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

REMARKETING MEMORANDUM
Dated: July 13, 2021

<u>REMARKETING (NOT A NEW ISSUE)</u>: BOOK-ENTRY-ONLY

In the opinion of McCall, Parkhurst & Horton L.L.P., as Bond Counsel, interest on the Bonds, as remarketed, is excludable from gross income for federal income tax purposes under statutes, regulations, published rulings, and court decisions existing on the date thereof, subject to matters described under "TAX MATTERS" herein.

$57,885,000
NEW CANEY INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Montgomery and Harris Counties, Texas)
VARIABLE RATE UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2018

CONVERSION TO TERM RATE PERIOD OF THREE YEARS AT A PER ANNUM TERM RATE OF 1.25%
(PRICED TO YIELD 0.40% TO MANDATORY TENDER DATE)

Original Dated Date: July 1, 2018 | **New Mandatory Tender Date: August 15, 2024**
CUSIP No: 643154HS9 | **Stated Maturity: February 15, 2050**

The New Caney Independent School District is remarketing its Variable Rate Unlimited Tax School Building Bonds, Series 2018 (the "Bonds"). The Bonds were initially issued on July 24, 2018 pursuant to the Constitution and general laws of the State of Texas, particularly Sections 45.001 and 45.003(b)(1), as amended, Texas Education Code, Chapter 1371, as amended, Texas Government Code, an election held in the District on May 5, 2018, and the order (such order, as amended by the hereinafter-defined Conversion Order, the "Original Bond Order") adopted by the Board of Trustees (the "Board") on June 18, 2018. The Bonds are currently outstanding in the Initial Rate Period, bearing interest at the Initial Rate through the August 14, 2021 conclusion of the Initial Interest Period. On August 15, 2021 (the "Conversion Date"), all outstanding Bonds are subject to mandatory tender for purchase, without the right of retention by the owners thereof, and redemption at the District's option; provided, however, that because August 15, 2021 is not a business day, such tender shall occur on August 16, 2021, the first business day occurring after the scheduled mandatory tender date (though interest on the Bonds shall cease to accrue at the Initial Rate on August 14, 2021, being the last day of the Initial Rate Period).

The Board, pursuant to an order thereby adopted on May 17, 2021 (the "Conversion Order"), (i) authorized the remarketing of tendered Bonds to new holders and conversion of such Bonds to a new Term Rate Period commencing on the Conversion Date and continuing through and including August 14, 2024 (the "New Rate Period") and during which the remarketed Bonds will bear interest at the new Term Rate identified below and (ii) delegated to certain District officials and staff members (each, an "Authorized Official") the authority to execute a pricing certificate (the "Conversion Pricing Certificate") evidencing certain of the terms of the Bonds, as remarketed. The Conversion Pricing Certificate was executed by an Authorized Official of the District on July 13, 2021, which completed the remarketing of the Bonds. In addition, the Conversion Order authorized the redemption of Bonds on the Conversion Date, at the District's option and using lawfully available District funds.

The Bonds are currently outstanding in the principal amount of $59,015,000. The District, on August 16, 2021 (which is the first business day after the scheduled August 15, 2021 mandatory tender and redemption date), will settle $1,130,000 in principal amount of Bonds redeemed pursuant to optional redemption provisions applicable thereto, with the remaining $57,885,000 mandatorily tendered for purchase by the existing holders thereof for remarketing and conversion to the New Rate Period. Except specifically with respect to a description of the Bonds prior to the Conversion Date, the term "Bonds" as used in this Remarketing Memorandum refers to Bonds that remain outstanding on and immediately after the Conversion Date.

During the New Rate Period, the Bonds will bear interest at a Term Rate of 1.25%, and such interest shall accrue from the Conversion Date and continue until the end of the New Rate Period (occurring on August 14, 2024). The Bonds are subject to mandatory tender, without right of retention by the holders thereof, on August 15, 2024 (the "New Mandatory Tender Date"), which is the day immediately succeeding the last day of the New Rate Period. During the New Rate Period, interest on the Bonds is payable initially on February 15, 2022, and thereafter on each August 15 and February 15 through and including the New Mandatory Tender Date. The definitive Bonds have been registered and delivered to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of $5,000 or any integral multiple thereof. No physical delivery of the Bonds will be made to the owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds (see "BOOK-ENTRY- ONLY SYSTEM" herein). BOKF, NA, Dallas, Texas, serves as Paying Agent/Registrar and Tender Agent for the Bonds.

