of a Bond, a United States holder generally will recognize taxable gain or loss equal to the difference between the amount realized on the sale, retirement or other taxable disposition (other than amounts representing accrued and unpaid interest, which will be taxable as ordinary interest income to the extent not previously included in gross income) and the United States holder's adjusted tax basis in the Bond. In general, a United States holder's adjusted tax basis in a Bond will equal the cost of the Bond to that holder, increased by the amount of any earned, but as yet unpaid, interest previously included in income by such holder with respect to such Bond and reduced by any principal payments received by the holder.

Gain or loss recognized on the sale, exchange or retirement of a Bond generally will be capital gain or loss and generally will be long-term capital gain or loss if at the time of sale, exchange or retirement the Bond has been held for more than one year. The deductibility of capital losses is subject to certain limitations. In addition, net investment income for purposes of the 3.8% Medicare tax described above will include gains from the sale or other disposition of the Bonds. Prospective investors should consult their own tax advisor concerning these tax law provisions.

Defeasance or material modification of the terms of any Bond may result in a deemed reissuance thereof, in which event a beneficial owner of the defeased Bond generally will recognize taxable gain or loss equal to the difference between the amount realized from the sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and the beneficial owner's adjusted tax basis in the Bond. Prospective purchasers of the Bonds are urged to consult their tax advisors regarding the foregoing matters.

Original Issue Discount

"Original issue discount" will arise for United States federal income tax purposes in respect of any Bond if its stated redemption price at maturity exceeds its issue price by more than a de minimis amount (as determined for tax purposes). The stated redemption price at maturity of a Bond is the sum of all scheduled amounts payable on such Bond other than qualified stated interest. United States holders of Bonds generally will be required to include any original issue discount in income for United States federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income). Under this method, United States holders of Bonds issued with original issue discount generally will be required to include in income increasingly greater amounts of original issue discount in successive accrual periods.

Bond Premium

"Premium" generally will arise for United States federal income tax purposes in respect of any Bond purchased, whether upon issuance or otherwise, for an amount (excluding any amount attributable to accrued interest) in excess of its principal amount. Bonds so purchased will be treated for federal income tax purposes as having amortizable bond premium. A holder's basis in such a Bond must be reduced by the amount of premium that amortizes while such Bond is held by the holder. A United States holder of a Bond issued at a premium may make an election, applicable to all debt securities purchased at a premium by such United States holder, to amortize such premium, using a constant yield method over the term of such Bond. Purchasers of Bonds should consult their own tax advisors as to the calculation, accrual and treatment of amortizable bond premium and the state and local tax consequences of holding such Bonds.

Taxation of Tax-Exempt Investors

Special considerations apply to employee benefit plans and other investors ("Tax-Exempt Investors") that are subject to tax only on their unrelated business taxable income ("UBTI"). A Tax-Exempt Investor's income from the Bonds generally will not be treated as UBTI under current law, so long as such Tax-Exempt Investor's acquisition of such Bonds is not debt-financed. Tax-Exempt Investors should consult with their own tax advisors concerning these special considerations.

In addition, the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the Code generally prohibit certain transactions between an employee benefit plan under ERISA or tax-qualified retirement plans and individual retirement accounts under the Code (collectively, the "Plans") and persons who, with respect to a Plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Code. The investment of the assets of the Plans also must satisfy the standards of fiduciary conduct prescribed by ERISA, e.g., prudence and diversification. All fiduciaries of Plans, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in any Bonds.

Non-United States Holders

The following applies to a holder if the holder is a beneficial owner of a Bond and is not a United States holder or a United States partnership (or entity treated as a partnership for United States federal income tax purposes) (hereinafter a "non-United States holder"). Special rules which will not be addressed herein may apply if a non-United States holder is a "controlled foreign corporation" or a "passive foreign investment company" for United States federal income tax purposes. If a non-United States holder is such an entity, the non-United States holder should consult its tax advisor to determine the tax consequences that may be relevant to the non-United States holder.

Subject to the discussion below under "Foreign Account Tax Compliance Act," all payments on a Bond made to a non-United States holder and any gain realized on a sale, exchange, or other disposition of a Bond will be exempt from United States federal income and withholding tax, provided that:

- the non-United States holder does not own, actually or constructively, 10% or more of the District's outstanding capital or profit interests within the meaning of the Code and the Treasury regulations;
- the non-United States holder is not a controlled foreign corporation related, directly or indirectly, to the District through stock ownership;
- the non-United States holder is not a bank whose receipt of interest on the Bond is described in Section 881(c)(3)(A) of the Code;
- the non-United States holder has fulfilled the certification requirement described below;
- such payments are not effectively connected with the conduct by the non-United States holder of a trade or business in the United States; and
- in the case of gain realized on the sale, exchange, or other disposition of a Bond, if the non-United States holder is a nonresident alien individual, the non-United States holder is not present in the United States for 183 or more days in the taxable year of the disposition where certain other conditions are met.

The certification requirement referred to above will be fulfilled if the non-United States holder provides its name and address to the trustee or paying agent on IRS Form W-8BEN or W-8BEN-E, as applicable (or an acceptable substitute), and certifies, under penalties of perjury, that the holder is not a United States person. Prospective investors should consult their tax advisors regarding possible additional reporting requirements.

If the non-United States holder of a Bond is engaged in the conduct of a trade or business in the United States, and if payments on a Bond, or gain realized on its sale, retirement or other taxable disposition of the Bonds are effectively connected with the conduct of such trade or business, and are attributable to a permanent establishment maintained by the non-United States holder in the United States under any applicable tax treaty, the non-United States holder will generally be taxed in the same manner as a United States holder (see "United States Holders" above), except that the non-United States holder will be required to provide a properly executed IRS Form W-8ECI in order to claim an exemption from withholding tax and such holder may be subject to an additional, up to 30%, branch profits tax.

FATCA (as defined below) could impose United States withholding tax on payments of interest and proceeds of sale in respect of the Bonds to a non-United States holder that does not comply with certain disclosure requirements related to the non-United States holder. See the "Foreign Account Tax Compliance Act" discussion below.

Non-United States holders should consult their tax advisors with respect to other tax consequences of the ownership of the Bonds.

Information Reporting and Backup Withholding

Information returns may be filed with the IRS in connection with payments on the Bonds and the proceeds from a sale, exchange, or other disposition of the Bonds. Holders may receive statements containing the information reflected on these returns. If the holder is a United States holder, the holder may be subject to United States backup withholding tax on these payments if it fails to provide its taxpayer identification number to the paying agent and comply with certification procedures or otherwise establish an exemption from backup withholding. If the holder is not a United States holder, it may be subject to United States backup withholding tax on these payments unless the holder complies with certification procedures to establish that the holder is not a United States person. The certification procedures required of the holder to claim the exemption from withholding tax on certain payments on the Bonds described above will satisfy the certification requirements necessary to avoid the backup withholding tax as well.

The amount of any backup withholding made from a payment will be allowable as a credit against the holder's United States federal income tax liability and may entitle the holder to a refund, provided that the holder timely furnishes the required information to the IRS. United States holders should consult their tax advisors regarding the application of information reporting and backup withholding rules in their particular situations, the availability of an exemption therefrom, and the procedure for obtaining such an exemption, if applicable.

Foreign Account Tax Compliance Act

Recent legislation and IRS guidance concerning foreign account tax compliance rules ("FATCA") impose United States withholding tax on interest paid to certain foreign financial institutions and non-financial foreign entities if certain disclosure requirements related to United States accounts or ownership are not satisfied. No additional amounts will be paid in respect of any such withholding. Non-United States holders and those holding through foreign accounts should consult their tax advisors with respect to FATCA withholding on the Bonds.

Certain State and Local Tax Consequences

In addition to the United States federal income tax consequences described above, prospective investors should consider the potential state and local tax consequences of an investment in the Bonds. State income tax law may vary substantially from state to state, and this discussion does not purport to describe any aspect of the income tax laws of any state or locality. Therefore, potential purchasers should consult their own tax advisors with respect to the various state and local tax consequences of an investment in the Bonds.

There are many events that could affect the value, liquidity and/or marketability of the Bonds after their issuance, including but not limited to a general change in interest rates for comparable securities, a change in federal or state income tax rates, legislative or regulatory proposals affecting state and local government securities and changes in judicial interpretation of existing law. In addition, certain tax considerations relevant to owners of Bonds who purchase Bonds after their issuance may be different from those relevant to purchasers upon issuance. Neither the opinion of Bond Counsel nor this Official Statement purports to address the likelihood or effect of any such potential events or such other tax considerations, and purchasers of the Bonds should seek advice concerning such matters as they deem prudent in connection with their purchase of Bonds.

INVESTMENT POLICIES

Investments

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

Legal Investments

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

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

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

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

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

Investment Policies

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

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

Additional Provisions

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

Current Investments

As of June 30, 2020, the District had approximately $37,848,672 (audited) invested in Lone Star, $44,905,790 (audited) invested in TexPool, $2,619,936 (audited) invested in Texas TERM, $48,013,762 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 (audited) 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 under the United States Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2). The Bonds have not been approved or disapproved by the United States Securities and Exchange Commission, nor has the United States Securities and Exchange Commission passed upon the accuracy or adequacy of the Official Statement. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

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

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 PFIA requires that the Bonds be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "RATINGS" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data annually to the MSRB. The information to be updated includes financial information and operating data with respect to the District of the general type included in this Official Statement in Appendix A (such information being the "Annual Operating Report"). The District will additionally provide financial statements of the District (the "Financial Statements"), that will be (i) prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in Appendix D and (ii) audited, if the District commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The District will update and provide the Annual Operating Report within six months after the end of each fiscal year and the Financial Statements within six months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2021. 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 six months after any such fiscal year end, then the District shall file unaudited Financial Statements within such six-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

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

The District's current fiscal year end is June 30. Accordingly, the Annual Operating Report must be provided by the last day of December in each year, and the Financial Statements must be provided by December 31 of each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Notice of Certain Events

The District will also provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties. In 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.” In the Order, the District adopted policies and procedures to ensure timely compliance with continuing disclosure undertakings. 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), liquidity enhancement or redemption of CABs prior to stated maturity. In addition, the Bonds are not obligations the interest on which is excluded for purposes of federal income taxation of the gross income of the holders thereof. The District will provide each notice described in this paragraph to the MSRB.

For these purposes, (a) any event described in clause (12) of the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District, and (b) the District intends the words used in the immediately preceding clauses (15) and (16) and in 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 via the EMMA System at www.emma.msrb.org.

Limitations and Amendments

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

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

Compliance with Prior Undertakings

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

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Public Finance Partners LLC will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrow Securities, to pay, when due or upon early redemption, the principal of, interest on and related call premium requirements, if any, of the Refunded Bonds. Public Finance Partners LLC relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the District. In addition, Public Finance Partners LLC has relied on any information provided to it by the District’s retained advisors, consultants or legal counsel.

LITIGATION

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

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

FORWARD LOOKING STATEMENTS

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

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

UNDERWRITING

The Underwriters have agreed, subject to certain customary conditions, to purchase the Bonds at a price equal to the initial offering prices to the public, as shown on the inside cover page hereof, less an Underwriters' discount of $476,370.65. The Underwriter's obligations are subject to certain conditions precedent, and the Underwriters will be obligated to purchase all of the Bonds, if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

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

Citigroup Global Markets Inc., an underwriter of the Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts.

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

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

CONCLUDING STATEMENT

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

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, the Rule.

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

The Order 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 has been approved by the Pricing Officer of the District for distribution in accordance with the provisions of the Rule.

/s/ Rhonda Cumbie

Pricing Officer

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LA PORTE INDEPENDENT SCHOOL DISTRICT

Schedule I - Schedule of Refunded Bonds

Unlimited Tax School Building Bonds, Series 2014

Maturities Being Redeemed	Original CUSIP	Principal Amount Outstanding	Interest Rate	Principal Amount Being Refunded	Call Date	Principal Amount Unrefunded
2/15/2025	504102C85	$ 645,000.00	4.000%	$ 645,000.00	August 15, 2024 @ Par	-
2/15/2026	504102C93	585,000.00	4.000%	585,000.00	August 15, 2024 @ Par	-
2/15/2027	504102D27	515,000.00	4.000%	515,000.00	August 15, 2024 @ Par	-
2/15/2028	504102D92	1,820,000.00	4.000%	1,820,000.00	August 15, 2024 @ Par	-
2/15/2029	504102E26	1,810,000.00	4.000%	1,810,000.00	August 15, 2024 @ Par	-
2/15/2030	504102E34	1,815,000.00	4.000%	1,815,000.00	August 15, 2024 @ Par	-
2/15/2031	504102D35	1,825,000.00	4.000%	1,825,000.00	August 15, 2024 @ Par	-
2/15/2032	504102D43	7,170,000.00	4.000%	7,170,000.00	August 15, 2024 @ Par	-
2/15/2033	504102D50	7,460,000.00	4.000%	7,460,000.00	August 15, 2024 @ Par	-
2/15/2034	504102D68	7,765,000.00	4.000%	7,765,000.00	August 15, 2024 @ Par	-
2/15/2035		8,125,000.00	5.000%	8,125,000.00 (1)	August 15, 2024 @ Par	-
2/15/2036		8,540,000.00	5.000%	8,540,000.00 (1)	August 15, 2024 @ Par	-
2/15/2037		8,980,000.00	5.000%	8,980,000.00 (1)	August 15, 2024 @ Par	-
2/15/2038		9,440,000.00	5.000%	9,440,000.00 (1)	August 15, 2024 @ Par	-
2/15/2039	504102D76	9,920,000.00	5.000%	9,920,000.00 (1)	August 15, 2024 @ Par	-
		$ 76,415,000.00		$ 76,415,000.00		$ -

(1) Represents a mandatory sinking fund redemption of the term bond outstanding in the principal amount of $45,005,000 that matures February 15, 2039.

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LA PORTE INDEPENDENT SCHOOL DISTRICT
Unlimited Tax Refunding Bonds, Taxable Series 2021

Schedule II - Schedule of Accreted Values of Premium Capital Appreciation Bonds ("CABs")
(Per $5,000 Maturity Value)

CABs Delivery Date: March 9, 2021

Date	Accreted Value of 2/15/2022 Maturity @ 0.265%	Accreted Value of 2/15/2023 Maturity @ 0.415%	Accreted Value of 2/15/2024 Maturity @ 0.537%	Accreted Value of 2/15/2025 Maturity @ 0.772%	Accreted Value of 2/15/2026 Maturity @ 0.922%	Accreted Value of 2/15/2027 Maturity @ 1.199%	Accreted Value of 2/15/2028 Maturity @ 1.339%	Accreted Value of 2/15/2029 Maturity @ 1.623%
03/09/21	$ 4,987.65	$ 4,960.05	$ 4,921.95	$ 4,850.70	$ 4,778.15	$ 4,657.60	$ 4,558.10	$ 4,398.20
08/15/21	4,993.38	4,969.00	4,933.41	4,866.96	4,797.25	4,681.83	4,584.55	4,429.13
02/15/22	5,000.00	4,979.31	4,946.66	4,885.75	4,819.37	4,709.90	4,615.25	4,465.08
08/15/22		4,989.65	4,959.94	4,904.61	4,841.58	4,738.14	4,646.15	4,501.31
02/15/23		5,000.00	4,973.26	4,923.54	4,863.90	4,766.54	4,677.25	4,537.84
08/15/23			4,986.61	4,942.54	4,886.33	4,795.12	4,708.57	4,574.66
02/15/24			5,000.00	4,961.62	4,908.85	4,823.86	4,740.09	4,611.79
08/15/24				4,980.77	4,931.48	4,852.78	4,771.83	4,649.21
02/15/25				5,000.00	4,954.22	4,881.88	4,803.77	4,686.94
08/15/25					4,977.06	4,911.14	4,835.93	4,724.97
02/15/26					5,000.00	4,940.58	4,868.31	4,763.32
08/15/26						4,970.20	4,900.90	4,801.97
02/15/27						5,000.00	4,933.72	4,840.94
08/15/27							4,966.75	4,880.22
02/15/28							5,000.00	4,919.83
08/15/28								4,959.75
02/15/29								5,000.00

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APPENDIX A

FINANCIAL INFORMATION OF THE DISTRICT

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LA PORTE INDEPENDENT SCHOOL DISTRICT

Financial Information

ASSESSED VALUATION [1]

2019/20 Total Valuation……		$ 14,465,715,226
Less Exemptions & Deductions [2]:		
State Homestead Exemption	$ 259,214,857	
State Over-65 Exemption	32,533,034	
Disabled Homestead Exemption Loss	12,224,825	
Local Optional Over-65 Exemption	155,276,589	
Local Optional Homestead Exemption	398,964,745	
Veterans Exemption Loss	1,876,768	
Surviving Spouse Disabled Veteran	342,022	
Surviving Spouse Deceased First Responder	198,706	
Surviving Spouse Deceased Service Member	111,284	
Freeport / Foreign Trade Zone Exemption [3]	1,321,527,370	
Pollution Control Exemption Loss	276,454,425	
Productivity Loss	76,163,961	
Solar and Wind-Powered Exemptions	170,585	
Prorations & Other Partial Exemptions	136,943	
Homestead Cap Loss	71,066,315	
	$ 2,606,262,429	
2019/20 Net Taxable Valuation [4]……		$ 11,859,452,797
2020/21 Net Taxable Valuation [5] [6]……		$ 12,322,509,247

(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 $105,479,219 in 2019/20.
(3) See "THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT - Foreign Free Trade Zone" in the body of the Official Statement.
(4) 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 this 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.
(5) Source: Certified Values from the Harris and Chambers County Appraisal Districts as of September 2020 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. Includes $808,133,277 of taxable value under review or not yet included. The Harris County Appraisal District has informed the District that they estimate that the 2021 industrial market value in Harris County and La Porte ISD could see decreases of 10 to 25 percent from 2020 certified values.
(6) Due to the effects of COVID-19 (see "INTRODUCTORY STATEMENT - COVID-19" in the body of the Official Statement), the Harris County Appraisal District has informed the District that they estimate that the 2021 industries market value in Harris County and La Porte ISD, which would be applicable to the District in its 2021/22 fiscal year, could see decreases of 10-25% from 2020 certified values.

VOTED GENERAL OBLIGATION DEBT

Unlimited Tax Bonds Outstanding		$ 315,810,000
Less: The Refunded Bonds		(76,415,000)
Plus: The Refunding Bonds [1]		76,415,000
Total Unlimited Tax Bonds [1]		315,810,000
Less: Interest & Sinking Fund Balance (As of June 30, 2020) [2]		(9,543,909)
Net General Obligation Debt		$ 306,266,091
Ratio of Net G.O. Debt to Net Taxable Valuation [3]	2.49%	
2021 Population Estimate [4]	40,223	
Per Capita Net Taxable Valuation	$306,355	
Per Capita Net G.O. Debt	$7,614	

(1) Excludes the accreted value of outstanding capital appreciation bonds.
(2) Source: La Porte ISD Audited Financial Statement.
(3) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in this Official Statement and "DEBT SERVICE REQUIREMENTS" in this appendix and see the "Audited Financial Report Fiscal Year Ended June 30, 2020" 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	11,859,452,797 [1]	1.2800 [8]	98.79%	100.30%
2020/21	12,322,509,247 [3]	1.2697		

(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 September 2020. The Harris County Appraisal District has informed the District that they estimate that the 2021 industrial market value in Harris County and La Porte ISD could see decreases of 10 to 25 percent from 2020 certified values.
(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 this 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

	2016/17	2017/18	2018/19 [1]	2019/20 [1]	2020/21
Maintenance & Operations	$1.0400	$1.0400	$1.1700	$1.0400	$1.0397
Debt Service	$0.3800	$0.3400	$0.2100	$0.2400	$0.2300
Total Tax Rate	$1.4200	$1.3800	$1.3800	$1.2800	$1.2697

(1) The decline in the District's Maintenance & Operation Tax from the 2018/19 fiscal year to the 2019/20 fiscal year and from the 2019/20 fiscal year to the 2020/21 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	11,859,452,797 [3]	331,150,000	2.79%
2020/21	12,322,509,247 [3]	315,810,000 [4]	2.56%

(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 this Official Statement, "DEBT SERVICE REQUIREMENTS" in this Appendix and see the "Audited Financial Report Fiscal Year Ended June 30, 2020" 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 Refunding Bonds and excludes the Refunded Bonds. Excludes the accreted value of outstanding capital appreciation bonds.

ESTIMATED OVERLAPPING DEBT STATEMENT

Taxing Body	Amount	Percent Overlapping	Amount Overlapping
Chambers County	$ 18,245,000	0.00%	$ -
Clear Lake City Water Authority	117,675,000	11.31%	13,309,043
Deer Park, City of	42,164,122	30.25%	12,754,647
Harris County	1,364,692,125	2.36%	32,206,734
Harris Co Dept of Ed	20,185,000	2.36%	476,366
Harris Co Flood Control	334,270,000	2.36%	7,888,772
Harris Co Hosp Dist	86,050,000	2.36%	2,030,780
Harris Co Toll Road	-	2.36%	-
La Porte, City of	13,784,355	94.10%	12,971,078
Morgan's Point, City of	10,575,000	100.00%	10,575,000
Pasadena, City of	87,270,218	5.76%	5,026,765
Port of Houston Auth	492,439,397	2.36%	11,621,570
San Jacinto CCD	480,440,414	19.11%	91,812,163
Shoreacres, City of	2,713,414	100.00%	2,713,414
Total Overlapping Debt [1]			$ 203,386,331
La Porte Independent School District [2]			306,266,091
Total Direct & Overlapping Debt			$ 509,652,422

Ratio of Net Direct & Overlapping Debt to Net Taxable Valuation	4.14%
Per Capita Direct & Overlapping Debt	$12,671

(1) Equals gross-debt less self-supporting debt.
(2) Includes the Refunding Bonds and excludes the Refunded Bonds. Excludes the accreted value of outstanding capital appreciation bonds.