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

In the event that all of the Bonds are not remarketed to new purchasers on the New Mandatory Tender Date, neither the acting remarketing agent nor the District will have any obligation to purchase any of the Bonds tendered on such date, and the related notice of mandatory tender will be deemed to be rescinded for that date with respect to all of the Bonds. The occurrence of the foregoing will not result in an Event of Default under the Order or the Bonds. Until such time as the District redeems or remarkets Bonds that have not been successfully remarketed as described above, the Bonds shall bear interest at the "Stepped Rate" for the duration of the Stepped Rate Period. The Stepped Rate for the Bonds remarketed to the New Rate Period is a per annum rate of 6.00% (see "THE BONDS — Determination of Interest Rates; Rate Mode Changes" and "– Tender Provisions" herein).

The Bonds were initially delivered on July 24, 2018, and were approved by the Attorney General of the State of Texas and the approval of certain legal matters by the District's then-acting bond counsel. In connection with the remarketing of the Bonds, certain legal matters will be passed upon for the District by its Bond Counsel, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas. Certain legal matters will be passed upon for the Remarketing Agent by its counsel, Hunton Andrews Kurth LLP, Houston, Texas. The Bonds will, through the services of DTC, be available for delivery following payment of the Purchaser Price thereof on August 16, 2021.

Oppenheimer & Co.
as Remarketing Agent

$57,885,000
NEW CANEY INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Montgomery and Harris Counties, Texas)
VARIABLE RATE UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2018

MATURITY SCHEDULE
CUSIP No.: 643154HS9[1]

Stated Maturity[2]	New Rate Conversion Date	Last Day of New Rate Period	Mandatory Tender Date	Term Rate	Initial Yield[3]	Stepped Rate
February 15, 2050	August 15, 2021	August 14, 2024	August 15, 2024	1.25%	0.40%	6.00%

[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 Remarketing Agent are responsible for the selection or correctness of the CUSIP numbers set forth herein.

[2] Subject to scheduled mandatory sinking fund redemption. See "THE BONDS – Redemption – Scheduled Mandatory Redemption" herein.

[3] Initial yield calculated from New Rate Conversion Date to Mandatory Tender Date.

NEW CANEY INDEPENDENT SCHOOL DISTRICT

BOARD OF TRUSTEES

Name	Date Initially Elected	Current Term Expires (November)	Occupation
Chad Turner, President	2012	2021	Business Owner
Creg Mixon, Vice President	2014	2023	Purchasing
Elizabeth Rhoden Harrell, Secretary	2017	2023	Insurance Agent
Ty Trout, Assistant Secretary	2016	2022	Construction
Beth Prykryl, Member	2016	2022	Lawyer
Wendy Sharp, Member	2018	2021	Nurse Practitioner
Ricky Warwick, Member	2018	2021	Police Officer

APPOINTED OFFICIALS

Name	Position	Length of Education Service	Length of Service with District
Matt Calvert	Superintendent	15 Years	5 Years
Brandy Chelette	Executive Director of Finance	19 Years	15 Years
Blake Carroll	Executive Director of Operations	15 Years	3 Years
Kristi Amarantos	Executive Director of Human Resources	23 Years	1 Year
Kristi Shofner	Executive Director of School Leadership Learning	25 Years	5 Years
Loree Munro	Executive Director of Instructional Programs	33 Years	11 Years
Scott Castleberry	Executive Director of Student Services	31 Years	31 Years
Jim Holley	Director of Athletics	31 Years	13 Years
Dr. Scott Powers	Executive Director of Public Relations	21 Years	4 Years
Merredith Hunt	Director of Budget	12 Years	7 Years
Amanda Garcia	Director of Accounting	5 Years	4 Years

CONSULTANTS AND ADVISORS

McCall, Parkhurst & Horton L.L.P., San Antonio, Texas	Bond Counsel
SAMCO Capital Markets, Inc., Plano, Texas	Financial Advisor
Weaver and Tidwell, L.L.P., Conroe, Texas	Certified Public Accountants

For additional information, contact:

Matt Calvert
Superintendent
New Caney ISD
21580 Loop 494
New Caney, Texas 77357
(281) 577-8611

Doug 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 REMARKETING MEMORANDUM

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

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

The Remarketing Agent has provided the following sentence for inclusion in this Remarketing Memorandum. The Remarketing Agent has reviewed the information in the Remarketing Memorandum pursuant to its responsibilities to investors under the federal securities laws, but the Remarketing Agent do not guarantee the accuracy or completeness of such information.

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

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

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

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

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

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

TABLE OF CONTENTS

SELECTED DATA FROM THE REMARKETING MEMORANDUM

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

The District	The New Caney Independent School District (the "District") is a political subdivision of the State of Texas located in Montgomery and Harris 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.
New Rate Period	The Bonds are currently outstanding in the Initial Rate Period, expiring on August 14, 2021 and during which they bear interest at the Initial Rate. On August 15, 2021 (the "Conversion Date"), all outstanding Bonds are subject to mandatory tender for purchase, without the right of retention by the owners thereof, and redemption at the District's option; provided, however, that because August 15, 2021 is not a business day, such tender shall occur on August 16, 2021, the first business day occurring after the scheduled mandatory tender date (though interest on the Bonds shall cease to accrue at the Initial Rate on August 14, 2021, being the last day of the Initial Rate Period). On the Conversion Date, Bonds not redeemed will be converted to a new Term Rate Period, commencing on such Conversion Date and concluding on August 14, 2024 (such Term Rate Period, the "New Rate Period") and bearing interest at a Term Rate of 1.25%, and remarketed to new holders. The Bonds are subject to mandatory tender, without right of retention by the holders thereof, on August 15, 2024 (hereinafter defined and referred to as the "Mandatory Tender Date"), which is the day immediately succeeding the last day of the New Rate Period. On the Mandatory Tender Date, the Bonds are subject to mandatory tender, without the right of retention by the holders thereof, at which time the District expects to convert such tendered Bonds to a new Rate Period or Periods and remarket them to new purchasers.
Failure to Remarket	In the event that all of the Bonds are not converted into one or more Rate Periods and remarketed to new purchasers on such Mandatory Tender Date, neither the then-acting remarketing agent nor the District will have any obligation to purchase any of the Bonds tendered on such date, and the mandatory tender notice will be deemed to be rescinded for that date with respect to all of the Bonds. The occurrence of the foregoing will not result in an Event of Default under the Original Bond Order or the Bonds. Until such time as the District redeems or remarkets Bonds that have not been successfully remarketed as described above, such Bonds shall bear interest at the "Stepped Rate" of 6.00% per annum for the duration of the Stepped Rate Period (see "THE BONDS Determination of Interest Rates; Rate Period Changes" and "– Tender Provisions" herein)
Paying Agent/Registrar and Tender Agent	The Paying Agent/Registrar and Tender Agent for the Bonds is BOKF, NA, Dallas, Texas.
Security	The Bonds 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.
Redemption	The Bonds will be subject to mandatory tender for purchase, without the right of retention by the holders thereof, on the Mandatory Tender Date, which shall occur on August 15, 2021. In the event that all of the Bonds are not remarketed to new purchasers on the Mandatory Tender Date, neither the Remarketing Agent nor the District will have any obligation to purchase any of the Bonds tendered on such date, and the mandatory tender will be deemed to be rescinded for that date with respect to all of the Bonds. The occurrence of the foregoing will not result in an Event of Default under the Order or the Bonds. Until such time as the District redeems or remarkets Bonds that have not been successfully remarketed as described above, the Bonds shall bear interest at the "Stepped Rate" for the duration of the Stepped Rate Period (as defined herein). The Stepped Rate is defined in the Order as a per annum rate of 6.00% (see "THE BONDS — Determination of Interest Rates; Rate Mode Changes" and "– Tender Provisions" herein).
Permanent School Fund Guarantee	The Bonds are guaranteed by the corpus of the Permanent School Fund Guarantee Program of Texas. However, the Permanent School Fund guarantee is not effective with respect to the payment of the Purchase Price of tendered 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 Fitch Ratings, Inc. ("Fitch") based upon the guaranteed repayment thereof under the Permanent School Fund Guarantee Program of the TEA. The District's unenhanced, underlying ratings, including the Bonds, are "Aa3" by Moody's and "AA-" by Fitch. (See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "RATINGS" herein.)
Tax Matters and Legal Opinion	In connection with the remarketing of the Bonds that is the subject of this Remarketing Memorandum, Bond Counsel has delivered its opinion that interest on the Bonds is excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein including the alternative minimum tax on corporations. (See "TAX MATTERS" and "Appendix C - Form of Legal Opinion of Bond Counsel.")
Payment Record	The District has never defaulted on the payment of its bonded indebtedness.