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

PRINCIPAL TAXPAYERS

2020/21 Top Ten Taxpayers [1]

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Equistar Chemical LP	Industrial/Petrochemical	$ 644,634,658	5.23%
Fairway Methanol LLC	Industrial/Petrochemical	573,834,780	4.66%
Enterprise Products	Industrial/Petrochemical	549,017,794	4.46%
Kuraray America Inc.	Industrial/Petrochemical	392,463,222	3.18%
Air Liquide	Industrial/Petrochemical	372,335,071	3.02%
Braskem America Inc.	Industrial/Petrochemical	350,558,678	2.84%
Praxair Inc.	Industrial/Petrochemical	250,319,306	2.03%
Liberty Property	Land	217,936,586	1.77%
Albermarle Catalysts Co. LP	Industrial/Petrochemical	183,711,653	1.49%
Lyondell Chemical Co.	Industrial/Petrochemical	174,486,936	1.42%
		$ 3,709,298,684	30.10% [3] [4]

2019/20 Top Ten Taxpayers [1]

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Equistar Chemical LP	Industrial/Petrochemical	$ 693,419,126	5.85%
Fairway Methanol LLC	Industrial/Petrochemical	578,146,303	4.87%
Kuraray America Inc.	Industrial/Petrochemical	425,345,165	3.59%
Enterprise Products	Industrial/Petrochemical	411,376,045	3.47%
Air Liquide	Industrial/Petrochemical	397,279,863	3.35%
Braskem America Inc.	Industrial/Petrochemical	254,274,790	2.14%
Liberty Property	Land	198,035,970	1.67%
Albermarle Catalysts Co. LP	Industrial/Petrochemical	181,486,112	1.53%
HRUS Underwood LLC	Commercial Building	162,679,619	1.37%
Linde Gas North American LLC	Manufacturing	161,173,672	1.36%
		$ 3,463,216,665	29.20%

2018/19 Top Ten Taxpayers [2]

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Equistar Chemical LP	Industrial/Petrochemical	$ 628,004,998	6.09%
Fairway Methanol LLC	Industrial/Petrochemical	576,639,169	5.59%
Enterprise Products	Industrial/Petrochemical	407,947,605	3.96%
Kuraray America Inc.	Industrial/Petrochemical	397,465,169	3.85%
Air Liquide	Industrial/Petrochemical	391,799,334	3.80%
Albermarle Catalysts Co. LP	Industrial/Petrochemical	179,658,046	1.74%
Noltex LLC	Industrial/Petrochemical	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/Petrochemical	127,741,323	1.24%
		$ 3,171,494,456	30.75%

(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 30% of the District's tax base. Adverse developments in economic conditions, particularly in the petrochemical industry, 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."
(4) Due to the effects of COVID-19 (see "INTRODUCTORY STATEMENT - COVID-19" in the body of the Official Statement), the Harris County Appraisal District has informed the District that they estimate that the 2021 industrial market value in Harris County and La Porte ISD, which would be applicable to the District in its 2021/22 fiscal year, could see decreases of 10-25% from 2020 certified values.

CLASSIFICATION OF ASSESSED VALUATION BY USE CATEGORY [1] [2]

Category	2019/20	% of Total	2018/19	% of Total	2017/18	% of Total
Real, Residential, Single-Family	$ 2,913,695,576	20.14%	$ 2,375,982,823	18.86%	$ 2,330,556,209	19.26%
Real, Residential, Multi-Family	138,032,430	0.95%	122,326,955	0.97%	119,722,383	0.99%
Real, Vacant Lots/Tracts	216,828,907	1.50%	201,337,387	1.60%	180,728,181	1.49%
Real, Qualified Land & Improvements	79,138,294	0.55%	75,195,362	0.60%	160,586,952	1.33%
Real, Non-Qualified Land & Improvements	61,906,865	0.43%	71,448,109	0.57%	2,430,322	0.02%
Real, Commercial & Industrial	7,509,436,281	51.91%	6,745,437,442	53.53%	6,462,593,380	53.41%
Oil & Gas	-	0.00%	-	0.00%	-	0.00%
Utilities	167,723,509	1.16%	153,880,285	1.22%	148,641,429	1.23%
Tangible Personal, Commercial	764,737,009	5.29%	719,244,355	5.71%	677,594,860	5.60%
Tangible Personal, Industrial	2,594,628,103	17.94%	2,119,247,499	16.82%	1,999,810,618	16.53%
Tangible Personal, Mobile Homes & Other	7,741,291	0.05%	7,046,992	0.06%	7,167,162	0.06%
Tangible Personal, Residential Inventory	211,884	0.00%	677,839	0.01%	771,551	0.01%
Tangible Personal, Special Inventory	11,635,077	0.08%	9,408,791	0.07%	9,228,158	0.08%
Total Appraised Value	$ 14,465,715,226	100.00%	$ 12,601,233,839	100.00%	$ 12,099,831,205	100.00%
Less:						
Homestead Cap Adjustment	$ 71,066,315		$ 31,989,801		$ 60,494,851	
Productivity Loss	76,163,961		74,838,204		77,514,627	
Exemptions	2,459,032,153 [3]		2,179,912,369 [3]		2,028,480,790 [3]	
Total Exemptions/Deductions [4]	$ 2,606,262,429		$ 2,286,740,374		$ 2,166,490,268	
Net Taxable Assessed Valuation	$ 11,859,452,797		$ 10,314,493,465		$ 9,933,340,937	

Category	2016/17	% of Total	2015/16	% of Total	2014/15	% of Total
Real, Residential, Single-Family	$ 2,145,437,759	18.20%	$ 1,985,621,287	18.61%	$ 1,778,565,641	19.20%
Real, Residential, Multi-Family	101,595,134	0.86%	90,339,458	0.85%	87,182,589	0.94%
Real, Vacant Lots/Tracts	169,505,708	1.44%	144,796,571	1.36%	144,075,177	1.56%
Real, Qualified Land & Improvements	68,117,395	0.58%	47,241,225	0.44%	54,401,127	0.59%
Real, Non-Qualified Land & Improvements	90,557,241	0.77%	73,043,567	0.68%	74,656,270	0.81%
Real, Commercial & Industrial	6,205,764,134	52.64%	5,129,107,215	48.08%	4,246,903,026	45.86%
Oil & Gas	-	0.00%	-	0.00%	-	0.00%
Utilities	144,522,507	1.23%	126,200,247	1.18%	120,055,902	1.30%
Tangible Personal, Commercial	658,017,905	5.58%	651,370,231	6.11%	564,380,615	6.09%
Tangible Personal, Industrial	2,187,799,399	18.56%	2,398,541,032	22.49%	2,176,931,516	23.51%
Tangible Personal, Mobile Homes & Other	7,139,804	0.06%	6,110,765	0.06%	5,727,373	0.06%
Tangible Personal, Residential Inventory	872,299	0.01%	1,403,187	0.01%	1,300,327	0.01%
Tangible Personal, Special Inventory	9,971,223	0.08%	13,343,810	0.13%	7,371,058	0.08%
Total Appraised Value	$ 11,789,300,508	100.00%	$ 10,667,118,595	100.00%	$ 9,261,550,621	100.00%
Less:						
Homestead Cap Adjustment	$ 57,722,186		$ 68,660,730		$ 34,543,299	
Productivity Loss	65,946,246		46,871,180		52,555,685	
Exemptions	2,181,540,611 [3]		2,190,677,639 [3]		1,954,704,336	
Total Exemptions/Deductions [4]	$ 2,305,209,043		$ 2,306,209,549		$ 2,041,803,320	
Net Taxable Assessed Valuation	$ 9,484,091,465		$ 8,360,909,046		$ 7,219,747,301	

(1) Source: Comptroller of Public Accounts - Property Tax Division.
(2) Due to the effects of COVID-19 (see "INTRODUCTORY STATEMENT - COVID-19" in the body of the Official Statement), the Harris County Appraisal District has informed the District that they estimate that the 2021 industrial market value in Harris County and La Porte ISD, which would be applicable to the District in its 2021/22 fiscal year, could see decreases of 10-25% from 2020 certified values.
(3) The passage of a Texas constitutional amendment on November 3, 2015 increased the homestead exemption from $15,000 to $25,000.
(4) Excludes values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers.

PRINCIPAL REPAYMENT SCHEDULE (1)

Fiscal Year Ending 8/31	Outstanding Bonds	Less: The Refunded Bonds	Plus: The Refunding Bonds (2)	Total (2)	Bonds Unpaid At Year End	Percent of Principal Retired
2021	$ 15,340,000.00	$ -	$ -	$ 15,340,000.00	$ 315,810,000.00	4.63%
2022	15,915,000.00	-	810,000.00	16,725,000.00	299,085,000.00	9.68%
2023	16,640,000.00	-	535,000.00	17,175,000.00	281,910,000.00	14.87%
2024	17,405,000.00	-	345,000.00	17,750,000.00	264,160,000.00	20.23%
2025	18,195,000.00	645,000.00	345,000.00	17,895,000.00	246,265,000.00	25.63%
2026	18,975,000.00	585,000.00	210,000.00	18,600,000.00	227,665,000.00	31.25%
2027	19,755,000.00	515,000.00	135,000.00	19,375,000.00	208,290,000.00	37.10%
2028	20,500,000.00	1,820,000.00	150,000.00	18,830,000.00	189,460,000.00	42.79%
2029	21,235,000.00	1,810,000.00	100,000.00	19,525,000.00	169,935,000.00	48.68%
2030	22,015,000.00	1,815,000.00	2,800,000.00	23,000,000.00	146,935,000.00	55.63%
2031	22,830,000.00	1,825,000.00	2,775,000.00	23,780,000.00	123,155,000.00	62.81%
2032	14,640,000.00	7,170,000.00	8,020,000.00	15,490,000.00	107,665,000.00	67.49%
2033	15,205,000.00	7,460,000.00	8,150,000.00	15,895,000.00	91,770,000.00	72.29%
2034	15,760,000.00	7,765,000.00	8,285,000.00	16,280,000.00	75,490,000.00	77.20%
2035	16,355,000.00	8,125,000.00	8,425,000.00	16,655,000.00	58,835,000.00	82.23%
2036	14,125,000.00	8,540,000.00	8,580,000.00	14,165,000.00	44,670,000.00	86.51%
2037	14,755,000.00	8,980,000.00	8,740,000.00	14,515,000.00	30,155,000.00	90.89%
2038	15,410,000.00	9,440,000.00	8,915,000.00	14,885,000.00	15,270,000.00	95.39%
2039	16,095,000.00	9,920,000.00	9,095,000.00	15,270,000.00	-	100.00%
Total	$ 331,150,000.00	$ 76,415,000.00	$ 76,415,000.00	$ 331,150,000.00		

(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) Excludes the accreted value of outstanding capital appreciation bonds.

DEBT SERVICE REQUIREMENTS [1]

Fiscal Year Ending 8/31	Outstanding Debt Service [2]	Less: The Refunded Bonds [2] [3]	Plus: The Bonds [4] Principal	Interest	Total	Combined Total [2] [3] [4] [5]
2021	$ 28,873,022.96	$ 566,311.22	$ -	$ 566,311.22	$ 566,311.22	$ 28,873,022.96
2022	28,212,154.63	3,506,650.00	810,000.00	1,706,872.06	2,516,872.06	27,222,376.69
2023	28,207,370.83	3,506,650.00	535,000.00	1,986,872.06	2,521,872.06	27,222,592.89
2024	28,205,984.58	3,506,650.00	345,000.00	2,171,872.06	2,516,872.06	27,216,206.64
2025	28,202,124.45	4,138,750.00	345,000.00	2,806,872.06	3,151,872.06	27,215,246.51
2026	28,202,188.62	4,054,150.00	210,000.00	2,856,872.06	3,066,872.06	27,214,910.68
2027	28,202,000.42	3,962,150.00	135,000.00	2,841,872.06	2,976,872.06	27,216,722.48
2028	28,192,862.52	5,220,450.00	150,000.00	4,086,872.06	4,236,872.06	27,209,284.58
2029	28,189,106.27	5,137,850.00	100,000.00	4,056,872.06	4,156,872.06	27,208,128.33
2030	28,192,731.27	5,070,350.00	2,800,000.00	1,287,230.06	4,087,230.06	27,209,611.33
2031	28,192,650.02	5,007,550.00	2,775,000.00	1,247,150.18	4,022,150.18	27,207,250.20
2032	19,310,712.52	10,172,650.00	8,020,000.00	1,166,442.00	9,186,442.00	18,324,504.52
2033	19,302,562.52	10,170,050.00	8,150,000.00	1,040,849.45	9,190,849.45	18,323,361.97
2034	19,305,350.02	10,170,550.00	8,285,000.00	904,980.43	9,189,980.43	18,324,780.45
2035	19,312,306.26	10,172,125.00	8,425,000.00	759,324.78	9,184,324.78	18,324,506.04
2036	16,455,062.50	10,170,500.00	8,580,000.00	604,293.20	9,184,293.20	15,468,855.70
2037	16,458,850.00	10,172,500.00	8,740,000.00	440,772.40	9,180,772.40	15,467,122.40
2038	16,455,525.00	10,172,000.00	8,915,000.00	269,673.58	9,184,673.58	15,468,198.58
2039	16,448,700.00	10,168,000.00	9,095,000.00	91,086.43	9,186,086.43	15,466,786.43
	$ 453,921,265.39	$ 125,045,886.22	$ 76,415,000.00	$ 30,893,090.21	$ 107,308,090.21	$ 436,183,469.38

(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, 2021) 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 5.7% 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, or the timely receipt of sequestration payments.
(3) Reflects the standard, budgeted interest on the existing bonds in the amount of $1,187,013.78 that must be paid at the closing of the refunding bonds.
(4) Includes the accreted value of outstanding capital appreciation bonds.
(5) 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 2020/21. 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]	$	28,873,022.96
Projected State Financial Assistance for Hold Harmless of Increased Homestead Exemption [2]		215,000.00
Projected Net Debt Service Requirement	$	28,658,022.96
$0.23731 Tax Rate @ 98% Collections Produces	$	28,658,023.02
2020/21 Net Taxable Assessed Valuation	$	12,322,509,247

(1) Includes the Refunding Bonds and excludes the Refunded Bonds.
(2) The amount of state financial assistance for debt service, if any, may differ substantially each year depending on a variety of factors, including the amount, if any, appropriated for that purpose by the state legislature and a school district's wealth per student. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in this Official Statement. The District will not receive any Instructional Facilities Allotment nor Existing Debt Allotment state aid in 2020/21, but will receive additional state aid for the increase in the homestead exemption which took effect in 2015/16.

AUTHORIZED BUT UNISSUED BONDS

The District does not have any authorized but unissued unlimited ad valorem tax bonds. The District may incur other financial obligations payable from its collection of taxes and other sources of revenue, including maintenance tax notes payable from its collection of maintenance taxes, public property finance contractual obligations, delinquent tax notes, and leases for various purposes payable from State appropriations and surplus maintenance taxes.

COMPARATIVE STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES [(1)]

	Fiscal Year Ended June 30				
	2016	2017	2018	2019	2020
Beginning Fund Balance	**$ 28,312,504**	**$ 29,098,923**	**$ 33,240,467**	**$ 34,908,586**	**$ 40,356,727**
Revenues:					
Local and Intermediate Sources	$ 86,949,692	$ 97,623,840	$ 98,129,830	$ 111,963,242	$ 112,230,164
State Sources	5,320,733	7,097,589	7,034,704	8,473,704	16,572,597
Federal Sources & Other	1,092,245	1,515,693	1,431,727	3,076,691	2,210,624
Total Revenues	**$ 93,362,670**	**$ 106,237,122**	**$ 106,596,261**	**$ 123,513,637**	**$ 131,013,385**
Expenditures:					
Instruction	$ 38,405,399	$ 39,852,562	$ 40,760,467	$ 41,204,195	$ 42,385,111
Instructional Resources & Media Services	436,350	450,127	442,718	342,011	347,449
Curriculum & Instructional Staff Development	1,021,958	763,128	666,490	676,863	647,295
Instructional Leadership	870,155	842,818	865,459	824,068	923,896
School Administration	4,076,614	4,291,710	4,433,985	4,469,733	4,672,012
Guidance, Counseling & Evaluation Services	2,331,138	2,535,301	2,840,485	2,490,355	2,268,446
Social Work Services	191,978	231,422	248,452	264,097	241,850
Health Services	803,623	857,062	888,209	927,231	898,274
Student (Pupil) Transportation	3,230,518	2,807,383	2,792,377	2,796,118	2,696,534
Cocurricular/Extracurricular Activities	1,457,788	1,458,870	1,737,084	1,629,216	1,448,979
General Administration	2,970,756	2,978,760	3,227,129	3,007,982	3,255,708
Plant Maintenance and Operations	7,534,999	7,765,509	7,601,475	8,101,005	7,976,222
Security and Monitoring Services	550,551	1,276,459	1,423,170	1,587,102	1,584,245
Data Processing Services	1,553,344	1,580,842	1,508,071	1,533,809	1,549,366
Community Services	19,216	25,284	9,897	15,577	17,726
Contracted Instructional Services	24,531,648	31,237,688	33,224,648	46,925,331	41,571,997
Payments to Fiscal Agent	12,367	108,101	111,516	128,845	171,317
Payments to Juvenile Justice Alternative Programs	19,800	19,800	19,800	59,400	59,400
Payments to Tax Incremental Fund	1,671,451	2,054,938	1,141,045	2,779,617	3,810,140
Other Intergovernmental Charges	886,598	964,114	993,774	1,037,446	1,068,592
Total Expenditures	**$ 92,576,251**	**$ 102,101,878**	**$ 104,936,251**	**$ 120,800,001**	**$ 117,594,559**
Excess (Deficiency) of Revenues over Expenditures	$ 786,419	$ 4,135,244	$ 1,660,010	$ 2,713,636	$ 13,418,826
Other Resources and (Uses):					
Sale of Real or Personal Property	$ -	$ -	$ -	$ 2,732,055	$ 824,770
Transfers In	-	6,300	8,313	2,450	11,550
Transfer Out	-	-	(204)	-	(224,775)
Total Other Resources (Uses)	**$ -**	**$ 6,300**	**$ 8,109**	**$ 2,734,505**	**$ 611,545**
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	$ 786,419	$ 4,141,544	$ 1,668,119	$ 5,448,141	$ 14,030,371
Ending Fund Balance	**$ 29,098,923**	**$ 33,240,467**	**$ 34,908,586**	**$ 40,356,727**	**$ 54,387,098**

(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 2020/21 budget and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - Possible Effects of Wealth Transfer Provisions on the District's Financial Condition" in this Official Statement.

CHANGE IN NET ASSETS [1]

	Fiscal Year Ended June 30				
	2016	2017	2018	2019	2020
Revenues:					
Program Revenues:					
Charges for Services	$ 1,772,868	$ 1,786,552	$ 1,381,671	$ 1,766,660	$ 1,389,395
Operating Grants and Contributions	11,674,605	10,009,652	(4,549,099)	9,574,383	9,666,866
General Revenues:					
Property Taxes Levied for General Purposes	85,819,764	94,533,779	96,468,292	105,918,780	105,161,625
Property Taxes Levied for Debt Service	33,374,353	35,688,808	32,937,911	21,204,806	26,805,586
Grants and Contributions Not Restricted	1,954,568	5,962,210	5,701,540	11,823,223	18,959,584
Investment Earnings	488,351	897,470	1,238,456	1,829,958	1,374,315
SHARS/MAC	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	675,776
Miscellaneous	2,257,067	2,853,468	1,066,686	5,987,237	6,670,886
Total Revenue	$ 138,327,534	$ 137,217,845	$ 134,245,457	$ 160,837,102	$ 170,704,033
Expenses:					
Instruction	$ 49,759,289	$ 52,296,542	$ 38,856,109	$ 58,059,849	$ 61,008,278
Instruction Resources & Media Services	458,306	454,722	348,770	371,144	383,664
Curriculum & Staff Development	1,329,946	1,025,854	693,000	985,087	941,971
Instructional Leadership	925,493	1,025,658	615,858	1,155,213	1,229,030
School Leadership	4,302,695	4,374,173	2,853,808	4,852,010	5,132,269
Guidance, Counseling & Evaluation Services	2,887,377	2,997,386	1,824,276	3,960,798	4,237,356
Social Work Services	207,172	231,094	228,045	268,286	247,234
Health Services	839,418	875,217	591,858	1,002,204	994,588
Student Transportation	3,619,700	3,024,166	2,383,859	3,068,613	3,085,934
Food Service	4,269,781	4,517,973	3,250,726	4,567,997	4,069,215
Cocurricular/Extracurricular Activities	2,374,697	2,320,363	2,122,573	2,726,363	2,614,667
General Administration	3,255,560	3,155,391	2,707,853	3,339,518	3,688,217
Plant Maintenance & Operations	11,431,976	10,633,698	10,070,631	11,491,142	11,457,636
Security and Monitoring Services	551,098	1,300,140	1,243,185	1,933,772	1,813,636
Data Processing Services	3,899,246	3,577,687	2,435,287	2,896,056	3,903,305
Community Services	39,369	38,258	20,614	28,609	66,847
Debt Service - Interest	14,074,233	13,753,627	13,000,225	12,473,266	11,548,802
Debt Service - Issuance Cost and Fees	-	8,750	8,000	8,000	236,690
Facilities Repair and Maintenance	44,521	29,396	-	-	-
Contracted Instructional Services	24,531,648	31,237,688	33,224,648	46,925,331	41,571,997
Payments to Fiscal Agent	118,619	108,101	111,516	128,845	171,317
Payments to Juvenile Justice Alternative Ed Program	19,800	19,800	19,800	59,400	59,400
Payments to Tax Increment Fund	1,671,451	2,054,938	1,141,045	2,779,617	3,810,140
Other Intergovernmental Charges	886,598	964,114	993,774	1,037,446	1,068,592
Total Expenditures	$ 131,497,993	$ 140,024,736	$ 118,745,460	$ 164,118,566	$ 163,340,785
Change in Net Assets	$ 6,829,541	$ (2,806,891)	$ 15,499,997	$ (3,281,464)	$ 7,363,248
Beginning Net Assets	$ 62,968,567	$ 69,798,108	$ 66,991,217	$ 37,007,259	$ 33,725,795
Prior Period Adjustment	$ -	$ -	$ (45,483,955) [2]	$ -	$ -
Ending Net Assets	$ 69,798,108	$ 66,991,217	$ 37,007,259	$ 33,725,795	$ 41,089,043

(1) The foregoing information represents government-wide financial information provided in accordance with GASB 34.
(2) 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

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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	3,698	544	1,170	2,222	7,634
2015-16	3,689	579	1,164	2,320	7,752
2016-17	3,682	576	1,178	2,277	7,713
2017-18	3,629	545	1,179	2,235	7,588
2018-19	3,463	590	1,118	2,213	7,384
2019-20	3,365	575	1,126	2,145	7,211
2020-21 [(a)]	3,125	550	1,144	2,166	6,985

(a) As of October 2020

District Staff

Teachers	545
Auxiliary Personnel	339
Teachers' Aides & Secretaries	227
Administrators	47
Other (Counselors, RNs, Librarians)	37
	1,195

Facilities

Campus	Grades	Current Enrollment	Capacity	Year Built	Year of Addition/ Renovation
La Porte Early Childhood Center	6 weeks - PK	41	*		
Rizzuto Elementary	K-5	433	700	1984	Renovations: 2010, 2016
Jennie Reid Elementary	K-5	388	545	1981	Renovations: 2010, 2016
Lomax Elementary	K-5	454	750	2016	Renovations: 2019
La Porte Elementary	PK-5	483	588	1999	Renovations: 2010, 2016
Heritage Elementary	EE-5	497	750	2007	Renovations: 2016
College Park Elementary	PK-5	406	549	1969	Renovations: 1972, 2010, 2016
Bayshore Elementary	EE-5	423	750	2009	Renovations: 2016
Baker Sixth Grade Campus	6	550	750	2016	N/A
Lomax Junior High	7-8	608	761	1986	Renovations: 2009, 2016
La Porte Junior High	7-8	536	694	1944	Renovations: 1955, 1999, 2010, 2016
La Porte High School	9-12	1,952	2,900	1959	Renovations: 1976, 1978, 1996, 2007, 2009, 2016, 2017
De Walt Alternative School	9-12	214	200	1999	Renovations: 2010

**Part of Heritage Elementary*

Unemployment Rates

	November 2018	November 2019	November 2020
Harris County	3.9%	3.7%	9.0%
State of Texas	3.5%	3.4%	8.0%

Source: Texas Workforce Commission.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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HUNTON
ANDREWS KURTH

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Houston, Texas 77002
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March 9, 2021

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 DISTRCT UNLIMITED TAX REFUNDING BONDS, TAXABLE SERIES 2021, dated March 1, 2021 in the aggregate principal amount of $76,415,000.
>
> 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. In such capacity we have examined the Constitution, laws of the State of Texas and transcripts of certain certified proceedings pertaining to the issuance of the Bonds and the bonds that are being refunded (the "Refunded Bonds") with the proceeds of the Bonds, as described in the Order. The transcript contains certified copies of certain proceedings of the District and The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Escrow Agent"); the report (the "Report") of Public Finance Partners LLC (the "Verification Agent"), which verifies the sufficiency of the deposits made with the Escrow Agent for the defeasance of the Refunded Bonds; 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 and the firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds. We have also examined executed Bond No. ICI-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;

(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; and

(3) The escrow agreement between the District and the Escrow Agent (the "Escrow Agreement") has been duly executed and delivered and constitutes a binding and enforceable agreement in accordance with its terms; the establishment of the Escrow Fund pursuant to the Escrow Agreement and the deposit made therein constitute the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds; in reliance upon the accuracy of the calculations contained in the Report, the Refunded Bonds, having been discharged and paid, are no longer outstanding and the lien on and pledge of ad valorem taxes and other revenues as set forth in the order authorizing their issuance will be appropriately and legally defeased; the holders of the Refunded Bonds may obtain payment of the principal of, redemption premium, if any, and interest in the Refunded Bonds only out of the funds provided therefor now held in escrow for that purpose by the Escrow Agent pursuant to the terms of the Escrow Agreement; and therefore the Refunded Bonds are deemed to be fully paid and no longer outstanding, except for the purpose of being paid from the funds provided therefor in such Escrow Agreement.

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.

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. We call to your attention that interest on the Bonds is <u>not</u> excludable from gross income for federal income tax purposes. Prospective purchasers of the Bonds 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; 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.

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APPENDIX D

AUDITED FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2020

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LA PORTE INDEPENDENT SCHOOL DISCTRICT

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2020

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

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2020

LA PORTE INDEPENDENT SCHOOL DISTRICT

1002 San Jacinto Street, La Porte, Texas 77571

Prepared By The LPISD Business Office

Dr. Walter Jackson
Superintendent of Schools

Rhonda Cumbie
Chief Financial Officer

La Porte Independent School District

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INTRODUCTORY SECTION

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La Porte Independent School District

1002 San Jacinto Street
La Porte, Texas 77571

Dr. Walter Jackson
Superintendent of Schools

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

November 10, 2020

Mr. Lee Wallace, President,
Members of the Board of Trustees, and
Citizens of the La Porte Independent School District:

Dear Members of the Board of Trustees and Citizens,

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, 2020. 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, 2020, are free of 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, 2020, 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, 2020, 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, each of whom serves for three years. The District is not included in any other governmental “reporting entity” since the Board of Trustees 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 2019-2020 fiscal year, the District operated one traditional 9th-12th high school, one alternative 9th-12th 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’s 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. The City of 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 34,976, most recently updated from the US Census Bureau for year-end 2019, a 1.3% decrease from 2018. Additionally, Texas Work Force Commission and Texas Labor Market Information for year-end 2019 reported the city has seen less than 0.6% 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, establishes 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 impact District enrollment and growth. For fiscal year 2020, the District had an enrollment of 7,211 students, which is down from FY 2019. The District's pre-Hurricane Ike enrollment (FY 2008) was 7,927, while FY 2021 enrollment was anticipated to be 7,200. Due to COVID-19, the enrollment is closer to 7,000. While enrollment numbers have steadily decreased and projected numbers reflect a continuing decrease, the District remains active in promoting what La Porte has to offer.

The District currently has nine Chapter 313 agreements (the "Agreements"). Under a Chapter 313 agreement for the purpose of maintenance and operations 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 maintenance and operating (M&O) taxable value to a floor that generates $100 per student in average daily attendance (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 our case, the payment would come directly to us and be outside of the current school funding system and not subject to recapture or equalization payments to the State. The 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 Zones close to the Bay and $100 million in coverage. This coverage costs the District $2.1 million annually of the maintenance and operations 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.

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. This also provides flexibility for weather events and issues surrounding the COVID-19 pandemic. The District adopted a calendar based on instructional minutes instead of instructional days. This calendar allows the District better operational and instructional efficiency.

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 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, its print shop, and new child care center. 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. Income for the childcare center is derived primarily from charges to District employees, immediate family members, and District residents for childcare 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 TEA Financial Accountability System Resource Guide (FASRG). Additionally, the District has prepared the Government-wide Financial Statements on the full accrual basis as required by GASB Board Statement No. 34.

Financial data is submitted by the District to the Texas Education Agency 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 2019-20 was over $11.3 billion, an increase of 10.89 % from the previous year. The tax rates per $100 of assessed value for the past five years are shown on the following table.

Year	2015-2016	2016-2017	2017-18	2018-19	2019-2020
M&O	$1.04	$1.04	$1.04	$1.17	$1.04
I&S	$0.41	$0.38	$0.34	$0.21	$0.24

House Bill 3 was passed by the 86th Texas Legislature in 2019. One major policy area reduces and reforms property taxes and recapture. Property taxes for the District are compressed to $0.8697 for maintenance and operations during the 2020 tax year, however, pursuant to Texas tax code § 26.08(a), due to the ongoing disaster declarations issued by Governor Abbott due to Hurricane Harvey (including the one on August 8, 2020), the disaster declaration issued by Governor Abbott due to Hurricane Laura on August 26, 2020, and due to 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 occurs, the District adopted a maintenance and operations tax rate of $1.0397.

The District has 1,195 faculty and staff comprised of the following: 40 employees in central administration departments; 545 teachers, librarians, counselors, and nurses; 271 other school leadership and support staff; 115 maintenance employees; 106 cafeteria workers; and 118 employees in transportation for the 2020-2021 budget. The District's Board approved a 3% general pay increase with 5% for classroom teachers and 4% for paraprofessionals. The beginning teacher salary increased to $57,200.

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 – The 2020 State of Texas Assessments of Academic Readiness (STAAR) tests were cancelled by the Commissioner of Education due to the COVID-19 Global Pandemic, and all districts and campuses were labeled Not Rated: Declared State of Disaster for 2020. However, under the state accountability system, the District and all campuses met the State's expectations the previous school year. This was 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 goals. In fiscal year 2019, 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 95.8%.

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.

Dual Credit Offerings - The District continued its partnership with San Jacinto College and the La Porte San Jacinto 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 San Jacinto College instituted the Accelerated College Education (ACE) dual credit program where eligible students can graduate with an Associate's degree in addition to a high school diploma. In 2020, 55 students graduated with an Associate's degree. We anticipate 52 graduates in 2021 and 44 graduates in 2022.

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

Business and Industry Endorsement

- Accounting and Financial Services (Microsoft Office Specialist-Word, Quickbooks, and Entrepreneurship and Small Business)
- Animal Science Pathway (Entrepreneurship and Small Business)
- Applied Agricultural Engineering Pathway (OSHA, Entrepreneurship and Small Business)
- Automotive (I-CAR: Refinishing Pro-Level 1 and/or I-CAR: Non-Structural Pro-Level 1, ASE (Auto Service Excellence), Entrepreneurship and Small Business
- Construction Management (OSHA 30)
- Digital Communications (Adobe Premiere)
- Design and Multimedia Arts (Adobe Flash, Adobe Associate and Certified Associate Project Management)
- Hospitality Culinary Arts (ServSafe-Food Handlers, ServSafe-Managers, and Entrepreneurship and Small Business)
- Marketing and Sales (Microsoft Office Specialist-Word and Excel)
- Welding (NCCER Core Safety and AWS Welding)

Public Services Endorsement

- Early Learning (Microsoft Office Specialist-Word)
- Family and Consumer Services (Microsoft Office Specialist-Word)
- Health Care (Certified Patient Care Technician, CPR, Microsoft Office Specialist-Word, and Entrepreneurship and Small Business)
- Health Care Nursing (Microsoft Office Specialist-Word, Entrepreneurship and Small Business, and Pharmacy Technician)
- ROTC (CompTIA A+)

Science, Technology, Engineering, and Mathematics (STEM) Endorsement

- Engineering (Autodesk Innovator's Certification, Autdesk Auto Cad User's Certification, and OSHA)

Instructional Technology – The District has successfully sustained a District-wide Student Technology Initiative (STI) program 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, social studies, and elective courses.

In addition, the District has been working toward a paperless instructional environment since the beginning of our STI program in 2011. The two primary components necessary to moving that direction involve students having mobile computing devices and teachers having classroom technology that allow them to interact seamlessly without the normal exchange of paper.

Due to the COVID-19 pandemic that closed schools in March 2020, District teachers and students were immediately immersed in a virtual learning environment. The District was able to be successful virtually because the District had previously invested in the technology and instructional training necessary to accomplish this unprecedented task.

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 and $26,550,000 on February 19, 2020. At the end of the 2019-20 school year, all construction projects were 100% complete. These bonds have 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.

The District has received an enormous amount of public support as we have worked to mitigate the negative impact of COVID-19. During the summer of 2020, the District went through a series of informational videos and mass communications to educate our public on our Return to Learn Plan. In addition to the support the District received, we received personal protective equipment from the TEA to help offset some of the costs associated with COVID-19 and its affects upon the District. The District continues to work with our stakeholders in keeping them informed of our weekly COVID-19 updates and our continuous efforts to support our teachers and students in the classroom.

Awards and Acknowledgments

Financial Reporting Awards

The TEA has awarded the District a rating of "Superior" for the year ended June 30, 2019. This is the eighteenth 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 eighteen years. The rating is based upon an analysis of staff and student data reported for the 2018-2019 school year and budgetary and actual financial data for the fiscal year ended June 30, 2019. 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.

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, 2019. 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 GAAP 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, 2019. 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 of Texas. 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.

Walter S. Jackson
Dr. Walter Jackson
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, 2020, at a meeting of the Board of Trustees of such school district on the 10th day of November , 2020 .

Signature of Board Secretary

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
Lee Wallace	President	10	2021	Retired GB Biosciences
Dennis Slate	Vice President	3	2020	Retired Police Officer
Lois Rogerson	Secretary	7	2020	Retired Teacher
Kathy Green	Trustee	16	2020	Retired
David Janda	Trustee	8	2021	Teacher
Dee Anne Thomson	Trustee	10	2022	Warehouse Operations Manager
Charlcya Wheeler	Trustee	16	2022	Retired

Administrative Officials

Official	Position	Years of Service	
		Total	District
Dr. Walter Jackson	Superintendent	26	0
Rhonda Cumbie	Chief Financial Officer	23	12
Dr. Linda Wadleigh	Deputy Superintendent	35	20
Mike Clausen	Deputy Superintendent	51	51
Danette Tilley	Executive Director, Secondary Education	31	16
Jewel Whitfield	Executive Director, Elementary Education	23	20
Angela Garza-Viator	Executive Director, Human Resources	22	22
Sheila V. Cantu	Director of Finance	19	12
Adam Holland	Director, Communications & Community Relations	14	5

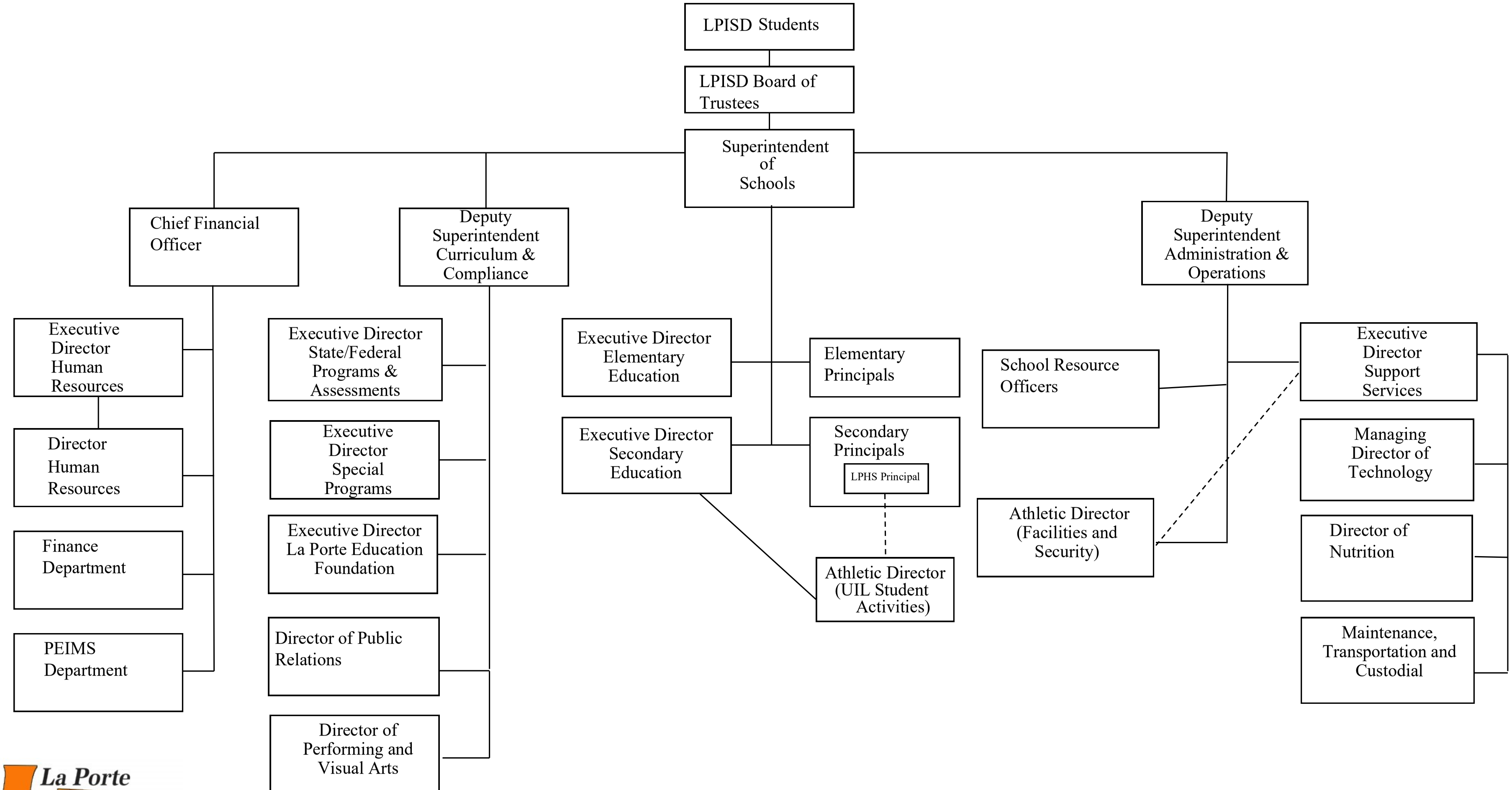
Consultants and Advisors

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

Andrews Kurth, L.L.P.
Bond Counsel
600 Travis, Suite 4200 • Houston, Texas 77046

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

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, 2019

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, 2019.**

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

CERTIFICATE OF EXCELLENCE
IN FINANCIAL REPORTING

Claire Hertz, SFO
President

David J. Lewis
Executive Director

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FINANCIAL SECTION

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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, 2020, 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, 2020, 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 information, 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, the schedule of expenditures of federal awards, other supplementary information, and statistical information 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 statistical 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 and the schedule of required responses to selected school first indicators 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 10, 2020 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
Certified Public Accountants
Houston, Texas
November 10, 2020

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MANAGEMENT’S DISCUSSION AND ANALYSIS

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As the management of the 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, 2020. 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, 2020 was $41,089,043.

- For the fiscal year ended June 30, 2020, the District's general fund reported a total fund balance of $54,387,098, of which $1,577,904 is nonspendable for inventories and prepaid items, $2,214,153 is committed for self-insurance and compensated absences and $50,595,041 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 $101,035,015.

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 related to the District's internal service funds.

- *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. This fund includes student activity funds.

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, the District's child care service, 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 $41,089,043 at June 30, 2020. 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, 2020. Current assets and long-term liabilities both experienced increases in the current year primarily related to the issuance of new bonds for the purpose of school building additions as well as renovation projects within the District. The District reported an increase of $7,363,248 in combined net position from the prior year. An increase in certain State grants, along with decreasing expenses due to chapter 41 recapture payments, contributed to this increase.

Table 1
Net Position

Description	Governmental Activities 2020	Governmental Activities 2019	Total Change 2020-2019
Current assets	$ 150,504,948	$ 88,462,729	$ 62,042,219
Capital assets	345,932,577	356,437,747	(10,505,170)
Total Assets	496,437,525	444,900,476	51,537,049
Deferred charge on refunding	6,286,010	7,143,454	(857,444)
Deferred ouflows - pensions	11,679,830	14,436,552	(2,756,722)
Deferred outflows - OPEB	4,645,147	3,936,131	709,016
Total Deferred Outflows of Resources	22,610,987	25,516,137	(2,905,150)
Current liabilities	49,956,061	23,478,109	26,477,952
Long-term liabilities	410,375,357	401,833,950	8,541,407
Total Liabilities	460,331,418	425,312,059	35,019,359
Deferred inflows - pensions	4,687,315	1,566,661	3,120,654
Deferred inflows - OPEB	12,940,736	9,812,098	3,128,638
Total Deferred Inflows of Resources	17,628,051	11,378,759	6,249,292
Net Position:			
Net investment in capital assets	27,121,161	31,956,441	(4,835,280)
Restricted	8,785,778	6,796,928	1,988,850
Unrestricted	5,182,104	(5,027,574)	10,209,678
Total Net Position	$ 41,089,043	$ 33,725,795	$ 7,363,248

Table 2
Changes in Net Position

	Governmental Activities 2020	Governmental Activities 2019	Total Change 2020-2019
Revenues:			
Program revenues:			
Charges for services	$ 1,389,395	$ 1,766,660	$ (377,265)
Operating grants and contributions	9,666,866	9,574,383	92,483
General revenues:			
Property taxes	131,967,211	127,123,586	4,843,625
Grants and contributions not restricted for specific programs	18,959,584	11,823,223	7,136,361
Investment earnings	1,374,315	1,829,958	(455,643)
Other revenue	6,670,886	8,719,292	(2,048,406)
Gain on sale of capital asset	675,776	-	675,776
Total Revenue	170,704,033	160,837,102	9,866,931
Expenses:			
Instruction	61,008,278	58,059,849	2,948,429
Instructional resources and media services	383,664	371,144	12,520
Curriculum/instructional staff development	941,971	985,087	(43,116)
Instructional leadership	1,229,030	1,155,213	73,817
School leadership	5,132,269	4,852,010	280,259
Guidance, counseling, and evaluation services	4,237,356	3,960,798	276,558
Social work services	247,234	268,286	(21,052)
Health services	994,588	1,002,204	(7,616)
Student (pupil) transportation	3,085,934	3,068,613	17,321
Food services	4,069,215	4,567,997	(498,782)
E data process	2,614,667	2,726,363	(111,696)
General administration	3,688,217	3,339,518	348,699
Plant maintenance and operations	11,457,636	11,491,142	(33,506)
Security and monitoring services	1,813,636	1,933,772	(120,136)
Data processing services	3,903,305	2,896,056	1,007,249
Community services	66,847	28,609	38,238
Debt service - interest	11,548,802	12,473,266	(924,464)
Bond issuance costs and fees	236,690	8,000	228,690
Contracted instructional services between schools	41,571,997	46,925,331	(5,353,334)
Payments to fiscal agent/member districts of SSA	171,317	128,845	42,472
Payments to juvenile justice alternative education programs	59,400	59,400	-
Payments to tax increment fund	3,810,140	2,779,617	1,030,523
Other intergovernmental charges	1,068,592	1,037,446	31,146
Total Expenses	163,340,785	164,118,566	(777,781)
Change in Net Position	7,363,248	(3,281,464)	10,644,712
Beginning net position	33,725,795	37,007,259	(3,281,464)
Ending Net Position	$ 41,089,043	$ 33,725,795	$ 7,363,248

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the close of the fiscal year ending June 30, 2020, the District's governmental funds reported a combined fund balance of $101,035,015. This compares to a combined fund balance of $66,032,356 at June 30, 2019.