INTRODUCTORY STATEMENT

This Remarketing Memorandum (the "Remarketing Memorandum"), including Appendices A, B and D, has been prepared by the New Caney Independent School District (the "District"), a political subdivision of the State of Texas (the "State") located in Montgomery and Harris Counties, Texas, in connection with the remarketing by the District of its Variable Rate Unlimited Tax School Building Bonds, Series 2018 (the "Bonds").

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

There follows in this Remarketing Memorandum descriptions of the Bonds and the order adopted on June 18, 2018 by the Board of Trustees of the District (the "Board") authorizing the issuance of the Bonds (such order, as amended by the hereinafter-defined Conversion Order, the "Order" or the "Original Bond Order") and certain other information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained upon request by writing the New Caney Independent School District, 21580 Loop 494, New Caney, Texas 77357 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 Remarketing Memorandum speaks only as of its date, and the information contained herein is subject to change. A copy of this Final Remarketing Memorandum 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.

This Remarketing Memorandum does not describe the terms and provisions of the Bonds or the Original Bond Order as they relate to the Bonds following the expiration of the New Rate Period (defined herein) except as described herein in connection with the mandatory tender for purchase following the last day of the New Rate Period. See "THE BONDS – Tender Provisions." Upon mandatory tender for purchase of the Bonds as described herein, the Bonds are expected to be remarketed. At the time of such remarketing, a new offering document or supplement to this Remarketing Memorandum will be prepared for such remarketing of the Bonds.

Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Original Bond Order.

THE BONDS ARE SUBJECT TO CONVERSION TO OTHER INTEREST MODES AT THE TIMES AND UPON THE CONDITIONS DESCRIBED IN THE ORIGINAL BOND ORDER FOLLOWING A MANDATORY TENDER FOR PURCHASE OF SUCH BONDS. THIS REMARKETING MEMORANDUM IS NOT INTENDED TO PROVIDE INFORMATION WITH RESPECT TO THE BONDS AFTER CONVERSION TO ANY NEW INTEREST RATE PERIOD (INCLUDING ANY THAT ARE SUBSEQUENT TO THE NEW RATE PERIOD THAT IS THE SUBJECT OF THIS REMARKETING MEMORANDUM). PURCHASERS OF THE BONDS SHOULD NOT RELY ON THIS REMARKETING MEMORANDUM FOR INFORMATION CONCERNING ANY OTHER INTEREST RATE PERIOD FOR THE BONDS OTHER THAN THE BONDS IN THE NEW RATE PERIOD.