The general fund fund balance at the end of the fiscal year was $54,387,098, which represented an increase of $14,030,371 from the prior year. This increase was primarily due to an increase in State grants received, as well as a decrease in Chapter 41 recapture payments the District is required to make to the State.

The debt service fund fund balance at the end of the fiscal year was $9,543,909, which represented a decrease of $1,273,496 from the prior year. This decrease was primarily due to debt service payments exceeding interest and sinking property tax revenue for the year.

The capital projects fund fund balance at the end of the fiscal year was $32,291,093, which represented an increase of $22,824,017 from the prior year. This increase was primarily due to new debt issued during the fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

In accordance with State law and generally accepted accounting standards, 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, 2020, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenses. The general fund's budgeted revenues exceeded actual revenues by $3,390,067 primarily due to less state aid received than anticipated. Budgeted expenditures exceeded actual expenditures by $5,934,969 primarily due to positive variances in function 11 as a result of less instructional costs occurred than anticipated, as well as in function 91 due to chapter 41 recapture payments being less than anticipated.

CAPITAL ASSETS

Capital assets are generally defined as those items that have useful lives of two years or more and have an initial cost or value (if donated) of an amount determined by the Board. During the fiscal year ended June 30, 2020, 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, 2020, the District had a total of $345,932,577 invested in capital assets (net of accumulated depreciation) such as land, construction in progress, buildings, and District equipment. This total includes $2,547,029 invested during the fiscal year ended June 30, 2020.

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 $353,695,936 in general obligation bonds outstanding versus $341,038,095 last year. General obligation bonds increased by $26,550,000 due to the issuance of the Unlimited School Building Bonds, Series 2020. These funds will be used for several building addition projects as well as ongoing renovation of existing facilities.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District's budgeted expenditures for the 2020-2021 school year total $171,546,303 and the District's Board of Trustees adopted an M & O tax rate of $1.04 and an I & S rate of $.23 for a combined rate of $1.27.

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.

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BASIC FINANCIAL STATEMENTS

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La Porte Independent School District

STATEMENT OF NET POSITION - EXHIBIT A-1

June 30, 2020

Data Control Codes		1 Governmental Activities
	Assets	
1110	Cash and cash equivalents	$ 138,102,268
1120	Investments	5,000,000
1220	Property taxes receivable	3,248,349
1230	Allowance for uncollectible taxes	(983,600)
1240	Due from other governments	3,230,903
1250	Accrued interest	26,088
1267	Due from fiduciary funds	550
1290	Other receivables	90,490
1300	Inventories	158,263
1410	Prepaids	1,631,637
		150,504,948
	Capital assets:	
1510	Land	10,371,379
1520	Buildings and improvements, net	326,556,025
1530	Equipment and vehicles, net	9,005,173
		345,932,577
1000	**Total Assets**	496,437,525
	Deferred Outflows of Resources	
1700	Deferred charge on refunding	6,286,010
1705	Deferred ouflows - pensions	11,679,830
1710	Deferred outflows - OPEB	4,645,147
1700	**Total Deferred Outflows of Resources**	22,610,987
	Liabilities	
2110	Accounts payable	953,905
2140	Interest payable	4,657,851
2165	Accrued liabilities	2,379,706
2180	Due to other governments	41,603,413
2300	Unearned revenue	361,186
		49,956,061
	Noncurrent liabilities:	
2501	Long-term liabilities due within one year	15,448,625
2502	Long-term liabilities due in more than one year	394,926,732
2000	**Total Liabilities**	460,331,418
	Deferred Inflows of Resources	
2605	Deferred inflows - pensions	4,687,315
2610	Deferred inflows - OPEB	12,940,736
2600	**Total Deferred Inflows of Resources**	17,628,051
	Net Position	
3200	Net investment in capital assets	27,121,161
	Restricted for:	
3850	Debt service	4,886,058
3860	Capital projects	3,599,558
3890	Grant funds	300,162
3900	Unrestricted	5,182,104
3000	**Total Net Position**	$ 41,089,043

See Notes to Financial Statements.

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La Porte Independent School District

STATEMENT OF ACTIVITIES - EXHIBIT B-1

For the Year Ended June 30, 2020

			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	$ 61,008,278	$ 78,631	$ 4,053,586	$ (56,876,061)
12	Instructional resources				
12	and media services	383,664	15,921	7,740	(360,003)
13	Curriculum/instructional				
13	staff development	941,971	4,908	243,071	(693,992)
21	Instructional leadership	1,229,030	-	204,546	(1,024,484)
23	School leadership	5,132,269	11,013	186,041	(4,935,215)
31	Guidance, counseling, and				
31	evaluation services	4,237,356	1,088	1,656,240	(2,580,028)
32	Social work services	247,234	-	2,209	(245,025)
33	Health services	994,588	306	39,193	(955,089)
34	Student (pupil) transportation	3,085,934	211	58,178	(3,027,545)
35	Food services	4,069,215	939,988	2,838,572	(290,655)
36	Extracurricular activities	2,614,667	333,992	57,680	(2,222,995)
41	General administration	3,688,217	92	70,351	(3,617,774)
51	Plant maintenance and operations	11,457,636	551	157,509	(11,299,576)
52	Security and monitoring services	1,813,636	-	24,547	(1,789,089)
53	Data processing services	3,903,305	305	40,852	(3,862,148)
61	Community services	66,847	2,389	26,551	(37,907)
72	Debt service - interest	11,548,802	-	-	(11,548,802)
73	Bond issuance costs and fees	236,690	-	-	(236,690)
91	Contracted instructional services				
91	between schools	41,571,997	-	-	(41,571,997)
93	Payments to fiscal agent/member				
93	districts of SSA	171,317	-	-	(171,317)
95	Payments to juvenile justice				
95	alternative education programs	59,400	-	-	(59,400)
97	Payments to tax increment fund	3,810,140	-	-	(3,810,140)
99	Other intergovernmental charges	1,068,592	-	-	(1,068,592)
	Total Governmental Activities	$ 163,340,785	$ 1,389,395	$ 9,666,866	(152,284,524)

	General Revenues	
MT	Property taxes, levied for general purposes	105,161,625
DT	Property taxes, levied for debt service	26,805,586
GC	Grants and contributions not restricted	
GC	for specific programs	18,959,584
IE	Investment earnings	1,374,315
MI	Miscellaneous local and intermediate revenue	6,670,886
GA	Gain on sale of capital asset	675,776
TR	**Total General Revenues**	159,647,772
CN	**Change in Net Position**	7,363,248
NB	Beginning net position	33,725,795
NE	**Ending Net Position**	$ 41,089,043

See Notes to Financial Statements.

La Porte Independent School District

BALANCE SHEET

GOVERNMENTAL FUNDS - EXHIBIT C-1

June 30, 2020

Data Control Codes		199 General	599 Debt Service	699 Capital Projects	Total Nonmajor Funds
	Assets:				
1110	Cash and cash equivalents	$ 89,927,289	$ 9,405,502	$ 31,394,640	$ 5,154,259
1120	Investments	5,000,000	-	-	-
1220	Property taxes receivable	2,601,784	646,565	-	-
1230	Allowance for uncollectibles	(780,000)	(203,600)	-	-
1240	Due from other governments	1,121,726	129,333	1,250,202	729,642
1250	Accrued interest	26,088	-	-	-
1260	Due from other funds	497,182	40,487	6,879	52,348
1290	Other receivables	1,283	-	73,569	15,638
1300	Inventories	16,584	-	28,352	80,850
1410	Prepaid items	1,561,320	-	64,673	-
1000	**Total Assets**	$ 99,973,256	$ 10,018,287	$ 32,818,315	$ 6,032,737
	Liabilities:				
2110	Accounts payable	$ 183,231	$ -	$ 437,055	$ 332,450
2150	Payroll deductions	571,633	-	-	-
2160	Accrued wages payable	1,256,184	-	-	161,899
2170	Due to other funds	161,329	-	90,167	384,287
2180	Due to other governments	41,571,997	31,413	-	-
2300	Unearned revenue	20,000	-	-	341,186
2000	**Total Liabilities**	43,764,374	31,413	527,222	1,219,822
	Deferred Inflows of Resources:				
2600	Unavailable revenue - property taxes	1,821,784	442,965	-	-
	Fund Balances:				
3410	Nonspendable - inventories	16,584	-	28,352	80,850
3430	Nonspendable - prepaid items	1,561,320	-	64,673	-
3450	Restricted - grants	-	-	-	300,162
3470	Restricted - capital acquisitions				
3470	and contractual obligations	-	-	32,198,068	-
3480	Restricted - debt service	-	9,543,909	-	-
3540	Committed - self-insurance	1,000,000	-	-	-
3520	Committed - compensated absences	1,214,153	-	-	26,516
3545	Committed - student				
3545	achievement and safety	-	-	-	4,405,387
3600	Unassigned	50,595,041	-	-	-
3000	**Total Fund Balances**	54,387,098	9,543,909	32,291,093	4,812,915
4000	**Total Liabilities, Deferred Inflows of Resources, and Fund Balances**	$ 99,973,256	$ 10,018,287	$ 32,818,315	$ 6,032,737

See Notes to Financial Statements.

98 Total Governmental Funds
$ 135,881,690
5,000,000
3,248,349
(983,600)
3,230,903
26,088
596,896
90,490
125,786
1,625,993
$ 148,842,595
$ 952,736
571,633
1,418,083
635,783
41,603,410
361,186
45,542,831
2,264,749
125,786
1,625,993
300,162
32,198,068
9,543,909
1,000,000
1,240,669
4,405,387
50,595,041
101,035,015
$ 148,842,595

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La Porte Independent School District

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

June 30, 2020

Total fund balances for governmental funds		$ 101,035,015
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.		
Capital assets - nondepreciable	10,371,379	
Capital assets - depreciable, net	335,561,198	
		345,932,577
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		2,264,749
The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position		1,906,974
Some liabilities, including bonds payable and the net pension and net other postemployment liability (OPEB) are not reported as liabilities in the governmental funds.		
Accrued interest	(4,657,851)	
Deferred outflows - pensions	11,679,830	
Deferred inflows - pensions	(4,687,315)	
Deferred outflows - OPEB	4,645,147	
Deferred inflows - OPEB	(12,940,736)	
Deferred charges on refunding	6,286,010	
Noncurrent liabilities due in one year	(15,448,625)	
Noncurrent liabilities due in more than one year	(394,926,732)	
		(410,050,272)
Net Position of Governmental Activities		$ 41,089,043

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, 2020

Data Control Codes		199 General	599 Debt Service	699 Capital Projects	Total Nonmajor Funds
	Revenues				
5700	Local and intermediate sources	$ 112,230,164	$ 27,080,450	$ 1,455,623	$ 1,562,395
5800	State program revenues	16,572,597	176,363	-	930,048
5900	Federal program revenues	2,210,624	-	-	5,216,922
5020	**Total Revenues**	131,013,385	27,256,813	1,455,623	7,709,365
	Expenditures				
0011	Instruction	42,385,111	-	1,338,857	2,286,434
0012	Instructional resources and media services	347,449	-	-	15,921
0013	Curriculum and instructional staff development	647,295	-	-	215,506
0021	Instructional leadership	923,896	-	-	147,047
0023	School leadership	4,672,012	-	-	14,755
0031	Guidance, counseling, and evaluation services	2,268,446	-	-	1,440,657
0032	Social work services	241,850	-	-	-
0033	Health services	898,274	-	-	518
0034	Student transportation	2,696,534	-	953,496	211
0035	Food service	-	-	-	3,653,925
0036	Extracurricular activities	1,448,979	-	-	334,242
0041	General administration	3,255,708	-	229,275	322
0051	Plant maintenance and operations	7,976,222	-	2,576,831	44,174
0052	Security and monitoring services	1,584,245	-	137,451	3,792
0053	Data processing services	1,549,366	-	1,888,595	4,041
0061	Community services	17,726	-	-	28,929
	Debt service:				
0071	Principal on long-term debt	-	15,385,000	-	-
0072	Interest on long-term debt	-	13,141,060	-	-
0073	Issuance costs and fees	-	236,690	-	-
	Capital outlay:				
0081	Facilities acquisition and construction	-	-	1,507,101	85,574
	Intergovernmental:				
0091	Contracted instructional services				
0091	between schools	41,571,997	-	-	-
0093	Payment related to shared service arrangements	171,317	-	-	-
0095	Payments to juvenile justice				
0095	alternative education programs	59,400	-	-	-
0097	Payments to tax increment fund	3,810,140	-	-	-
0099	Other intergovernmental charges	1,068,592	-	-	-
6030	**Total Expenditures**	117,594,559	28,762,750	8,631,606	8,276,048
1100	**Excess (Deficiency) of Revenues Over (Under) Expenditures**	13,418,826	(1,505,937)	(7,175,983)	(566,683)
	Other Financing Sources (Uses)				
7911	Issuance of bonds	-	-	26,550,000	-
7912	Sale of capital assets	824,770	-	-	-
7915	Transfers in	11,550	-	-	-
7916	Premium/discount on bonds	-	232,441	3,450,000	-
8911	Transfers (out)	(224,775)	-	-	(11,550)
7080	**Total Other Financing Sources (Uses)**	611,545	232,441	30,000,000	(11,550)
1200	**Net Change in Fund Balances**	14,030,371	(1,273,496)	22,824,017	(578,233)
0100	Beginning fund balances	40,356,727	10,817,405	9,467,076	5,391,148
3000	**Ending Fund Balances**	$ 54,387,098	$ 9,543,909	$ 32,291,093	$ 4,812,915

See Notes to Financial Statements.

98 Total Governmental Funds
$ 142,328,632
17,679,008
7,427,546
167,435,186
46,010,402
363,370
862,801
1,070,943
4,686,767
3,709,103
241,850
898,792
3,650,241
3,653,925
1,783,221
3,485,305
10,597,227
1,725,488
3,442,002
46,655
15,385,000
13,141,060
236,690
1,592,675
41,571,997
171,317
59,400
3,810,140
1,068,592
163,264,963
4,170,223
26,550,000
824,770
11,550
3,682,441
(236,325)
30,832,436
35,002,659
66,032,356
$ 101,035,015

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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, 2020

Net change in fund balances - total governmental funds	$	35,002,659
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		(13,052,199)
Capital outlay (net of disposed assets)		2,547,029
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(276,127)
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		15,385,000
Issuance of bonds		(26,550,000)
Accrued interest		260,102
Amortization of loss on refunding		(857,444)
Amortization of premiums		(1,492,841)
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		(59,437)
Change in net pension liability		2,228,384
Deferred outflows - pensions		(3,021,380)
Deferred inflows - pensions		(2,855,996)
Change in net OPEB liability		1,947,487
Deferred outflows - OPEB		349,348
Deferred inflows - OPEB		(2,768,970)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.		577,633
Change in Net Position of Governmental Activities	$	7,363,248

See Notes to Financial Statements.

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La Porte Independent School District

STATEMENT OF NET POSITION

PROPRIETARY FUNDS - EXHIBIT D-1

June 30, 2020

Data Control Codes			Internal Service
	Assets		
	Current assets:		
1110	Cash and cash equivalents		$ 2,220,578
1260	Due from other funds		61,124
1300	Inventories, at cost		32,477
1410	Prepaid items		5,644
1000		**Total Assets**	2,319,823
	Liabilities		
	Current liabilities:		
2110	Accounts payable		1,169
2170	Due to other funds		21,687
2180	Due to other governments		3
2200	Accrued expenses		389,990
2000		**Total Liabilities**	412,849
	Net Position		
3900	Unrestricted		1,906,974
3000		**Total Net Position**	$ 1,906,974

See Notes to Financial Statements.

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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, 2020

Data Control Codes			Internal Service
	Operating Revenues		
5700	Charges for services		$ 895,270
5020		**Total Operating Revenues**	895,270
	Operating Expenses		
6100	Payroll costs		322,897
6200	Professional and contracted services		155,661
6300	Supplies and materials		51,979
6400	Other operating costs		15,286
6030		**Total Operating Expenses**	545,823
		Operating Income	349,447
	Nonoperating Revenues		
7020	Earnings on investments		3,411
7915	Transfers in		224,775
8030		**Total Nonoperating Revenues**	228,186
1300		**Change in Net Position**	577,633
0100	Beginning net position		1,329,341
3300		**Ending Net Position**	$ 1,906,974

See Notes to Financial Statements.

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La Porte Independent School District

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS - EXHIBIT D-3

For the Year Ended June 30, 2020

		Internal Service
Cash Flows from Operating Activities		
Cash received from user charges	$	895,270
Cash payments for insurance claims		(258,831)
Cash payments for other operating expenses		(454,269)
Net Cash Provided by Operating Activities		182,170
Cash Flows from Noncapital Financing Activities		
Operating subsidies and transfers to other funds		224,775
Net Cash Provided by Noncapital Financing Activities		224,775
Cash Flows from Investing Activities		
Proceeds from earnings on investments		3,411
Net Cash Provided by Investing Activities		3,411
Net Increase in Cash and Cash Equivalents		410,356
Beginning cash and cash equivalents, beginning of year		1,810,222
Ending Cash and Cash Equivalents	$	2,220,578
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income	$	349,447
Effect of increases and (decreases) in current assets and liabilities		
(Increase) in due from other funds		(3,215)
Decrease in inventory		8,876
(Increase) in prepaid items		(4,007)
Increase in accounts payable		908
(Decrease) in due to other funds		(26,054)
(Decrease) in due to other governments		(42)
(Decrease) in accrued liabilities		(143,743)
Net Cash Provided by Operating Activities	$	182,170

See Notes to Financial Statements.

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La Porte Independent School District

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS - EXHIBIT E-1

June 30, 2020

Data Control Codes			820 Trust	865 Agency
	Assets			
1110	Cash and cash equivalents		$ 235,141	$ 116,330
1260	Due from other funds		93	584
1000		**Total Assets**	235,234	116,914
	Liabilities			
2110	Account payable		1,030	4,309
2170	Due to other funds		-	1,227
2190	Due to student groups		29,220	111,378
2000		**Total Liabilities**	30,250	116,914
	Net Position			
3800	Held in trust for private purpose		204,984	-
		Total Net Position	$ 204,984	$ -

See Notes to Financial Statements.

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La Porte Independent School District

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS - EXHIBIT E-2

For the Year Ended June 30, 2020

Data Control Codes		820 Trust
	Additions	
5740	Gift and contributions	$ 122,523
	Total Additions	122,523
	Deductions	
6399	Administrative costs	128,753
	Total Deductions	128,753
	Change in Net Position	(6,230)
	Beginning net position	211,214
	Ending Net Position	$ 204,984

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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 (the "State"). 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 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 proprietary 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 child care service, 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 type 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 do not present results of operations or have a measurement focus. Trust funds are accounted for using the accrual basis of accounting. These funds are used to account for the District's private-purpose funds.

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 service 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 deposit, 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, Chapter 2256, Texas Governmental 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. 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.

14. Other Postemployment Benefits

The fiduciary net position of the 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 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 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, 2019. 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

As of June 30, 2020, the District had the following investments:

Investments		Amount	Weighted Average Maturity (Years)	Rating
Certificates of Deposit		$ 5,000,000	1.02	N/A
Texpool Investment Pool		44,905,790	0.13	AAAm
Lone Star Investment Pool		37,848,672	0.10	AAA
Texas CLASS Investment Pool		48,013,762	0.23	AAA
Texas Term Cooperative Pool		2,619,936	0.22	AAA
	Total Investments	$ 133,388,160	0.34	

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 'AAA-m'. Bankers' acceptances must be issued in the United States and carry a rating of 'A1'/'P1' as provided by two of the top nationally recognized rating agencies. As of June 30, 2020, the District's investments in TexPool were rated 'AAAm', and investments in Lone Star, Texas CLASS and Texas Term were rated 'AAA' by Standard & Poor's.

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, 2020, 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, TexPool 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's authority 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. 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, 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 Board's 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 3 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 one dollar.

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 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 certificates of deposit 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	$ -	$ 148,994	$ 10,371,379
Construction in progress	3,135	1,516,155	1,519,290	-
Total capital assets not being depreciated	10,523,508	1,516,155	1,668,284	10,371,379
Capital assets being depreciated:				
Buildings and improvements	435,231,666	1,519,290	-	436,750,956
Equipment and vehicles	26,606,012	1,179,868	-	27,785,880
Total other capital assets	461,837,678	2,699,158	-	464,536,836
Less accumulated depreciation for:				
Buildings and improvements	98,707,430	11,487,501	-	110,194,931
Equipment and vehicles	17,216,009	1,564,698	-	18,780,707
Total accumulated depreciation	115,923,439	13,052,199	-	128,975,638
Other capital assets, net	345,914,239	(10,353,041)	-	335,561,198
Governmental Activities Capital Assets, Net	$ 356,437,747	$ (8,836,886)	$ 1,668,284	345,932,577
			Less associated debt	(353,695,936)
			Plus unspent bond proceeds	28,598,510
			Plus deferred charge on refunding	6,286,010
			Net Investment in Capital Assets	$ 27,121,161

Depreciation was charged to governmental functions as follows:

		Governmental Activities
11	Instruction	$ 10,792,412
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	208,742
35	Food services	111,424
36	Extracurricular activities	691,429
41	General administration	31,953
51	Plant maintenance and operations	738,543
52	Security and monitoring services	65,586
53	Data processing services	370,812
61	Community services	20,159
	Total Depreciation Expense	$ 13,052,199

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	$ 319,985,000	$ 26,550,000	$ 15,385,000	$ 331,150,000	$ 15,340,000
Bond premiums	21,053,095	3,682,441	2,189,600	22,545,936	-
	341,038,095	30,232,441	17,574,600	353,695,936 *	15,340,000
Other liabilities:					
Compensated absences	1,181,231	118,875	59,438	1,240,668	108,625
Net pension liability	28,585,684	-	2,228,384	26,357,300	-
Net OPEB liability	31,028,940	-	1,947,487	29,081,453	-
Total Governmental Activities	$ 401,833,950	$ 30,351,316	$ 21,809,909	$ 410,375,357	$ 15,448,625
			Long-term liabilities due in more than one year	$ 394,926,732	
			***Debt associated with capital assets**	$ 353,695,936	

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. The District issued the Unlimited School Building bonds Series 2020 in February 2020 for these purposes. These bonds will mature in February 2035 and have an interest rate of 2 to 5%.

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, 2020.

Bonded debt payable as of June 30, 2020 is as follows:

Date of Issue	Description	Interest Rate Payable	Original Amounts Issued	Amounts Outstanding 06/30/19	Retired Current Year	Amounts Outstanding 06/30/20
2/19/2020	Unlimited Tax School Building Bonds Series 2020	2.00-5.00%	$ 26,550,000	$ -	$ -	$ 26,550,000
6/7/2016	Unlimited Tax School Building Bonds Series 2016	2.00-5.00%	$ 43,385,000	35,780,000	630,000	35,150,000
4/19/2016	Unlimited Tax Refunding Bonds Series 2016	2.50-5.00%	$ 21,370,000	20,185,000	1,300,000	18,885,000
8/12/2015	Unlimited Tax School Building Bonds Series 2015	3.00-5.00%	$ 72,545,000	56,640,000	2,685,000	53,955,000
4/6/2015	Unlimited Tax Refunding Bonds Series 2015	3.00-5.00%	$ 67,760,000	61,720,000	3,890,000	57,830,000
11/18/2014	Unlimited Tax Refunding Bonds Series 2014	4.38-5.00%	$ 6,090,000	2,670,000	170,000	2,500,000
10/2/2014	Unlimited Tax School Building Bonds Series 2014	2.00-5.00%	$ 99,675,000	82,880,000	1,855,000	81,025,000
5/17/2012	Unlimited Tax Refunding Bonds Series 2012	2.00-5.00%	$ 40,685,000	38,230,000	2,205,000	36,025,000
9/14/2010	Unlimited Tax Schoolhouse Bonds Taxable Series 2010B (BABs)	3.52-4.64%	$ 18,880,000	18,880,000	-	18,880,000
9/14/2010	Unlimited Tax Schoolhouse Bonds Series 2010A (Tax-Exempt)	2.00-4.00%	$ 7,780,000	2,295,000	2,295,000	-
1/19/2010	Unlimited Tax Refunding Bonds, Series 2010	2.25-5.00%	$ 19,500,000	705,000	355,000	350,000
			Totals	$ 319,985,000	$ 15,385,000	$ 331,150,000

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

Year Ended June 30	Principal	Interest	Total Requirements
2021	$ 15,340,000	$ 13,429,421	$ 28,769,421
2022	15,915,000	12,673,802	28,588,802
2023	16,640,000	11,920,507	28,560,507
2024	17,405,000	11,214,235	28,619,235
2025	18,195,000	10,387,735	28,582,735
2026-2030	102,480,000	40,428,728	142,908,728
2031-2035	84,790,000	22,198,963	106,988,963
2036-2040	60,385,000	6,751,173	67,136,173
	$ 331,150,000	$ 129,004,564	$ 460,154,564

D. Operating Leases

Commitments under operating leases (noncapitalized) 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, 2020.

Rental expenditures for the fiscal year ended June 30, 2020 totaled $249,719

E. Interfund Transactions

The interfund balances and transfers at June 30, 2020 were as follows:

Transfers Out	Transfers In	Amount
State Funded Special Revenue	General	$ 11,550
General	Internal service	224,775
	Total	$ 236,325

Amounts recorded as due to/from are considered to be temporary loans and will be repaid during the following year.

Due From	Due To	Amount
General	Nonmajor governmental	$ 384,101
General	Capital projects	90,167
General	Internal service	21,687
General	Fiduciary	1,227
Nonmajor governmental	General	52,196
Nonmajor governmental	Nonmajor governmental	152
Debt service	General	40,487
Capital projects	General	6,879
Internal service	General	61,090
Fiduciary	General	677
Internal service	Nonmajor governmental	34
	Total	$ 658,697

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.

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 $389,990 as of June 30, 2020 includes provisions for reported claims and claims incurred but not year 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, 2020 are as follows:

	2020	2019
Liability, beginning of year	$ 533,733	$ 554,473
Current year claims charges and estimates	144,570	198,971
Claim payments	(288,313)	(219,711)
Liability, End of Year	$ 389,990	$ 533,733

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.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

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.gov/TR%20Documents/cafr2019.pdf, selecting About TRS, then Publications, then Financial Reports, or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698.

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.

The Government Code section 821.006 prohibits benefit improvements if, as a result of the particular actions, the time required to amortize TRS unfunded actuarial labilities 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.

In May 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (SB12) that provides for gradual contribution increase from the State, participating employers, and active employees to make TRS actuarially sound. This action causing TRS to be actuarially sound allowed the legislature to approve funding for a thirteenth check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity or $2,000, whichever was less.

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.

Employee contribution rates are set in state statute, Texas Government Code 825.402. SB12 of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 through 2025.

Contribution Rates

Fiscal Year	State	Public Education Employer*	Active Employee
2019	6.80%	1.50%	7.70%
2020	7.50%	1.50%	7.70%
2021	7.50%	1.60%	7.70%
2022	7.75%	1.70%	8.00%
2023	8.00%	1.80%	8.00%
2024	8.25%	1.90%	8.25%
2025	8.25%	2.00%	8.25%

*SB 12 requires an increase in employer contributions by public school districts, charter schools, and regional education service centers. Prior to SB12, only those employers not participating in Social Security were required to pay a 1.5% contribution. Beginning September 1, 2019, all employers are required to pay the Public Education Employer contribution irrespective of participation in Social Security.

Contribution Rates	2019	2020
Member	7.7%	7.7%
NECE (State)	6.8%	6.8%
Employers	6.8%	6.8%

	Measurement Year (2019)	Fiscal Year (2020)
Employer contributions	$ 1,774,686	$ 1,704,530
Member contributions	$ 4,126,955	$ 4,218,965
NECE on-behalf contributions	$ 2,400,673	$ 3,076,101

Contributors to TRS include members, employers, and the State as the only 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 General Appropriations Act.

As the NECE for public education and junior colleges, the State 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 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.
- When the employing district is a public or charter school, the employer shall contribute 1.5% of covered payroll to TRS beginning in fiscal year 2020. The contribution rate, called the Public Education Employer Contribution (PEEC), will replace the Non-Federal Old-Age, Survivors, and Disability Insurance (OASDI) Program surcharge that was in effect in fiscal year 2019.

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 OASDI Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees and 100% of the state contribution rate for all other employees. This surcharge was in effect through fiscal year 2019 and was replaced by the PEEC explained above.

Actuarial Assumptions

The total pension liability (TPL) in the August 31, 2018 actuarial valuation rolled forward to August 31, 2019 was determined using the following actuarial assumptions:

Valuation date	August 31, 2018 rolled forward to August 31, 2019
Actuarial cost method	Individual entry age normal
Asset valuation method	Market value
Single discount rate	7.25%
Long-term expected investment rate of return	7.25%
Municipal bond rate	2.63%. 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%
Ad hoc postemployment benefit changes	None

The actuarial methods and assumptions used in determination of the TPL are the same assumptions used in the actuarial valuation as of August 31, 2018. For a full description of these assumptions, please see the TRS actuarial valuation report dated November 9, 2018.

Discount Rate

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

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

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

Best estimates of geometric real rates of return for each major asset class included in TRS's target asset allocation as of August 31, 2019 are summarized below:

Teacher Retirement System of Texas
Asset Allocation and Long-Term Expected Real Rate of Return
As of August 31, 2019

Asset Class	Fiscal Year 2019 Target Allocation (1)	New Target Allocation (2)	Long-Term Expected Geometric Real Rate of Return (3)
Global Equity			
U.S.	18.0%	18.0%	6.4%
Non-U.S. Developed	13.0%	13.0%	6.3%
Emerging Markets	9.0%	9.0%	7.3%
Directional Hedge Funds	4.0%	-	-
Private Equity	13.0%	14.0%	8.4%
Stable Value			
U.S. Treasuries (4)	11.0%	16.0%	3.1%
Stable Value Hedge Funds	4.0%	5.0%	4.5%
Absolute Return	0.0%	0.0%	0.0%
Real Return			
Global Inflation-Linked Bonds (4)	3.0%	-	-
Real Estate	14.0%	15.0%	8.5%
Energy, Natural Resources, and Infrastructure	5.0%	6.0%	7.3%
Commodities	0.0%	0.0%	0.0%
Risk Parity			
Risk Parity	5.0%	8.0%	5.8%/6.5% (5)
Leverage			
Expected Return	100.0%	100.0%	7.2%

(1) Target allocations are based on the Strategic Asset Allocation as of fiscal year 2019.
(2) New allocations are based on the Strategic Asset Allocation to be implemented fiscal year 2020.
(3) Ten-year annualized geometric nominal returns include the real rate of return and inflation of 2.1%.
(4) New Target Allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds.
(5) 5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the NPL:

	1% Decrease in Discount Rate (6.25%)	Current Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
District's proportionate share of the net pension liability	$ 40,514,999	$ 26,357,300	$ 14,886,831

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

At June 30, 2020, the District reported a liability of $26,357,300 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 NPL, 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	$	26,357,300
State's proportionate share that is associated with the District		35,655,846
Total	$	62,013,146

The NPL was measured as of August 31, 2018 and rolled forward to August 31, 2019, and the TPL used to calculate the NPL was determined by an actuarial valuation as of that date. 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, 2018 through August 31, 2019.

At June 30, 2020, the District's proportion of the collective NPL was 0.0507036%, which was a decrease of 0.001230% from its proportion measured as of June 30, 2019.

Changes Since the Prior Actuarial Valuation

- The single discount rate as of August 31, 2018 was a blended rate of 6.907% and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.

- With the enactment of Senate Bill 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a $2,700 increase in fiscal year 2020. This is in addition to the salary increase expected based on the actuarial assumptions.

- The Texas Legislature approved funding for a thirteenth check. All eligible members retired as of December 31, 2018 will receive an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or $2,000, whichever is less.

For the year ended June 30, 2020, the District recognized pension expense of $5,601,031 and revenue of $5,601,031 for support provided by the State.

At June 30, 2020, 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	$ 110,724	$ (915,167)
Changes in actuarial assumptions	8,177,329	(3,379,259)
Difference between projected and actual investment earnings	264,658	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,681,527	(392,889)
Contributions paid to TRS subsequent to the measurement date	1,445,592	-
Total	$ 11,679,830	$ (4,687,315)

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
2021	$	1,468,551
2022		1,162,604
2023		1,445,927
2024		1,340,271
2025		398,849
Thereafter		(269,279)
Total	$	5,546,923

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 TRS-Care's fiduciary net position is available in a 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.texas.gov/TRS%20Documents/cafr2019.pdf; 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, 2019 are as follows:

Total OPEB liability	$	48,583,247,239
Less: plan fiduciary net position		1,292,022,349
Net OPEB Liability	$	47,291,224,890
Net position as a percentage of total OPEB liability		2.66%

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

	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	
	2019	**2020**
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 (2019)		Fiscal Year (2020)	
Employer contributions	$	436,440	$	440,264
Member contributions	$	174,190	$	178,073
NECE on-behalf contributions	$	579,896	$	684,897

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 $73.6 million in fiscal year 2019.

Actuarial Assumptions

The total OPEB liability in the August 31, 2018 actuarial valuation was rolled forward to August 31, 2019.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2018 TRS pension actuarial valuation that was rolled forward to August 31, 2019:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	

The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published scale.

The initial medical trend rates were 10.25% for Medicare retirees and 7.50% for non-Medicare retirees. There was an initial prescription drug trend rate of 10.25% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 13 years.

Additional actuarial methods and assumptions are as follows:

Valuation date	8/31/2018 rolled forward to 8/31/2019
Actuarial cost method	Individual entry age normal
Inflation	2.30%
Single discount rate	2.63%.as of August 31, 2018.
Aging factors	Based on plan-specific experience
Election rates	Normal retirement:65% participation prior to age 65 and 50% participation after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65.
Expenses	Third-party administrative expenses related to the delivery of 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 2.3%.
- 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 nonmedicare 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 2.63% was used to measure the total OPEB liability. There was a decrease of 1.06% 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 (1.63%)	Current Discount Rate (2.63%)	1% Increase in Discount Rate (3.63%)
District's proportionate share of the net OPEB liability	$ 35,110,646	$ 29,081,453	$ 24,364,811

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 1% less than or 1% higher than the assumed healthcare cost trend rate:

	1% Decrease in Healthcare Cost Trend Rate	Current Healthcare Cost Trend Rate (3.51%)	1% Increase in Healthcare Cost Trend Rate
District's proportionate share of the net OPEB liability	$ 23,723,630	$ 29,081,453	$ 36,258,478

OPEB Liabilitiy, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB

At June 30, 2020, the District reported a liability of $29,081,453 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	$	29,081,453
State's proportionate share that is associated with the District		38,642,747
Total	$	67,724,200

The net OPEB liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 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, 2018 through August 31, 2019.

At the June 30, 2020 measurement date, the District's proportion of the collective net OPEB liability was 0.0614944% percent, which was a decrease of 0.0006493% as of June 30, 2019.

<u>Changes Since the Prior Actuarial Valuation</u>

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

- The discount rate was changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change increased the total OPEB liability.
- The healthcare trend rates were reset to better reflect TRS-Care's anticipated experience. This change increased the total OPEB liability.
- The participation rate for pre-65 retirees was lowered from 70% to 60%. The participation rate for post-65 retirees was lowered from 75% to 50%. 25% of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the total OPEB liability.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20% to 15%. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20% to 10%. These changes decreased the total OPEB liability.

There were no changes in benefit terms since the prior measurement date.

For the year ended June 30, 2020, the District recognized OPEB expense of $1,018,464 and revenue of $1,018,464 for support provided by the State.

At June 30, 2020, 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	$ 1,426,692	$ (4,758,871)
Changes in actuarial assumptions	1,615,248	(7,822,197)
Difference between projected and actual investment earnings	3,138	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,230,057	(359,668)
Contributions paid to TRS subsequent to the measurement date	370,012	-
Total	$ 4,645,147	$ (12,940,736)

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
2021	$ (1,474,601)
2022	(1,474,601)
2023	(1,475,617)
2024	(1,476,197)
2025	(1,476,038)
Thereafter	(1,288,547)
Total	$ (8,665,601)

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, 2020, 2019, and 2018, the subsidy payments received by TRS-Care on behalf of the District were $233,163, $206,420, and $163,059, respectively.

F. Unemployment Compensation

During the year ended June 30, 2020, 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.

As a self-funded member of the TASB Risk Management Fund, the District is solely responsible for all unemployment compensation claim costs, both reported and unreported. The Fund provides administrative services to its self-funded members including claims administration and customer service.

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 (the "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, 2020, the District has foregone collecting property taxes totaling approximately $12.4 million resulting from the M&O tax rate of $1.04 per $100 of taxable value. The qualified property per the Agreement had a taxable value of approximately $1.5 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.

H. Subsequent Event

In March 2020, COVID-19 was recognized as a pandemic both worldwide and in the United States with local stay-at-home orders going into effect. The District suspended in-classroom learning for the remainder of the school year. While the initial event occurred prior to year-end, the District was, subsequent to year end, continuing to modify its operations to prevent the spread to protect students, staff, and the community as a whole, while balancing the educational needs of students. In August 2020, the District resumed its 2020-2021 school year starting on the regularly scheduled date with virtual learning for three weeks. On September 8th the classroom learning resumed, but the District provided parents and guardians the option for virtual learning on a six weeks grading period basis for secondary students and a nine-week grading period basis for elementary students. Approximately 56% of students elected virtual learning. The District has made numerous changes to its operations, including provisions for students and staff to wear masks, more frequent cleanings, and numerous other changes. While such changes cause a significant hardship and have increased expenses, such increases are nominal in comparison to the overall budget. The District is continuing to monitor exposure levels with students, staff and the community as a whole, but to date the overall exposure threat level has been sufficiently low to continue with in-class learning, but the District is ready to modify its plans if necessary. The District will continue to seek out additional funding to cover the increased costs in responding to the pandemic.

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REQUIRED SUPPLEMENTARY INFORMATION

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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, 2020

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
	Revenues				
5700	Local, intermediate, and out-of-state	$ 98,654,772	$ 111,484,846	$ 112,230,164	$ 745,318
5800	State program revenues	5,463,150	20,853,693	16,572,597	(4,281,096)
5900	Federal program revenues	1,460,000	2,064,913	2,210,624	145,711
5020	**Total Revenues**	105,577,922	134,403,452	131,013,385	(3,390,067)
	Expenditures				
0011	Instruction	43,641,894	43,066,960	42,385,111	681,849
0012	Instructional resources	354,504	353,711	347,449	6,262
0013	Curriculum and staff development	740,926	686,765	647,295	39,470
0021	Instructional leadership	908,977	950,157	923,896	26,261
0023	School leadership	4,626,758	4,711,298	4,672,012	39,286
0031	Guidance, counseling, and				
0031	evaluation services	2,397,030	2,277,322	2,268,446	8,876
0032	Social work services	279,434	249,434	241,850	7,584
0033	Health services	965,956	929,338	898,274	31,064
0034	Student (pupil) transportation	3,005,408	2,954,408	2,696,534	257,874
0036	Extracurricular activities	1,861,807	1,586,532	1,448,979	137,553
0041	General administration	3,405,239	3,675,239	3,255,708	419,531
0051	Plant maintenance and operations	8,546,398	8,314,398	7,976,222	338,176
0052	Security and monitoring services	1,640,633	1,675,702	1,584,245	91,457
0053	Data processing services	1,637,801	1,555,801	1,549,366	6,435
0061	Community services	31,225	21,225	17,726	3,499
	Intergovernmental:				
0091	Contracted instructional services				
0091	between schools	33,711,076	45,384,702	41,571,997	3,812,705
0093	Shared service arrangements	183,464	183,464	171,317	12,147
0095	Payments to juvenile justice				
0095	alternative education programs	59,400	59,400	59,400	-
0097	Payments to tax increment fund	2,800,000	3,810,140	3,810,140	-
0099	Other intergovernmental charges	1,064,121	1,083,532	1,068,592	14,940
6030	**Total Expenditures**	111,862,051	123,529,528	117,594,559	5,934,969
1100	**Excess of Revenues Over Expenditures**	(6,284,129)	10,873,924	13,418,826	2,544,902
	Other Financing Sources				
7912	Sale of real or personal property	-	856,456	824,770	(31,686)
7915	Transfers in	-	-	11,550	11,550
8911	Transfers (out)	-	(300,000)	(224,775)	75,225
7080	**Total Other Financing Sources**	-	556,456	611,545	55,089
1200	**Net Change in Fund Balance**	(6,284,129)	11,430,380	14,030,371	2,599,991
0100	Beginning fund balance	40,356,727	40,356,727	40,356,727	-
3000	**Ending Fund Balance**	$ 34,072,598	$ 51,787,107	$ 54,387,098	$ 2,599,991

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, 2020

	Measurement Year*			
	2019	**2018**	**2017**	**2016**
District's proportion of the net pension liability	0.0507036%	0.0519339%	0.0507900%	0.0504400%
District's proportionate share of the net pension liability (asset)	$ 26,357,300	$ 28,585,684	$ 16,241,030	$ 19,059,283
State's proportionate share of the net pension associated with the District	35,655,846	39,477,362	23,985,725	29,292,219
Total	$ 62,013,146	$ 68,063,046	$ 40,226,755	$ 48,351,502
District's covered payroll**	$ 53,578,488	$ 53,503,293	$ 52,116,034	$ 50,779,368
District's proportionate share of the net pension liability as a percentage of its covered payroll	49.19%	53.43%	31.16%	37.53%
Plan fiduciary net position as a percentage of the total pension liability	75.24%	73.74%	82.17%	78.00%

* Only six years' worth of information is currently available.

Notes to Required Supplementary Information:

Changes in Assumptions:

The TPL, as of August 31, 2019, was developed using a roll-forward method from the August 31, 2018 valuation.

With the enactment of SB3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a $2,700 increase in fiscal year 2020. This is in addition to the salary increase expected based on the actuarial assumptions.

The discount rate changed from 6.907% as of August 31, 2018 to 7.25% as of August 31, 2019.

Changes in Benefits: There were no changes of benefit terms that affected measurement of the TPL during the measurement period.

Measurement Year*	
2015	2014
0.0513500%	0.0353100%
$ 18,151,082	$ 9,433,339
27,003,832	23,350,382
$ 45,154,914	$ 32,783,721
$ 47,658,971	$ 46,141,521
38.09%	20.44%
78.43%	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			
	2020	**2019**	**2018**	**2017**
Contractually required contribution	$ 1,704,530	$ 1,800,737	$ 1,739,592	$ 1,603,245
Contributions in relations to the contractually required contribution	1,704,530	1,800,737	1,739,592	1,603,245
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 54,791,753	$ 53,578,488	$ 53,503,293	$ 51,900,186
Contributions as a percentage of covered payroll	3.11%	3.36%	3.25%	3.09%

*Only six years of information is currently available.