INFECTIOUS DISEASE OUTBREAK – COVID-19

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

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency (including TEA) that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness, mitigation and re-opening. However, on March 2, 2021, the Governor issued Executive Order GA-34 effective March 10, 2021, which supersedes most of the executive orders relating to COVID-19 and provides, generally, for the reopening of the State to 100%, ends the COVID-19 mask mandate, and supersedes any conflicting order issued by local officials in response to COVID-19, among other things and subject to certain limitations. Executive Order GA-34 remains in place until amended, rescinded, or superseded by the Governor. On May 18, 2021, Governor Abbott issued Executive Order GA-36, which supersedes Executive Order GA-34 in part. Executive Order GA-36 prohibits governmental entities in Texas, including counties, cities, school districts, public health authorities, and government officials from requiring or mandating any person to wear a face covering and subjects a governmental entity or official to a fine of up to $1,000 for noncompliance, subject to certain exceptions. Notwithstanding the above, Executive Order GA-36 provides for public schools to continue to follow policies regarding the wearing of face coverings to the extent reflected in current guidance by TEA, until June 4, 2021. However, Executive Order GA-36 requires TEA to revise its guidance such that, effective 11:59 p.m. on June 4, 2021, no student, teacher, parent, or other staff member or visitor may be required to wear a face covering. Executive orders remain in place until they are amended, rescinded, or superseded by the Governor. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Remarketing Memorandum.

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 March 25, 2021, TEA issued updated public planning health guidance in accordance with Executive Order GA-34 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 “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”) calculations requiring attendance to be taken. However, the TEA has crafted an approach for determining ADA during the pandemic 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 were initially provided an ADA grace period for the first three six weeks of the 2020-2021 school year. If a district's first two six-weeks average ADA is less than the ADA hold harmless projections (described below), the first two six-week attendance reporting periods for 2020-2021 will be excluded from the calculation of annual ADA and student fulltime equivalents (“FTE”) for Foundation School Program (“FSP”) funding purposes and will be replaced with the ADA and FTE hold harmless projections that were derived using a three-year average trend of final numbers from the 2017-2018 through 2019-2020 school years, unless this projection is both (i) 15% higher and (ii) 100 ADA higher than the 2020-2021 legislative planning estimate (“LPE”) projections provided by the TEA to the State legislature pursuant to Section 48.269 of the Texas Education Code, in which case the 2020-2021 LPE ADA and FTE will be used as the hold harmless projections.

The ADA hold harmless protection was also available for the third six-week attendance reporting period, but only for those districts that allowed on-campus instruction throughout the entire third six-week period, as further described below. The ADA hold harmless methodology will be identical to the methodology used for the first two six-week attendance reporting periods, except that the third six-week period will be examined independent of the first two six-week attendance reporting periods.

The ADA hold harmless protection was recently extended for the remainder of the 2020-21 school year (the fourth, fifth, and sixth six-week attendance reporting periods). In order to qualify, a district must meet certain criteria established by the TEA related to on-campus participation rates during the sixth six-week attendance reporting period. A district would be eligible for the ADA hold harmless protection for the fourth, fifth, and sixth six-weeks if (1) the average on-campus attendance participation rate during the sixth six-weeks attendance reporting period was equal to or greater than 80% of all students educated during the sixth six-weeks; or (2) the average on-campus attendance participation rate during the sixth six-weeks attendance reporting period was equal to or greater than the on-campus attendance participation rate reported by the district on the October 2020 PEIMS Fall Snapshot. This recent extension also potentially provided ADA hold harmless protection to districts that were not previously eligible for the ADA hold harmless protection during third six-weeks attendance reporting period as previously discussed. If applicable, a district can now be eligible if (1) the average on-campus participation rate during the sixth six-weeks reporting period was equal to or greater than 90% of all students educated during the sixth six-weeks; or (2) for districts with a 2020 PEIMS Fall Snapshot on-campus attendance participation rate of less than 50%, the average on-campus attendance participation rate during the sixth six-weeks attendance reporting period must increase by at least 20 percentage points from the on-campus attendance participation rate reported on the district’s October 2020 PEIMS Fall Snapshot, or for districts with a 2020 PEIMS Fall Snapshot on-campus attendance participation rate equal to or greater than 50%, the average on-campus attendance participation rate during the sixth six-weeks reporting period must be equal to or greater than the on-campus percentage of all students educated during the sixth six-weeks that results from adding 45 percentage points to half of the on-campus attendance participation rate reported on the district’s October 2020 PEIMS Fall Snapshot.

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 (which markets provide significant revenues to the State, who in turn, use such revenues to satisfy its public school funding obligations). See “CURRENT PUBLIC SCHOOL FINANCE SYSTEM”.

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

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

THE BONDS

Authorization and Purpose

The Bonds were initially issued on July 24, 2018 pursuant to the Constitution and general laws of the State of Texas, particularly Sections 45.001 and 45.003(b)(1), as amended, Texas Education Code, Chapter 1371, as amended, Texas Government Code (“Chapter 1371”), an election held in the District on May 5, 2018, and the Original Bond Order. Proceeds from the sale of the Bonds were used for (i) designing, constructing, renovating, improving, acquiring and equipping school facilities and the purchase of the necessary sites for school facilities, and (ii) paying the costs of issuing the Bonds.

Security for Payment

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. Payment of the scheduled debt service on (but not the Purchase Price of) the Bonds is guaranteed under the State of Texas Permanent School Fund Guarantee Program (hereinafter defined). (See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS", “CURRENT PUBLIC SCHOOL FINANCE SYSTEM”, and “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”).

Permanent School Fund Guarantee

The Bonds received conditional approval from the Commissioner of Education for the guarantee of the Bonds under the Permanent School Fund Guarantee Program (Chapter 45, Subchapter C, of the Texas Education Code, as amended). The Bonds are absolutely and unconditionally guaranteed by the corpus of the Permanent School Fund of the State of Texas; provided, however, the Permanent School Fund Guarantee is not effective with respect to the payment of the Purchase Price for mandatorily tendered Bonds. In the event of a payment default by the District, registered owners will receive all payments due from the corpus of the Permanent School Fund.

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

Current Rate Period, Conversion and Remarketing

The Bonds are variable rate, multi-modal obligations, currently outstanding in the Initial Rate Period that expires on August 14, 2021 (which period, from the Bonds' date of initial delivery to such date of expiration is referred to herein as the "Current Rate Period"). Upon expiration of the Current Rate Period, the Bonds are subject to mandatory tender for purchase, without right of retention by the owners thereof and, upon tender, will be remarketed into a new Term Rate Period, commencing on August 15, 2021 and concluding on August 14, 2024 (such period, the "New Rate Period"), pursuant to the applicable terms of the Original Bond Order and the terms of an order adopted by the Board on May 17, 2021 (the "Conversion Order"). The Conversion Order delegated to certain District officials and staff members (each, an "Authorized Official") the authority to execute a pricing certificate (the "Conversion Pricing Certificate") evidencing certain of the terms of the Bonds, as remarketed. The Conversion Pricing Certificate was executed by an Authorized Official on July 13, 2021, which completed the remarketing of the Bonds.

On August 15, 2021 (the "Conversion Date"), all outstanding Bonds in the Current Rate Period, as stated above, are subject to mandatory tender for purchase, without the right of retention by the owners thereof; provided, however, that because August 15, 2021 is not a business day, such tender shall occur on August 16, 2021, the first business day occurring after the scheduled mandatory tender date (though interest on the Bonds shall cease to accrue at the Initial Rate on August 14, 2021, being the last day of the Initial Rate Period).

The Bonds are currently outstanding in the principal amount of $59,015,000. The District, on August 16, 2021 (which is the first business day after the scheduled August 15, 2021 mandatory tender and redemption date), will settle $1,130,000 in principal amount of Bonds redeemed pursuant to optional redemption provisions applicable thereto, with the remaining $57,885,000 mandatorily tendered for purchase by the existing holders thereof for remarketing and conversion to the New Rate Period. Except specifically with respect to a description of the Bonds prior to the Conversion Date, the term "Bonds" as used in this Remarketing Memorandum refers to Bonds that remain outstanding on and immediately after the Conversion Date.

New Rate Period

On the Conversion Date, the Bonds tendered for purchase and not optionally redeemed will be converted to the New Rate Period. The Bonds will bear interest during the New Rate Period at a Term Rate of 1.25%, which Term Rate will be effective from and including the Conversion Date and shall remain in effect through and including the last day of the New Rate Period (which is August 14, 2024). Pursuant to the terms of the Original Bond Order, the Term Rate on the Bonds is established by the Remarketing Agent (defined herein) for the New Rate Period.

General Description

Authorized Denominations. The Bonds are being remarketed in the New Rate Period in principal denominations of $5,000 or integral multiples thereof.