Fiscal Year			
2016		2015	
$	1,520,457	$	895,354
	1,520,457		895,354
$	-	$	-
$	50,468,268	$	46,141,521
	3.01%		1.94%

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La Porte Independent School District

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES GROUP INSURANCE PROGRAM (TRS-CARE) EXHIBIT G-4

For the Year Ended June 30, 2020

	Measurement Year*		
	2019	**2018**	**2017**
District's proportion of the collective net OPEB liability	0.0614944%	0.0621437%	0.0595800%
District's proportionate share of the collective net OPEB liability	$ 29,081,453	$ 31,028,940	$ 25,909,434
State's proportionate share of the collective net OPEB liability associated with the District	38,642,747	46,296,733	41,428,528
Total	$ 67,724,200	$ 77,325,673	$ 67,337,962
District's covered payroll**	$ 53,578,488	$ 53,503,293	$ 52,116,034
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	54.28%	57.99%	49.71%
Plan fiduciary net position as a percentage of the total OPEB liability	2.66%	1.57%	0.91%

* Only three years' worth of information is currently available.

Notes to Required Supplementary Information:

Changes in Assumptions:

The participation rate for pre-65 retirees was lowered from 70% to 65%. The participation rate for post-65 retirees was lowered from 75% to 50%. 25% of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the total OPEB liability.

The trend rates were reset to better reflect TRS's anticipated experience. This change increased the total OPEB liability.

The percentage of retirees who are assumed to have two-person coverage was lowered from 20% to 15%. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20% to 10%. These changes decreased the total OPEB liability.

The discount rate was changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change increased the total OPEB liability.

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

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La Porte Independent School District

SCHEDULE OF CONTRIBUTIONS

TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES GROUP INSURANCE PROGRAM (TRS-CARE) EXHIBIT G-5

For the Year Ended June 30, 2020

	Fiscal Year*		
	2020	**2019**	**2018**
Statutorily required contributions	$ 440,264	$ 431,500	$ 411,241
Contributions in relations to the statutorily required contributions	440,264	431,500	411,241
Contribution Deficiency (Excess)	$ -	$ -	$ -
District's covered payroll	$ 54,791,753	$ 53,578,488	$ 53,503,293
Contributions as a percentage of covered payroll	0.80%	0.81%	0.77%

* Only three year's worth of information is currently available.

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SUPPLEMENTARY INFORMATION

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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.

<u>Fund 211 ESEA Title I Part A.</u>

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.

<u>Fund 224 IDEA Part B Formula</u>

Funds to operate educational programs for children with disabilities.

<u>Fund 225 IDEA Part B Preschool</u>

Funds to operate educational programs for preschool children with disabilities.

<u>Fund 226 IDEA Part B Supplement</u>

Funds to support regional day school programs for the deaf, private residential placements, priority projects, and other emerging needs for children with disabilities.

<u>Fund 240 National School Breakfast and Lunch Program</u>

Funds used for food service when the service is subsidized with federal reimbursement revenues from the United States Department of Agriculture (USDA).

<u>Fund 244 Career and Technical Basic Grant</u>

Funds to provide career and technical education (CTE) and to develop new and/or improve existing CTE programs for paid and unpaid employment.

<u>Fund 255 ESEA Title II Part A</u>

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.

<u>Fund 263 Title III Part A</u>

Funds granted to improve the education of children with limited English proficiency by helping the children learn English and meet challenging academic achievement standards.

<u>Fund 272 Medicaid Administration Claims</u>

Funds allocated to reimburse eligible administrative costs for activities that implement the Medicaid state plan.

<u>Fund 276 Instructional Continuity Grant</u>

Funds for instructional continuitiy and administration costs.

<u>Fund 289 Federally Funded Special Revenue</u>

Funds for drug and violence prevention, character education, community service projects, conflict resolution and peer mediation programs, and other activities.

<u>Fund 397 Advanced Placement Incentives</u>

Funds to award campuses for Advanced Placement examinations.

<u>Fund 410 State Instructional Materials</u>

Funds for instructional materials to include textbooks, software, supplemental materials, DVDs, online services, open-source materials, and other means of conveying information electronically.

<u>Fund 429 State Funded Special Revenue</u>

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.

<u>Fund 461 Campus Activity</u>

Funds for transactions related to the principals' activity funds.

<u>Fund 481 La Porte Education Foundation</u>

Funds from the La Porte Education Foundation for grants awarded to teachers for innovative programs.

<u>Fund 483 Local Grants and Donations</u>

Funds from local businesses and grants for specific purposes.

<u>Fund 484 SHAC-EKG Grant</u>

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, 2020

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	$ -	$ -	$ 160	$ -
1240	Due from other governments	115,807	136,920	3,868	72,876
1260	Due from other funds	-	-	-	-
1290	Other receivables	-	-	-	-
1300	Inventories, at cost	-	-	-	-
1000	**Total Assets**	$ 115,807	$ 136,920	$ 4,028	$ 72,876
	Liabilities				
2110	Accounts payable	$ 40,854	$ -	$ -	$ -
2160	Accrued wages payable	21,310	48,749	1,276	-
2170	Due to other funds	53,643	88,171	2,752	72,876
2300	Unearned revenue	-	-	-	-
2000	**Total Liabilities**	115,807	136,920	4,028	72,876
	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**	$ 115,807	$ 136,920	$ 4,028	$ 72,876

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	276 Instructional Continuity Grant
$ 454,434	$ -	$ -	$ -	$ -	$ -
44,955	9,284	12,401	-	26,612	24,500
51,867	-	-	-	-	-
-	-	-	-	-	-
78,843	-	-	-	-	-
$ 630,099	$ 9,284	$ 12,401	$ -	$ 26,612	$ 24,500
$ 6,249	$ -	$ -	$ -	$ -	$ -
63,133	-	3,733	-	-	-
87,538	9,284	8,668	-	5,407	24,500
88,863	-	-	-	-	-
245,783	9,284	12,401	-	5,407	24,500
78,843	-	-	-	-	-
278,957	-	-	-	21,205	-
26,516	-	-	-	-	-
-	-	-	-	-	-
384,316	-	-	-	21,205	-
$ 630,099	$ 9,284	$ 12,401	$ -	$ 26,612	$ 24,500

La Porte Independent School District

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS - EXIBHIT H-1 (Page 2 of 2)

June 30, 2020

Data Control Codes		289 Federally Funded Special Rev. Funds	397 Advanced Placement Incentives	410 State Instructional Materials	429 State Funded Special Revenue Fund
	Assets				
1110	Cash and cash equivalents	$ 13,444	$ 293	$ 27	$ 4,119,614
1240	Due from other governments	52,654	-	229,765	-
1260	Due from other funds	-	-	-	-
1290	Other receivables	-	-	-	-
1300	Inventories	-	-	-	-
1000	**Total Assets**	$ 66,098	$ 293	$ 229,792	$ 4,119,614
	Liabilities				
2110	Accounts payable	$ -	$ -	$ 229,765	$ 1,588
2160	Accrued wages payable	21,206	-	-	-
2170	Due to other funds	31,448	-	-	-
2300	Unearned revenue	13,444	293	27	225,016
2000	**Total Liabilities**	66,098	293	229,792	226,604
	Fund Balances				
3410	Nonspendable - inventories	-	-	-	-
3450	Restricted - grants	-	-	-	-
3520	Committed -				
3520	compensated absences	-	-	-	-
3545	Committed - student				
3545	achievement and safety	-	-	-	3,893,010
3000	**Total Fund Balances**	-	-	-	3,893,010
4000	**Total Liabilities and Fund Balances**	$ 66,098	$ 293	$ 229,792	$ 4,119,614

461 Campus Activity	481 La Porte Education Foundation	483 Local Grants and Donations	484 SHAC-EKG Grant	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
$ 459,965	$ 4,692	$ 98,287	$ 3,343	$ 5,154,259
-	-	-	-	729,642
481	-	-	-	52,348
13,543	2,095	-	-	15,638
2,007	-	-	-	80,850
$ 475,996	$ 6,787	$ 98,287	$ 3,343	$ 6,032,737
$ 35,120	$ 3,593	$ 15,281	$ -	$ 332,450
2,492	-	-	-	161,899
-	-	-	-	384,287
13,543	-	-	-	341,186
51,155	3,593	15,281	-	1,219,822
2,007	-	-	-	80,850
-	-	-	-	300,162
-	-	-	-	26,516
422,834	3,194	83,006	3,343	4,405,387
424,841	3,194	83,006	3,343	4,812,915
$ 475,996	$ 6,787	$ 98,287	$ 3,343	$ 6,032,737

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, 2020

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	828,708	1,390,428	28,948	72,876
5020	**Total Revenues**	828,708	1,390,428	28,948	72,876
	Expenditures				
0011	Instruction	758,219	226,960	28,948	72,876
0012	Instructional resources				
0012	and media services	-	-	-	-
0013	Curriculum and instructional				
0013	staff development	51,475	1,981	-	-
0021	Instructional leadership	-	120,267	-	-
0023	School leadership	1,642	-	-	-
0031	Guidance, counseling,				
0031	and evaluation services	279	1,041,220	-	-
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	17,093	-	-	-
0081	Facilities acquisition and construction	-	-	-	-
6030	**Total Expenditures**	828,708	1,390,428	28,948	72,876
	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	276 Instructional Continuity Grant
$ 939,988	$ -	$ -	$ -	$ -	$ -
18,670	-	-	-	-	-
2,168,657	97,969	146,821	48,800	51,968	24,500
3,127,315	97,969	146,821	48,800	51,968	24,500
-	97,969	-	42,412	16,426	20,320
-	-	-	-	-	-
-	-	145,296	3,788	-	-
-	-	1,295	-	25,485	-
-	-	-	651	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,653,925	-	-	-	-	-
-	-	-	-	-	-
-	-	230	-	-	-
39,443	-	-	-	-	4,180
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,949	-	-
-	-	-	-	-	-
3,693,368	97,969	146,821	48,800	41,911	24,500
-	-	-	-	-	-
-	-	-	-	-	-
(566,053)	-	-	-	10,057	-
950,369	-	-	-	11,148	-
$ 384,316	$ -	$ -	$ -	$ 21,205	$ -

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, 2020

Data Control Codes		289 Federally Funded Special Rev. Funds	397 Advanced Placement Incentives	410 State Instructional Materials	429 State Funded Special Revenue Fund
	Revenues				
5700	Local, intermediate, and out-of-state	$ -	$ -	$ -	$ -
5800	State program revenues	-	-	814,254	97,124
5900	Federal program revenues	357,247	-	-	-
5020	**Total Revenues**	357,247	-	814,254	97,124
	Expenditures				
0011	Instruction	-	-	809,959	-
0012	Instructional resources				
0012	and media services	-	-	-	-
0013	Curriculum and instructional				
0013	staff development	-	-	4,295	-
0021	Instructional leadership	-	-	-	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling,				
0031	and evaluation services	349,749	-	-	1,588
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	7,498	-	-	-
0081	Facilities acquisition and construction	-	-	-	85,574
6030	**Total Expenditures**	357,247	-	814,254	87,162
	Other Financing Sources (Uses)				
8911	Transfers (out)	-	-	-	(11,550)
7080	**Total Other Financing (Uses)**	-	-	-	(11,550)
1200	**Net Change in Fund Balances**	-	-	-	(1,588)
0100	Beginning fund balances	-	-	-	3,894,598
3000	**Ending Fund Balances**	$ -	$ -	$ -	$ 3,893,010

461 Campus Activity	481 La Porte Education Foundation	483 Local Grants and Donations	484 SHAC-EKG Grant	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
$ 381,201	$ 115,022	$ 126,168	$ 16	$ 1,562,395
-	-	-	-	930,048
-	-	-	-	5,216,922
381,201	115,022	126,168	16	7,709,365
78,631	119,578	14,136	-	2,286,434
15,921	-	-	-	15,921
4,908	-	3,763	-	215,506
-	-	-	-	147,047
11,013	-	1,449	-	14,755
1,088	-	46,733	-	1,440,657
306	-	212	-	518
211	-	-	-	211
-	-	-	-	3,653,925
333,992	-	-	250	334,242
92	-	-	-	322
551	-	-	-	44,174
-	-	3,792	-	3,792
305	-	3,736	-	4,041
2,389	-	-	-	28,929
-	-	-	-	85,574
449,407	119,578	73,821	250	8,276,048
-	-	-	-	(11,550)
-	-	-	-	(11,550)
(68,206)	(4,556)	52,347	(234)	(578,233)
493,047	7,750	30,659	3,577	5,391,148
$ 424,841	$ 3,194	$ 83,006	$ 3,343	$ 4,812,915

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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.

<u>Fund 711 Child Care</u>

Transactions related to the operation of a District child care center opened due to COVID-19.

<u>Fund 752 Print Shop</u>

Transactions related to print shop services to other organizational units of the District and organizations outside the District.

<u>Fund 753 Workers Compensation</u>

Transactions related to self-insurance for workers' compensation.

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La Porte Independent School District

COMBINING STATEMENT OF NET POSITION

PROPRIETARY FUNDS - EXHIBIT H-3

June 30, 2020

Data Control Codes		711 Child Care	752 Print Shop	753 Workers' Compensation	Total Internal Service Funds
	Assets				
	Current assets:				
1110	Cash and cash equivalents	$ -	$ -	$ 2,220,578	$ 2,220,578
1260	Due from other funds	-	34	61,090	61,124
1300	Inventories, at cost	-	32,477	-	32,477
1410	Prepaid items	4,790	854	-	5,644
1000	**Total Assets**	4,790	33,365	2,281,668	2,319,823
	Liabilities				
2110	Accounts payable	-	1,169	-	1,169
2170	Due to other funds	4,790	16,897	-	21,687
2180	Due to other governments	-	3	-	3
2200	Accrued liabilities	-	-	389,990	389,990
2000	**Total Liabilities**	4,790	18,069	389,990	412,849
	Net Position				
3900	Unrestricted	-	15,296	1,891,678	1,906,974
3000	**Total Net Position**	$ -	$ 15,296	$ 1,891,678	$ 1,906,974

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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, 2020

Data Control Codes		711 Child Care	752 Print Shop	753 Workers' Compensation	Total Internal Service Funds
	Operating Revenues				
5700	Charges for services	$ 107,083	$ 122,411	$ 665,776	$ 895,270
5020	**Total Operating Revenues**	107,083	122,411	665,776	895,270
	Operating Expenses				
6100	Payroll costs	301,009	21,888	-	322,897
6200	Professional and contracted services	-	45,834	109,827	155,661
6300	Supplies and materials	16,518	35,461	-	51,979
6400	Other operating expense	14,331	955	-	15,286
6030	**Total Operating Expenses**	331,858	104,138	109,827	545,823
	Operating Income (Loss)	(224,775)	18,273	555,949	349,447
	Nonoperating Revenues				
7020	Earnings on investments	-	-	3,411	3,411
8030	**Total Nonoperating Revenues**	-	-	3,411	3,411
	Income (Loss) Before Transfers	(224,775)	18,273	559,360	352,858
7915	Transfers in	224,775	-	-	224,775
1300	**Change in Net Position**	-	18,273	559,360	577,633
0100	Beginning net position	-	(2,977)	1,332,318	1,329,341
3300	**Ending Net Position**	$ -	$ 15,296	$ 1,891,678	$ 1,906,974

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La Porte Independent School District

COMBINING STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS - EXHIBIT H-5

For the Year Ended June 30, 2020

	711	752	753	
	Child Care	**Print Shop**	**Workers' Compensation**	**Total Internal Service Funds**
Cash Flows from Operating Activities				
Cash received from user charges	$ 107,083	$ 122,411	$ 665,776	$ 895,270
Cash payments for insurance claims	-	-	(258,831)	(258,831)
Cash payments for other operating expenses	(331,858)	(122,411)	-	(454,269)
Net Cash Provided (Used) by Operating Activities	(224,775)	-	406,945	182,170
Cash Flows from Noncapital Financing Activities				
Operating subsidies and transfers	224,775	-	-	224,775
Net Cash Provided by Noncapital Financing Activities	224,775	-	-	224,775
Cash Flows from Investing Activities				
Proceeds from earnings on investments	-	-	3,411	3,411
Net Cash Provided by Investing Activities	-	-	3,411	3,411
Net Increase in Cash and Cash Equivalents	-	-	410,356	410,356
Cash and cash equivalents, beginning of year	-	-	1,810,222	1,810,222
Ending Cash and Cash Equivalents	$ -	$ -	$ 2,220,578	$ 2,220,578
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	$ (224,775)	$ 18,273	$ 555,949	$ 349,447
Effect of Increases and Decreases in Current Assets and Liabilities				
(Increase) decrease in due from other funds	-	2,046	(5,261)	(3,215)
Decrease in inventory	-	8,876	-	8,876
(Increase) decrease in prepaid items	(4,790)	783	-	(4,007)
Increase in accounts payable	-	908	-	908
Increase (decrease) in due to other funds	4,790	(30,844)		(26,054)
(Decrease) in due to other governments	-	(42)		(42)
(Decrease) in accrued liabilities	-	-	(143,743)	(143,743)
Net Cash Provided (Used) by Operating Activities	$ (224,775)	$ -	$ 406,945	$ 182,170

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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.

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La Porte Independent School District

AGENCY FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - EXHIBIT H-6

For the Year Ended June 30, 2020

Data Control Codes		Beginning Balance July 1, 2019	Additions	Deductions	Ending Balance June 30, 2020
	Assets				
1110	Cash and cash equivalents	$ 186,453	$ 443,319	$ 513,442	$ 116,330
1267	Due from others	1,887	1,168	2,471	584
1000	**Total Assets**	188,340	444,487	515,913	116,914
	Liabilities				
2110	Accounts payable	2,367	485,416	483,474	4,309
2177	Due to others	6,658	11,594	17,025	1,227
2180	Due to other governments	2,085	-	2,085	-
2190	Due to student groups	177,230	555,687	621,539	111,378
2000	**Total Liabilities**	$ 188,340	$ 1,052,697	$ 1,124,123	$ 116,914

La Porte Independent School District

SCHEDULE OF DELINQUENT TAXES RECEIVABLE - EXHIBIT J-1

For the Year Ended June 30, 2020

	1		2		3	
	Tax Rates				Net Assessed/ Appraised Value For School	
Last Ten Years	**Maintenance**		**Debt Service**		**Tax Purposes**	
2011 and prior		Various		Various		Various
2012	$	1.0400	$	0.3150	$	6,004,563,235
2013	$	1.0400	$	0.2900	$	6,208,701,705
2014	$	1.0400	$	0.2900	$	6,601,456,565
2015	$	1.0400	$	0.4100	$	7,047,165,791
2016	$	1.0400	$	0.4100	$	8,118,723,905
2017	$	1.0400	$	0.3800	$	9,431,612,882
2018	$	1.0400	$	0.3400	$	9,820,930,163
2019	$	1.1700	$	0.2100	$	10,199,854,026
2020	$	1.0400	$	0.2400	$	10,311,631,951
1000 **Totals**						

9000 - Portion of row 1000 for taxes paid into tax increment zone under Chapter 311, Tax Code (Function 97)

10	20	31	32	40	50
Beginning Balance 7/1/19	Current Year's Total Levy	Maintenance Total Collected	Debt Service Total Collected	Entire Year's Adjustments	Ending Balance 6/30/20
$ 393,484	$ -	$ 4,184	$ 938	$ (155,129)	$ 233,233
69,072	-	792	240	(1,617)	66,423
86,883	-	1,405	392	(1,612)	83,474
96,562	-	26,086	7,272	30,800	94,004
140,205	-	30,702	12,106	37,339	134,736
274,315	-	68,879	27,160	44,351	222,627
266,803	-	25,229	9,218	(50,906)	181,450
459,719	-	135,403	44,266	(253,112)	26,938
1,853,034	-	35,091	6,298	(1,210,787)	600,858
-	133,136,156	104,833,854	26,697,696	-	1,604,606
$ 3,640,077	$ 133,136,156	$ 105,161,625	$ 26,805,586	$ (1,560,673)	$ 3,248,349
		$ 3,810,140	$ -		

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La Porte Independent School District

BUDGETARY COMPARISON SCHEDULE

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM FUND - EXHIBIT J-2

For the Year Ended June 30, 2020

Data Control Codes		1 Budgeted Amounts Original	2 Budgeted Amounts Final	3 Actual	Variance with Final Budget Positive (Negative)
	Revenues				
5700	Local, intermediate, and out-of-state	$ 1,473,000	$ 1,473,000	$ 939,988	$ (533,012)
5800	State program revenues	24,000	24,000	18,670	(5,330)
5900	Federal program revenues	2,655,895	2,655,895	2,168,657	(487,238)
5020	**Total Revenues**	4,152,895	4,152,895	3,127,315	(1,025,580)
	Expenditures				
0035	Food service	4,582,747	4,613,852	3,653,925	959,927
0051	Plant maintenance and operations	56,280	56,280	39,443	16,837
6030	**Total Expenditures**	4,639,027	4,670,132	3,693,368	976,764
1200	**Net Change in Fund Balance**	(486,132)	(517,237)	(566,053)	(48,816)
0100	Beginning fund balance	950,369	950,369	950,369	-
3000	**Ending Fund Balance**	$ 464,237	$ 433,132	$ 384,316	$ (48,816)

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La Porte Independent School District