Calculation of Interest; Interest Payment Dates. Interest accrued on the Bonds during the New Rate Period will be paid on each February 15 and August 15 commencing February 15, 2022 (and continuing through August 15, 2024). Interest on the Bonds in a Stepped Rate Period will be payable on each February 15 and August 15 during such period and on the day such Bonds are converted from the Stepped Rate Period to a different Rate Period (as defined herein).

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

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

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

Tender Agent. BOKF, NA, Dallas, Texas, currently serves as the tender agent (the "Tender Agent") for the Bonds. All notices and Bonds required to be delivered to the Tender Agent shall be delivered to BOKF, NA, Dallas, Texas, Attn: Ms. Erin Fitzpatrick, 5956 Sherry Lane, Suite 1201, Dallas, Texas 75225. In the event that the Book-Entry-Only System herein is discontinued and registered bonds are issued, all notices and Bonds are required to be delivered to 5956 Sherry Lane, Suite 1201, Dallas, Texas 75225.

Remarketing Agent and Remarketing Agreement. Oppenheimer has been appointed to serve as the remarketing agent (the "Remarketing Agent" for the Bonds. Oppenheimer may be removed as Remarketing Agent and a successor may be appointed in accordance with the Order and the Remarketing Agreement between the Remarketing Agent and the District. The office of Oppenheimer for purposes of its duties as Remarketing Agent, is 13455 Noel Road, Suite 1200, Dallas, Texas 75240.

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

Determination of Interest Rates; Rate Mode Changes

New Rate Period. The Bonds will bear interest at the Term Rate of 1.25%, from the Conversion Date through and including August 14, 2024. The Interest Payment Dates during the New Rate Period will be February 15 and August 15, commencing on February 15, 2022 and continuing through August 15, 2024. Following the New Rate Period, the Bonds will bear interest at a Term Rate as determined by the Remarketing Agent, unless changed by the District in the manner as described below.

Rate Mode Changes after New Rate Period. On the first Business Day immediately following the last day of the New Rate Period (referred to herein as the "Mandatory Tender Date"), which shall occur on August 15, 2024, the Bonds are subject to mandatory tender for purchase, without right of retention by the holders thereof, and are to be converted from the New Term Rate Period to one or more different Rate Periods established under the Order. See "– Tender Provisions – Mandatory Tender." The "Rate Periods" established under the Order include a term rate period and fixed rate period. The Order does not obligate the District to obtain a standby bond purchase agreement, liquidity facility, or similar agreement (each, a "Liquidity Facility") providing liquidity support for the Bonds upon the conversion thereof from the New Rate Period to a different term rate period or a fixed rate period. Any Liquidity Facility obtained by the District in connection with the conversion of the Bonds following the New Rate Period will not be available to pay any portion of the Purchase Price of the Bonds on the Mandatory Tender Date.

The District may elect to convert the Bonds on the Mandatory Tender Date from the New Rate Period to one or more Rate Periods by notice given to the Paying Agent/Registrar and certain other notice parties at least 45 days prior to the Mandatory Tender Date. Such notice shall also specify the conditions, if any, to the conversion and the consequences of such conditions not being fulfilled. Not less than 30 days prior to the such conversion, the Paying Agent/Registrar shall send a written notice of the conversion and the mandatory tender for the Bonds to the registered owners thereof. See "– Tender Provisions – Mandatory Tender." While the Bonds are in book-entry form, registered to DTC, such notice will be given only to DTC.

After the New Rate Period, any conversion to a new interest period will be conditioned on delivery of an opinion of nationally recognized bond counsel to the Paying Agent/Registrar and the Remarketing Agent prior to the applicable conversion date to the effect that the conversion will not adversely affect the excludability of interest on the Bonds from gross income of the owners thereof for federal income tax purposes and is in compliance with State law. The opinion of Bond Counsel attached to this Remarketing Memorandum as Appendix C expresses no opinion as to the effect on excludability from gross income for federal income tax purposes of any action taken after the delivery date which requires the receipt of an opinion of a nationally recognized bond counsel.

While in a Term Rate mode, Bonds may be converted to a different interest rate mode only at the expiration of a Term Rate period.