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE FUND - EXHIBIT J-3

For the Year Ended June 30, 2020

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	$ 28,931,574	$ 28,931,574	$ 27,080,450	$ (1,851,124)
5800	State program revenues	-	-	176,363	176,363
5020	**Total Revenues**	28,931,574	28,931,574	27,256,813	(1,851,124)
	Expenditures				
0071	Principal	15,385,000	15,385,000	15,385,000	-
0072	Interest	13,187,399	13,233,738	13,141,060	92,678
0073	Bond issuance costs and fees	20,000	249,440	236,690	12,750
6030	**Total Expenditures**	28,592,399	28,868,178	28,762,750	105,428
1100	**(Deficiency) of Revenues (Under) Expenditures**	339,175	63,396	(1,505,937)	(1,745,696)
	Other Financing Sources				
7916	Premium/discount on issuance of bonds	-	-	232,441	232,441
7080	**Total Other Financing Sources**	-	-	232,441	232,441
1200	**Net Change in Fund Balance**	339,175	63,396	(1,273,496)	(1,513,255)
0100	Beginning fund balance	10,817,405	10,817,405	10,817,405	-
3000	**Ending Fund Balance**	$ 11,156,580	$ 10,880,801	$ 9,543,909	$ (1,513,255)

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STATISTICAL SECTION

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STATISTICAL SECTION

This part of the 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			
	2011	**2012**	**2013**	**2014**
Governmental activities				
Net investment in capital assets	$ 50,203,269	$ 59,397,384	$ 61,780,754	$ 49,715,550
Restricted	8,856,190	4,044,889	5,177,592	7,899,261
Unrestricted	7,787,870	14,213,315	7,598,907	13,511,147
Total Governmental Activities Net Position	$ 66,847,329	$ 77,655,588	$ 74,557,253	$ 71,125,958
Primary government				
Net investment in capital assets	$ 50,203,269	$ 59,397,384	$ 61,780,754	$ 49,715,550
Restricted	8,856,190	4,044,889	5,177,592	7,899,261
Unrestricted	7,787,870	14,213,315	7,598,907	13,511,147
Total Primary Government Net Position	$ 66,847,329	$ 77,655,588	$ 74,557,253	$ 71,125,958

Source: La Porte Independent School District's Audit Reports

Fiscal Year					
2015	2016	2017	2018	2019	2020
$ 44,176,078	$ 35,725,150	$ 33,311,721	$ 30,910,969	$ 31,956,441	$ 27,121,161
8,586,196	11,272,475	11,551,291	14,810,662	6,796,928	8,785,778
10,206,293	22,800,483	22,128,205	(8,714,372)	(5,027,574)	5,182,104
$ 62,968,567	$ 69,798,108	$ 66,991,217	$ 37,007,259	$ 33,725,795	$ 41,089,043
$ 44,176,078	$ 35,725,150	$ 33,311,721	$ 30,910,969	$ 31,956,441	$ 27,121,161
8,586,196	11,272,475	11,551,291	14,810,662	6,796,928	8,785,778
10,206,293	22,800,483	22,128,205	(8,714,372)	(5,027,574)	5,182,104
$ 62,968,567	$ 69,798,108	$ 66,991,217	$ 37,007,259	$ 33,725,795	$ 41,089,043

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			
	2011	2012	2013	2014
Expenses				
Governmental activities				
Instruction	$ 43,789,099	$ 41,910,445	$ 41,356,893	$ 42,995,224
Instructional resources and media services	825,891	727,755	501,443	482,710
Curriculum and staff development	671,220	585,541	641,689	734,170
Instructional leadership	1,026,317	994,257	1,142,625	1,170,527
School leadership	3,752,183	3,625,048	3,681,792	3,913,052
Guidance, counseling, and evaluation services	2,432,240	2,130,352	2,253,409	2,456,356
Social work services	181,588	162,220	165,195	195,190
Health services	815,913	745,019	691,172	736,101
Student transportation	3,151,946	2,855,000	3,078,612	3,109,273
Food service	3,765,475	3,750,711	3,821,034	3,879,868
Cocurriculum/extracurricular activities	2,248,364	1,889,910	1,863,511	2,130,598
General administration	3,441,371	3,127,086	2,946,863	3,103,491
Plant maintenance and operations	9,498,226	9,276,851	10,146,172	10,193,730
Security and monitoring services	609,179	548,739	519,364	542,011
Data processing services	1,757,198	2,614,906	2,584,811	2,518,335
Community services	85,274	60,520	52,049	68,500
Interest on long-term debt	9,807,789	8,787,513	8,788,707	8,474,442
Facilities repairs and maintenance	1,432,410	784,746	232,769	73,997
Contracted instructional services	15,406,248	17,321,383	16,808,844	17,754,454
Bond issuance costs & fees	-	-	-	-
Payments related to SSAs	89,793	87,265	99,000	120,968
Payments to juvenile justice alternative ed. programs	20,790	19,620	19,620	19,620
Payments to tax increment fund	1,110,264	934,600	877,868	1,253,630
Other intergovernmental charges	644,788	655,091	660,402	661,254
Total Governmental Activities Expenses	106,563,566	103,594,578	102,933,844	106,587,501
Program Revenues				
Governmental activities				
Charges for services				
Instruction	27,886	20,509	53,863	36,253
Student transportation	-	-	-	-
Food services	1,847,263	1,765,220	1,705,036	1,664,048
Extracurricular	111,767	155,870	134,466	106,928
General administration	-	-	-	-
Plant maintenance and operations	50,931	58,838	114,583	98,187
Operating grants and contributions	12,287,750	10,022,070	9,441,913	10,043,558
Total Primary Government Program Revenues	14,325,597	12,022,507	11,449,861	11,948,974
Net (Expense)				
Governmental activities	$ (92,237,969)	$ (91,572,071)	$ (91,483,983)	$ (94,638,527)
Total Primary Government Net (Expense)	$ (92,237,969)	$ (91,572,071)	$ (91,483,983)	$ (94,638,527)

Fiscal Year					
2015	**2016**	**2017**	**2018**	**2019**	**2020**
$ 44,530,011	$ 49,759,289	$ 52,296,542	$ 38,856,109	$ 58,059,849	$ 61,008,278
484,361	458,306	454,722	348,770	371,144	383,664
1,282,550	1,329,946	1,025,854	693,000	985,087	941,971
839,282	925,493	1,025,658	615,858	1,155,213	1,229,030
3,991,291	4,302,695	4,374,173	2,853,808	4,852,010	5,132,269
2,574,355	2,887,377	2,997,386	1,824,276	3,960,798	4,237,356
204,158	207,172	231,094	228,045	268,286	247,234
813,607	839,418	875,217	591,858	1,002,204	994,588
3,422,132	3,619,700	3,024,166	2,383,859	3,068,613	3,085,934
4,001,664	4,269,781	4,517,973	3,250,726	4,567,997	4,069,215
2,171,413	2,374,697	2,320,363	2,122,573	2,726,363	2,614,667
2,949,663	3,255,560	3,155,391	2,707,853	3,339,518	3,688,217
9,929,472	11,431,976	10,633,698	10,070,631	11,491,142	11,457,636
524,177	551,098	1,300,140	1,243,185	1,933,772	1,813,636
3,736,801	3,899,246	3,577,687	2,435,287	2,896,056	3,903,305
75,006	39,369	38,258	20,614	28,609	66,847
12,548,106	14,074,233	13,762,377	13,000,225	12,473,266	11,548,802
9,506	44,521	29,396	8,000	8,000	-
20,877,309	24,531,648	31,237,688	33,224,648	46,925,331	41,571,997
-	-	-	-	-	236,690
130,571	118,619	108,101	111,516	128,845	171,317
19,800	19,800	19,800	19,800	59,400	59,400
1,407,985	1,671,451	2,054,938	1,141,045	2,779,617	3,810,140
788,330	886,598	964,114	993,774	1,037,446	1,068,592
117,311,550	131,497,993	140,024,736	118,745,460	164,118,566	163,340,785
31,727	36,083	100,103	91,553	163,919	114,561
-	-	-	-	1,411	211
1,664,582	1,549,946	1,467,338	1,113,247	1,303,054	939,988
119,255	115,921	146,275	102,690	290,255	333,992
-	-	-	-	6,618	92
73,480	70,918	72,836	74,181	1,403	551
9,702,933	11,674,605	10,009,652	(4,549,099)	9,574,383	9,666,866
11,591,977	13,447,473	11,796,204	(3,167,428)	11,341,043	11,056,261
$ (105,719,573)	$ (118,050,520)	$ (128,228,532)	$ (121,912,888)	$ (152,777,523)	$ (152,284,524)
$ (105,719,573)	$ (118,050,520)	$ (128,228,532)	$ (121,912,888)	$ (152,777,523)	$ (152,284,524)

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			
	2011	**2012**	**2013**	**2014**
General Revenues				
Governmental activities				
Property taxes				
Levied for general purposes	$ 60,018,204	$ 62,322,911	$ 63,383,117	$ 67,863,048
Levied for debt service	16,423,702	18,615,934	18,932,619	20,270,780
Investment earnings	148,288	139,912	134,986	96,660
Unrestricted grants and contributions	8,084,729	20,407,945	4,772,137	3,182,174
Miscellaneous	2,366,955	1,068,263	1,162,789	1,576,588
Transfers	-	(61,182)	-	-
Special items	(530,318)	(113,453)	-	-
Total Governmental Activities	$ 86,511,560	$ 102,380,330	$ 88,385,648	$ 92,989,250
Changes in Net Position				
Governmental activities	$ (5,726,409)	$ 10,808,259	$ (3,098,335)	$ (1,649,277)
Implementation of GASB 68/71/75	-	-	-	(1,782,018)
Total Primary Government	$ (5,726,409)	$ 10,808,259	$ (3,098,335)	$ (3,431,295)

Source: La Porte Independent School District's Audit Reports

Fiscal Year					
2015	2016	2017	2018	2019	2020
$ 79,067,056	$ 85,819,764	$ 94,533,779	$ 96,468,292	$ 105,918,780	$ 105,161,625
23,617,432	33,374,353	35,688,808	32,937,911	21,204,806	26,805,586
90,049	488,351	897,470	1,238,456	1,829,958	1,374,315
3,286,104	3,046,813	5,962,210	5,701,540	11,823,223	18,959,584
2,351,123	2,257,067	2,853,468	1,066,686	5,987,237	6,670,886
(2,500)	-	-	-	-	-
-	(106,287)	(14,514,094)	-	2,732,055	675,776
$ 108,409,264	$ 124,880,061	$ 125,421,641	$ 137,412,885	$ 149,496,059	$ 159,647,772
$ 2,689,691	$ 6,829,541	$ (2,806,891)	$ 15,499,997	$ (3,281,464)	$ 7,363,248
(10,847,082)	-	-	(45,483,955)	-	-
$ (8,157,391)	$ 6,829,541	$ (2,806,891)	$ (29,983,958)	$ (3,281,464)	$ 7,363,248

La Porte Independent School District

FUND BALANCES OF GOVERNMENTAL FUNDS - EXHIBIT L-3

Last Ten Years

(modified accrual basis of accounting)

	Fiscal Year			
	2011	**2012**	**2013**	**2014**
General Fund				
Nonspendable	$ 85,551	$ 83,910	$ 1,612,141	$ 1,320,438
Committed	1,980,372	1,931,661	2,016,430	2,059,320
Assigned	-	44,651	-	-
Unassigned	21,746,547	33,127,599	29,565,826	27,436,294
Total General Fund	$ 23,812,470	$ 35,187,821	$ 33,194,397	$ 30,816,052
All Other Governmental Funds				
Nonspendable				
Inventories	$ 54,749	$ 53,679	$ 48,189	$ 25,697
Prepaid items	49,293	56,751	56,924	57,768
Restricted				
Grant funds	1,218,644	1,438,989	1,666,962	1,888,968
Capital acquisitions	29,148,114	20,684,431	12,691,463	8,195,876
Retirement of long-term debt	10,956,433	5,284,442	6,407,019	8,774,566
Committed				
Compensated absences	-	-	-	-
Local special revenue	5,055,950	5,123,908	4,595,283	4,603,191
Total All Other Governmental Funds	$ 46,483,183	$ 32,642,200	$ 25,465,840	$ 23,546,066

Source: La Porte Independent School District's Audit Reports

Fiscal Year					
2015	2016	2017	2018	2019	2020
$ 1,081,967	$ 1,055,954	$ 1,008,312	$ 1,310,465	$ 1,330,676	$ 1,577,904
2,177,197	2,215,787	1,986,505	2,067,367	2,156,054	2,214,153
-	-	-	35,828	-	-
25,053,340	25,827,182	30,245,650	31,494,926	36,869,997	50,595,041
$ 28,312,504	$ 29,098,923	$ 33,240,467	$ 34,908,586	$ 40,356,727	$ 54,387,098
$ 51,812	$ 32,204	$ 22,999	$ 14,580	$ 39,584	$ 109,202
567,936	291,682	96,400	63,389	53,021	64,673
2,043,567	1,775,411	1,437,143	1,103,082	897,476	300,162
87,578,978	97,351,152	31,925,319	14,652,235	9,413,335	32,198,068
10,236,018	14,209,608	14,883,619	18,245,027	10,817,405	9,543,909
-	29,415	26,820	29,746	25,177	26,516
4,387,056	4,390,052	4,342,599	4,335,639	4,429,631	4,405,387
$ 104,865,367	$ 118,079,524	$ 52,734,899	$ 38,443,698	$ 25,675,629	$ 46,647,917

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			
	2011	**2012**	**2013**	**2014**
Revenues				
Local and intermediate sources	$ 81,473,480	$ 84,896,434	$ 86,324,262	$ 92,060,038
State program revenues	11,450,986	19,455,261	6,882,569	6,240,932
Federal program revenues	8,168,383	7,216,160	6,784,709	6,417,978
Total Revenues	101,092,849	111,567,855	99,991,540	104,718,948
Expenditures				
Instruction	41,364,695	38,257,864	36,703,186	37,956,249
Instructional resources and media services	840,162	727,947	499,708	481,502
Curriculum and staff development	680,217	586,159	641,380	730,821
Instructional leadership	1,049,824	997,049	1,134,434	1,164,769
School leadership	3,839,423	3,633,863	3,668,061	3,913,097
Guidance, counseling, and evaluation services	2,487,147	2,137,025	2,249,211	2,447,110
Social work services	184,084	162,440	164,796	194,897
Health services	835,669	747,347	691,033	736,770
Student transportation	2,981,265	3,804,994	2,835,617	2,921,010
Food service	3,824,108	3,862,600	3,870,741	4,312,726
Cocurriculum/extracurricular activities	1,920,415	1,531,135	1,490,065	1,476,177
General administration	3,138,540	2,733,142	2,922,056	2,993,062
Plant maintenance and operations	9,508,406	8,942,257	9,627,818	9,695,257
Security and monitoring services	615,768	550,351	519,360	542,059
Data processing services	1,428,274	2,817,503	2,249,310	2,119,760
Community services	80,101	55,661	46,876	62,092
Principal on long-term debt	7,290,000	7,725,000	8,210,000	8,255,000
Interest on long-term debt	9,565,232	9,787,163	8,653,933	8,748,930
Bond issuance costs and fees	291,512	405,182	4,850	4,850
Capital outlay	11,027,305	1,926,056	4,513,155	451,003
Other intergovernmental charges	17,271,883	19,017,959	18,465,734	19,809,926
Total Expenditures	120,224,030	110,408,697	109,161,324	109,017,067
Excess (Deficiency) of Revenues Over (Under) Expenditures	(19,131,181)	1,159,158	(9,169,784)	(4,298,119)
Other Financing Sources (Uses)				
Refunding bonds issued	-	-	-	-
Capital-related debt issued (regular bonds)	26,660,000	40,685,000	-	-
Sale of real or personal property	-	-	-	-
Extraordinary item - insurance recovery	-	3,040,289	-	-
Transfers in	1,525	-	-	-
Premium or discount on issuance of bonds	437,855	4,008,196	-	-
Transfer out	(1,525)	(61,182)	-	-
Other uses	-	(51,297,093)	-	-
Total Other Financing Sources (Uses)	27,097,855	(3,624,790)	-	-
Net Change in Fund Balances	$ 7,966,674	$ (2,465,632)	$ (9,169,784)	$ (4,298,119)
Debt service as a percentage of noncapital expenditures*	15.70%	16.52%	16.12%	15.67%

* 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					
2015	2016	2017	2018	2019	2020
$ 106,967,548	$ 123,940,130	$ 136,414,687	$ 134,069,758	$ 137,172,176	$ 142,328,632
6,380,373	6,539,522	7,832,361	8,321,677	9,723,516	17,679,008
6,598,936	6,275,753	6,533,129	7,294,080	8,695,464	7,427,546
119,946,857	136,755,405	150,780,177	149,685,515	155,591,156	167,435,186
39,983,002	42,725,036	42,649,201	44,431,254	44,116,535	46,010,402
483,055	449,017	455,095	452,218	355,043	363,370
1,279,256	1,276,907	1,018,560	926,444	923,521	862,801
811,019	892,790	1,015,259	1,048,954	1,028,291	1,070,943
4,041,551	4,109,820	4,331,402	4,443,357	4,505,331	4,686,767
2,592,682	2,770,528	2,892,230	3,200,710	3,550,004	3,709,103
206,208	207,178	231,422	248,452	264,097	241,850
818,826	821,738	863,729	898,597	927,539	898,792
4,518,528	3,254,781	2,880,812	2,793,250	3,010,915	3,650,241
3,880,325	4,170,770	4,265,215	4,058,859	4,218,728	3,653,925
1,488,549	1,569,493	1,566,840	1,882,915	1,926,045	1,783,221
2,874,950	3,077,179	3,076,752	3,310,708	3,123,268	3,485,305
9,903,980	11,271,596	10,085,701	10,926,378	10,995,172	10,597,227
524,607	550,551	1,296,131	1,427,474	2,384,135	1,725,488
3,519,556	4,203,028	3,175,788	2,365,772	2,410,775	3,442,002
69,503	32,944	38,184	20,632	28,591	46,655
17,570,000	17,365,000	20,355,000	15,530,000	15,465,000	15,385,000
10,378,396	13,248,523	14,796,017	14,554,292	13,862,199	13,141,060
1,617,541	1,529,646	8,750	8,000	8,000	236,690
23,065,236	103,801,648	62,596,529	14,289,548	1,609,311	1,592,675
23,223,995	27,228,116	34,384,641	35,490,783	50,930,639	46,681,446
152,850,765	244,556,289	211,983,258	162,308,597	165,643,139	163,264,963
(32,903,908)	(107,800,884)	(61,203,081)	(12,623,082)	(10,051,983)	4,170,223
73,850,000	115,930,000	-	-	-	-
99,675,000	21,620,711	-	-	-	26,550,000
-	-	-	-	2,732,055	824,770
-	-	-	-	-	-
2,623	-	6,300	8,517	2,450	11,550
18,587,626	8,101,456	-	-	-	3,682,441
(5,123)	-	(6,300)	(8,517)	(2,450)	(236,325)
(80,390,465)	(23,850,707)	-	-	-	-
111,719,661	121,801,460	-	-	2,732,055	30,832,436
$ 78,815,753	$ 14,000,576	$ (61,203,081)	$ (12,623,082)	$ (7,319,928)	$ 35,002,659
22.78%	22.84%	23.54%	20.33%	18.01%	17.75%

La Porte Independent School District

PROPERTY TAX RATES-DIRECT AND ALL OVERLAPPING GOVERNMENTS - EXHIBIT L-5

Last Ten Years

	Fiscal Year			
	2011	**2012**	**2013**	**2014**
School District				
Maintenance and Operations	$ 1.0400	$ 1.0400	$ 1.0400	$ 1.0400
Debt Service	0.2850	0.3150	0.2900	0.2900
District Total	$ 1.3250	$ 1.3550	$ 1.3300	$ 1.3300
County				
Chambers*	$ 0.4968	$ 0.4968	$ 0.4968	$ 0.5221
Harris	$ 0.3881	$ 0.3912	$ 0.4002	$ 0.4146
Harris County Dept. of Education	$ 0.0060	$ 0.0066	$ 0.0066	$ 0.0064
Harris County Flood Control District	$ 0.0292	$ 0.0281	$ 0.0281	$ 0.0283
Port of Houston Authority	$ 0.1640	$ 0.0186	$ 0.0195	$ 0.0172
San Jacinto Jr. College District	$ 0.1708	$ 0.1856	$ 0.1856	$ 0.1856
Cities				
Deer Park	$ 0.7050	$ 0.7200	$ 0.7200	$ 0.7200
La Porte	$ 0.7100	$ 0.7100	$ 0.7100	$ 0.7100
Morgan's Point	$ 0.6460	$ 0.6460	$ 0.6460	$ 0.6362
Pasadena	$ 0.5620	$ 0.5916	$ 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					
2015	2016	2017	2018	2019	2020
$ 1.0400	$ 1.0400	$ 1.0400	$ 1.0400	$ 1.1700	$ 1.0400
0.4100	0.4100	0.3800	0.3400	0.2100	0.2400
$ 1.4500	$ 1.4500	$ 1.4200	$ 1.3800	$ 1.3800	$ 1.2800
$ 0.5327	$ 0.5403	$ 0.5527	$ 0.5425	$ 0.5425	$ 0.5421
$ 0.4173	$ 0.4192	$ 0.4166	$ 0.4180	$ 0.4186	$ 0.4071
$ 0.0060	$ 0.0054	$ 0.0052	$ 0.0052	$ 0.0052	$ 0.0050
$ 0.0274	$ 0.0273	$ 0.0283	$ 0.0283	$ 0.0288	$ 0.0279
$ 0.0513	$ 0.0134	$ 0.0133	$ 0.0126	$ 0.0116	$ 0.0107
$ 0.1856	$ 0.1758	$ 0.1824	$ 0.1833	$ 0.1793	$ 0.1782
$ 0.7200	$ 0.7144	$ 0.7200	$ 0.7200	$ 0.7200	$ 0.7200
$ 0.7100	$ 0.7100	$ 0.7100	$ 0.7100	$ 0.7100	$ 0.7100
$ 0.8191	$ 0.8191	$ 0.9118	$ 0.8911	$ 0.8883	$ 0.8810
$ 0.5769	$ 0.5754	$ 0.5754	$ 0.5754	$ 0.6154	$ 0.5703
0.2800	0.2700	0.2700	0.2700	0.2700	0.2700

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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*	
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
2020	$	7,819,428,707	$	3,536,064,873	$	11,355,493,580	$	1.2800

*Per $100 of assessed value
**Total Estimated Taxable Value is Net of Exemptions
Source: Goose Creek CISD Tax Services Tax Roll Summary Report

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La Porte Independent School District

PRINCIPAL PROPERTY TAX PAYERS - EXHIBIT L-7

Current Year and Nine Years Ago

	2020			2011		
Property Tax Payer	**Taxable Value**	**Rank**	**% of Total Taxable Value**	**Taxable Value**	**Rank**	**% of Total Taxable Value**
Equistar Chemical LP	$ 693,419,126	1	20.03%	$ 213,560,432	1	15.62%
Fairway Methanol LLC	578,146,303	2	16.70%	-	-	0.00%
Kuraray America Inc.	425,345,165	3	12.29%	-	-	0.00%
Enterprise Products	411,376,045	4	11.88%	-	-	0.00%
Air Liquide America Corporation	397,279,863	5	11.48%	185,975,943	2	13.60%
Braskem America Inc.	254,274,790	6	7.35%	-	-	0.00%
Liberty Property	198,035,970	7	5.72%	-	-	0.00%
Albermarle Catalysts Co. LP	181,486,112	8	5.24%	136,462,850	4	9.98%
HRUS Underwood LLC	162,679,619	9	4.70%	-	-	0.00%
Noltex LLC	159,451,814	10	4.61%	-	-	0.00%
Kaneka Texas Corp.	-	-	-	146,444,831	3	10.71%
Turbine Maintenance Group	-	-	-	127,508,880	5	9.32%
Lyondell Chemical Co	-	-	-	119,702,676	6	8.75%
Evalca	-	-	-	116,229,903	7	8.50%
Basell USA Inc.	-	-	-	112,886,680	8	8.25%
Celanese LTD	-	-	-	105,440,821	9	7.71%
Conoco Phillips Co	-	-	-	103,331,957	10	7.56%
Total	$ 3,461,494,807		100.00%	$ 1,367,544,973		100.00%
Total taxable assessed value*	$ 11,355,493,580			$ 5,789,629,020		

*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 2019 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

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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
2011	$ 76,832,164	$ 75,804,968	98.66%	$ 924,504	$ 76,729,472	99.87%
2012	$ 81,347,826	$ 80,319,639	98.74%	$ 956,358	$ 81,275,997	99.91%
2013	$ 82,998,592	$ 81,772,811	98.52%	$ 1,141,092	$ 82,913,903	99.90%
2014	$ 87,683,942	$ 86,946,201	99.16%	$ 719,032	$ 87,665,233	99.98%
2015	$ 102,609,803	$ 101,666,537	99.08%	$ 894,554	$ 102,561,091	99.95%
2016	$ 117,701,618	$ 116,785,513	99.22%	$ 801,044	$ 117,586,557	99.90%
2017	$ 119,265,281	$ 118,673,840	99.50%	$ 381,690	$ 119,055,530	99.82%
2018	$ 123,396,019	$ 121,706,460	98.63%	$ 294,498	$ 122,000,958	98.87%
2019	$ 128,005,460	$ 126,153,254	98.55%	$ 41,389	$ 126,194,643	98.59%
2020	$ 133,136,156	$ 131,531,550	98.79%	$ -	$ 131,531,550	98.79%

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	Fiscal Year of Collection 2020	2019	2018	2017
2011	$ 689	$ 4,777	$ 760	$ 6,813
2012	$ 1,032	$ 4,761	$ 5,151	$ 37,421
2013	$ 1,797	$ 3,878	$ 8,538	$ (158,135)
2014	$ 33,358	$ 8,258	$ 13,777	$ (108,665)
2015	$ 42,808	$ 141,404	$ 35,687	$ 147,276
2016	$ 96,037	$ 233,215	$ 85,230	$ 392,509
2017	$ 34,447	$ 227,266	$ 125,270	$ 118,673,840
2018	$ 179,670	$ 114,828	$ 121,706,460	
2019	$ 41,389	$ 126,153,254		
2020	$ 131,531,550			

Fiscal Year of Collection					
2016	**2015**	**2014**	**2013**	**2012**	**2011**
$ (42,020)	$ 41,477	$ 64,415	$ 201,740	$ 645,870	$ 75,804,968
$ (92,518)	$ 43,091	$ 191,447	$ 766,856	$ 80,319,639	
$ 328,527	$ 171,646	$ 780,461	$ 81,772,811		
$ 436,336	$ 202,822	$ 86,946,201			
$ 435,568	$ 101,666,537				
$ 116,785,513					

La Porte Independent School District

RATIOS OF NET GENERAL OBLIGATION BONDED DEBT OUTSTANDING - EXHIBIT L-10

Last Ten Years

	Fiscal Year			
	2011	**2012**	**2013**	**2014**
Assessed Value				
All property	$ 5,789,629,020	$ 6,004,563,235	$ 6,208,701,705	$ 6,601,456,565
Net Bonded Debt				
Gross bonded debt	$ 224,932,491	$ 215,893,135	$ 207,007,460	$ 198,049,993
Less debt service funds	10,956,433	5,284,442	6,407,019	8,774,586
Total Net Bonded Debt	$ 213,976,058	$ 210,608,693	$ 200,600,441	$ 189,275,407
Ratio of Net Bonded Debt				
To Assessed Value	3.70%	3.51%	3.23%	2.87%
Average Daily Attendence (ADA)	7,236	7,262	7,218	7,129
Ratio of Net Bonded Debt				
Per ADA	$ 29,571	$ 29,001	$ 27,792	$ 26,550
Population	37,275	37,845	34,654	35,039
Net Bonded Debt				
Per Capita	$ 5,740	$ 5,565	$ 5,789	$ 5,402

Note: Details regarding the District's outstanding debt can be found in the notes to the finanical statements.

Fiscal Year					
2015	2016	2017	2018	2019	2020
$ 7,047,165,791	$ 8,118,723,905	$ 9,341,612,882	$ 9,820,930,163	$ 10,199,854,026	$ 11,355,493,580
$ 296,199,845	$ 399,494,016	$ 376,589,109	$ 358,587,198	$ 341,038,095	$ 353,695,936
10,236,018	14,209,608	14,883,619	18,245,027	5,899,452	4,886,058
$ 285,963,827	$ 385,284,408	$ 361,705,490	$ 340,342,171	$ 335,138,643	$ 348,787,073
4.06%	4.75%	3.87%	3.47%	3.29%	3.07%
7,127	7,128	7,183	7,210	6,798	6,493
$ 40,124	$ 54,052	$ 50,356	$ 47,204	$ 49,300	$ 53,717
35,148	35,086	35,371	35,423	34,976	34,976
$ 8,136	$ 10,981	$ 10,226	$ 9,608	$ 9,582	$ 9,972

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La Porte Independent School District

LEGAL DEBT MARGIN INFORMATION - EXHIBIT L-11

Last Ten Years

Legal Debt Margin Calculation for Fiscal Year 2020

Assessed value	$ 11,355,493,580
Debt limit (percentage of 2019 - 2020 school year assessed value)*	10.00%
Maximum legal debt	1,135,549,358
Amount of debt applicable to debt limit**	331,150,000
Legal Debt Margin	$ 804,399,358

* This debt limit is established by law as stated in Vernon's Statutes, 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
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%
2020	$ 1,135,549,358	$ 331,150,000	$ 804,399,358	29.16%

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La Porte Independent School District

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT - EXHIBIT L-12

As of June 30, 2020

Governmental Unit		Debt Outstanding	Percentage Applicable*		Share of Overlapping Debt
Chambers County	$	51,335,000	-	$	-
Harris County	$	1,885,182,125	2.36%		44,490,298
Harris County Department of Education	$	6,320,000	2.36%		149,152
Harris County Flood Control District	$	83,075,000	2.36%		1,960,570
Harris County Hospital District	$	86,050,000	2.36%		2,030,780
Port of Houston Authority	$	572,569,397	2.36%		13,512,638
San Jacinto Jr. College District	$	480,440,414	19.11%		91,812,163
City of Deer Park	$	70,005,000	30.25%		21,176,513
City of La Porte	$	31,835,000	94.10%		29,956,735
City of Morgan's Point	$	4,950,000	100.00%		4,950,000
City of Pasadena	$	153,735,000	5.76%		8,855,136
City of Shoreacres	$	4,350,000	100.00%		4,350,000
Clear Lake City Water Authority	$	117,675,000	11.31%		13,309,043
Subtotal, overlapping debt				$	236,553,027
District direct debt	$	353,695,936	100.00%		353,695,936
Total direct and overlapping debt				$	590,248,963
Population (District)					34,976
Per Capita Debt-Direct and Overlapping				$	16,876

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 District. 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
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	34,976	55	636	-1.3%
2020*	34,976	55	636	0.0%

* Estimated population is only available through 2019, therefore, the same data was used for 2020

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	Percentage Unemployed County	Percentage Unemployed State
$ 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	5.1%	4.3%
$ 249,989,500	4,652,980	$ 55,088	108,287	4.4%	4.2%
$ 265,351,328	4,698,619	$ 56,474	100,021	3.8%	3.9%
$ 265,351,328	4,698,619	$ 56,474	100,021	3.8%	3.9%

* Information is only available through 2019 therefore same data was used for 2020
Source: Texas Workforce Commission (Texas LMI) & Bureau of Economic Analysis

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La Porte Independent School District

PRINCIPAL EMPLOYERS - EXHIBIT L-14

Current Year and Nine Years Ago

2020			2011		
Employer	**Employees**	**Percentage of Total Employment**	**Employer**	**Employees**	**Percentage of Total Employment**
Equistar Chemicals	1,635	8.66%	La Porte ISD	1,071	3.96%
La Porte ISD	1,061	5.62%	Rockwood Service Corp.	700	2.59%
Dupont Chemical	545	2.89%	Longview Inspection Corp.	664	2.45%
J V Piping	440	2.33%	Quest Tru TEC	636	2.35%
Total Petrochemicals USA	409	2.17%	Oxy vinyls, LP	530	1.96%
City of La Porte	389	2.06%	City of La Porte	381	1.41%
Ineos	385	2.04%	Ineos	350	1.29%
Total Safety US Inc	350	1.85%	Equistar Chemicals, LP	334	1.23%
Kateon Natie Houston	350	1.85%	Sulzer Hickham	330	1.22%
CCC Group Inc.	300	1.59%	Air Liquide	170	0.63%
Total	5,864		Total	5,166	
Total City of La Porte Employment	18,879			27,075	

Source: City of La Porte Comprehensive Annual Financial Report for the Year Ended September 30, 2019,
Texas Workforce Commission (Texas LMI)

La Porte Independent School District

FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION - EXHIBIT L-15

Last Ten Years

	Fiscal Year			
	2011	**2012**	**2013**	**2014**
Governmental Activities:				
Teachers	495.40	467.00	461.80	464.00
Professional support	107.10	87.40	89.10	90.00
Campus administration (school leadership)	28.80	29.10	30.00	30.00
Central administration	13.00	11.00	11.00	10.00
Educational aides	110.30	107.90	103.00	105.57
Auxiliary staff	318.90	301.00	292.80	291.54
Total District Positions	1,073.50	1,003.40	987.70	991.11

Source: Texas Education Agency Website - PEIMS

Fiscal Year					
2015	2016	2017	2018	2019	2020
470.07	495.46	495.00	500.63	488.81	478.56
94.43	101.45	101.42	92.54	96.50	95.60
30.00	29.02	30.00	31.79	31.00	31.65
10.00	8.00	10.89	11.62	12.00	10.00
110.23	117.28	120.56	130.56	138.50	131.50
293.70	289.03	283.99	293.95	292.13	298.47
1,008.43	1,040.24	1,041.86	1,061.09	1,058.94	1,045.78

La Porte Independent School District

OPERATING STATISTICS - EXHIBIT L-16

Last Ten Years

	Fiscal Year			
	2011	**2012**	**2013**	**2014**
Average Daily Attendence	7,236	7,262	7,218	7,129
Operating Expenditures*	$ 88,981,366	$ 83,621,658	$ 83,950,073	$ 91,557,284
Cost per pupil	$ 12,297	$ 11,515	$ 11,631	$ 12,843
Percentage change	-0.92%	-6.36%	1.00%	10.42%
Government-wide Expenses**	$ 109,922,967	$ 106,563,566	$ 103,594,578	$ 102,933,844
Cost per pupil	$ 15,191	$ 14,674	$ 14,352	$ 14,439
Percentage change	1.76%	-3.40%	-2.19%	0.60%
Teaching Staff	506	495	482	461
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

Fiscal Year					
2015	2016	2017	2018	2019	2020
7,127	7,128	7,183	7,210	6,798	6,493
$ 100,219,592	$ 108,611,472	$ 114,226,962	$ 117,926,757	$ 117,926,757	$ 132,909,538
$ 14,062	$ 15,237	$ 15,902	$ 16,356	$ 17,347	$ 20,470
9.49%	8.36%	4.36%	2.85%	6.06%	18.00%
$ 106,587,501	$ 117,311,550	$ 131,497,993	$ 118,745,460	$ 118,745,460	$ 163,340,785
$ 14,955	$ 16,458	$ 18,307	$ 16,470	$ 17,468	$ 25,156
3.58%	10.05%	11.23%	-10.04%	6.06%	44.02%
464	470	495	501	501	479
16	16	16	15	14	14

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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
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
2020	$ 55,200	$ 84,508	$ 60,292	$ 58,820

* 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

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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**
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	6,798	-5.71%	92.06%
2020	7,361	6,493	-4.49%	88.21%

Source: Texas Education Agency Website - PEIMS (Snapshot) and Near Final Summary of Finance

La Porte Independent School District

SCHOOL BUILDING INFORMATION - EXHIBIT L-19 (Page 1 of 2)

Last Ten Years

	Fiscal Year			
	2011	**2012**	**2013**	**2014**
Elementary				
Bayshore Elementary				
Square feet	111,000	111,000	111,000	111,000
Capacity	750	750	750	750
Enrollment	532	561	577	530
College Park Elementary				
Square feet	75,301	75,301	75,301	75,301
Capacity	650	650	650	650
Enrollment	474	487	465	461
Heritage Elementary				
Square feet	100,000	100,000	100,000	100,000
Capacity	750	750	750	750
Enrollment	647	642	610	599
Jennie Reid Elementary				
Square feet	72,450	72,450	72,450	72,450
Capacity	600	600	600	600
Enrollment	515	494	487	486
La Porte Elementary				
Square feet	94,064	94,064	94,064	94,064
Capacity	700	700	700	700
Enrollment	523	525	502	491
Lomax Elementary				
Square feet	86,495	86,495	86,495	86,495
Capacity	700	700	700	700
Enrollment	536	548	523	519
Rizzuto Elementary				
Square feet	85,563	85,563	85,563	85,563
Capacity	750	750	750	750
Enrollment	587	584	582	588
Intermediate				
Baker 6th Grade Campus				
Square feet	140,060	140,060	140,060	140,060
Capacity	700	700	700	700
Enrollment	608	551	625	533

Fiscal Year					
2015	2016	2017	2018	2019	2020
111,000	111,000	111,000	111,000	111,000	111,000
750	750	750	750	750	750
522	537	557	579	579	579
75,301	77,910	77,910	77,910	77,910	77,910
650	696	696	696	696	696
472	490	470	453	453	453
100,000	100,000	100,000	100,000	100,000	100,000
750	750	750	750	750	750
595	560	550	519	519	519
72,450	72,450	72,450	72,450	72,450	72,450
600	600	600	600	600	600
492	462	471	456	456	456
94,064	94,064	94,064	94,064	94,064	94,064
700	700	700	700	700	700
494	549	554	546	546	546
86,795	101,987	101,987	101,987	101,987	101,987
700	729	729	729	729	729
528	542	511	487	487	487
85,563	85,563	85,563	85,563	85,563	85,563
750	750	750	750	750	750
595	591	585	592	592	592
140,060	125,937	125,937	125,937	125,937	125,937
700	925	925	925	925	925
550	575	580	547	547	547

La Porte Independent School District

SCHOOL BUILDING INFORMATION - EXHIBIT L-19 (Page 2 of 2)

Last Ten Years

	Fiscal Year			
	2011	**2012**	**2013**	**2014**
Junior High Schools				
La Porte Junior High School				
Square feet	148,044	148,044	148,044	148,044
Capacity	725	725	725	725
Enrollment	553	566	536	555
Lomax Junior High School				
Square feet	125,645	125,645	125,645	125,645
Capacity	780	780	780	780
Enrollment	581	628	611	608
High School				
La Porte High School				
Square feet	502,332	502,332	504,652	504,652
Capacity	2,923	2,923	2,923	2,923
Enrollment	2,188	2,121	2,168	2,190
Alternative School				
DeWalt Alternative School				
Square feet	37,796	37,796	37,796	37,796
Capacity	250	250	250	250
Enrollment	72	61	61	68
Total Square Footage	1,578,750	1,578,750	1,581,070	1,581,070
Total Capacity	10,278	10,278	10,278	10,278
Total Enrollment	7,816	7,768	7,747	7,628

Source: District records

Fiscal Year					
2015	2016	2017	2018	2019	2020
148,044	153,200	153,200	153,200	153,200	153,200
725	725	725	725	725	725
554	549	595	568	568	568
125,645	125,645	125,645	125,645	125,645	125,645
780	780	780	780	780	780
605	612	597	609	609	609
504,652	591,126	633,140	633,140	633,140	633,140
2,923	2,923	3,100	3,100	3,100	3,100
2,162	2,218	2,176	2,083	2,083	2,083
37,796	37,796	37,796	37,796	37,796	37,796
250	250	250	250	250	250
60	54	57	60	60	60
1,581,370	1,676,678	1,718,692	1,718,692	1,718,692	1,718,692
10,278	10,578	10,755	10,755	10,755	10,755
7,629	7,739	7,703	7,499	7,499	7,499

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COMPLIANCE SECTION

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BELT HARRIS PECHACEK
CERTIFIED PUBLIC ACCOUNTANTS
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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 10, 2020

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, 2020, 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 10, 2020.

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.

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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 10, 2020

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, 2020. 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.

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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, 2020.

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, 2020

A. SUMMARY OF PRIOR YEAR AUDIT FINDINGS

No prior year findings.

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La Porte Independent School District

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2020

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of District.

2. Significant deficiencies in internal control were not 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. Significant deficiencies in internal control over major federal award programs were not 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
84.010	Title I Part A – Improving Basic Programs
16.839	STOP School Violence

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

La Porte Independent School District

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - EXHIBIT K-1

For the Year Ended June 30, 2020

(1)	(2)	(2A)	(3)	
Federal Grantor/Pass Through Grantor/Program or Cluster Title	**Federal CFDA Number**	**Pass-through Entity Identifying Number**	**Federal Expenditures**	
U.S. DEPARTMENT OF EDUCATION				
Passed Through State Department of Education				
ESEA Title I, Part A	84.010	19610101101916	$	33,086
ESEA Title I, Part A	84.010	20610101101916		795,622
IDEA B, Formula Grant*	84.027	196600011019166600		3,883
IDEA B, Formula Grant*	84.027	206600011019166600		1,386,545
IDEA B, Capacity Grant*	84.027	66001906		72,876
IDEA B, Preschool*	84.173	206610011019166610		28,948
Title III, Part A	84.365	19671001101916		247
Title III, Part A	84.365	20671001101916		48,553
Carl D. Perkins Basic Formula	84.048A	19420006101916		26,728
Carl D. Perkins Basic Formula	84.048A	20420006101916		71,242
Title II, Part A, Supporting Effective Instruction	84.367	19694501101916		1,027
Title II, Part A, Supporting Effective Instruction	84.367	20694501101916		145,794
Texas Hurricane Homeless Youth	84.938	19513701101916		7,498
Title IV, Part A, Subpart 1	84.424	19680101101916		2,074
Title IV, Part A, Subpart 1	84.424	20680101101916		57,764
Instructional Continuity Grant	84.377	17610740101916		24,500
TOTAL U.S. DEPARTMENT OF EDUCATION				2,706,387
U.S. DEPARTMENT OF JUSTICE				
STOP School Violence	16.839	2018-YS-BX-0117		289,910
TOTAL U.S. DEPARTMENT OF JUSTICE				289,910
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through State Department of Education				
School Breakfast Programs*	10.553	806780706		547,738
National School Lunch*	10.555	806780706		1,417,019
USDA Commodities	10.565	806780706		203,901
TOTAL U.S. DEPARTMENT OF AGRICULTURE				2,168,658
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Medicaid Administrative Claims	93.778	N/A		51,968
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				51,968
TOTAL EXPENDITURES OF FEDERAL AWARDS			$	5,216,923

** Indicates clustered program under OMB Compliance Supplement*

Federal revenue per SEFA	$	5,216,923
IRS bond subsidy		258,528
Junior ROTC		68,992
SHARS		1,883,103
C-2 Federal revenue	$	7,427,546

The accompanying notes are an integral part of this schedule.

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NOTE 1: BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of the 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

Expenditures reported on the SEFA are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principals contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the SEFA, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

The District has elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.

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La Porte Independent School District

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS - EXHIBIT L-1

For the Year Ended June 30, 2020

Data Control Codes		Responses
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial= statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF3	Did the District make timely payments to the Teacher Retirement System (TRS),= Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the District was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warranty hold was issued,= the District is considered to not have made timely payments.) Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued. Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.	Yes
SF4	Was the District issued a warrant hold? Even if the issue surrounding the initial= warrant hold was resolved and cleared within 30 days, the District is considered= to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance= for grants, contracts, and laws related to local, state or federal funds?	No
SF7	Did the District post the required financial information on its website in accordance with Government code, Local Government code, Texas Education code, Texas administrative code and other statutes, laws and rules that were in effect at the District's fiscal year end?	Yes
SF8	Did the Board members discuss the District's property values at a Board meeting= within 120 days before the school district adopted its budgets?	Yes
SF9	Total accumulated accretion on CABs included in government-wide finanical statements at fiscal year end.	$ -

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Financial Advisory Services
Provided By:

SAMCO Capital