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

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

In no event will the interest rate borne by the Bonds exceed the "Highest Rate", which (as provided in the Order) is the lesser of 8.00% and the maximum net effective interest rate permitted under Chapter 1204, Texas Government Code, as amended.

Tender Provisions

No Optional Tender. During the New Rate Period, the Bonds are not benefitted by a Liquidity Facility nor is one currently contemplated to be entered into in the future. The Bonds are not subject to optional tender at the election of the holders thereof for purchase during the New Rate Period.

Mandatory Tender. The Bonds are required to be tendered for purchase to the Tender Agent on the day immediately succeeding conclusion of the New Rate Period for the Bonds, without right of retention by holders thereof, and, if not successfully remarketed at the end of the New Rate Period, while the Bonds bear interest at the Stepped Rate, upon at least one day's prior notice.

Payment of the Purchase Price of Bonds to be purchased upon mandatory tender as described herein will be made by the Tender Agent at its Corporate Trust Office or by wire transfer in immediately available funds. Payment of such Purchase Price is not guaranteed by the Permanent School Fund Guarantee.

Effects of Failed Remarketing. In the event that such Bonds are not converted and remarketed to new purchasers on the scheduled date of mandatory tender, the District or the Remarketing Agent shall have no obligation to purchase the Bonds tendered on such date, the failed conversion and remarketing shall not constitute an event of default under the Original Bond Order or the Bonds, the mandatory tender notice will be deemed to have been rescinded for that date with respect to the Bonds subject to such failed remarketing only, and such Bonds (i) will continue to be Outstanding, (ii) will be purchased upon the availability of funds to be received from the subsequent remarketing of such Bonds, (iii) will bear interest at the Stepped Rate during the Stepped Rate Period, (iv) will be subject to redemption and mandatory tender for purchase on any date during the Stepped Rate Period upon which a conversion occurs (which shall occur at the District's discretion upon delivery of at least one day's notice to the holders of Bonds bearing interest at the Stepped Rate), and (v) will be deemed to continue in the then-applicable Term Rate period for all other purposes of the Order, though bearing interest during such time at the Stepped Rate until remarketed or redeemed in accordance with the terms of the Order. In the event of a failed conversion and remarketing as described above, the District has covenanted in the Order to cause the Bonds to be converted and remarketed on the earliest reasonably practicable date on which they can be sold at not less than par, in such interest rate mode or modes as the District directs, at a rate not exceeding the Highest Rate. The Order provides that the Stepped Rate means a rate per annum equal to 6.00%, calculated on the basis of twelve 30 day months and the number of days actually elapsed.

Interest on any Bond that the Owner has not elected to continue to own after a mandatory purchase date and that is not tendered on the mandatory purchase date, but for which there has been irrevocably deposited with the Tender Agent an amount sufficient to pay the Purchase Price thereof, will cease to accrue on the mandatory purchase date. Thereafter, the Owner of such Bond will not be entitled to any payment other than the Purchase Price for such Bond from money held by the Tender Agent for such payment, and such Bond will not otherwise be outstanding or entitled to the benefits of the Order. On the mandatory purchase date, the Tender Agent will authenticate and deliver substitute Bonds in lieu of such untendered Bonds.

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

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

Redemption

Optional Redemption. The Bonds are not subject to optional redemption prior to the expiration of the New Rate Period; provided, however, the Bonds are subject to optional redemption on the Mandatory Tender Date and on any date when the Bonds bear interest at the Stepped Rate.

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

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

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

Scheduled Mandatory Redemption. The Bonds are subject to mandatory redemption prior to stated maturity as follows:

Mandatory Redemption

Date	Amount
February 15, 2046	$8,835,000
February 15, 2047	9,190,000
February 15, 2048	12,840,000
February 15, 2049	13,270,000
February 15, 2050	13,750,000

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

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

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

DTC Redemption Provision. The Paying Agent/Registrar, so long as a book-entry system is used for the Bonds, will send any notice of redemption, or other notices with respect to the Bonds only to DTC (or any successor securities depository for the Bonds). Any failure by DTC to advise any Direct Participant (defined herein), or of any Direct Participant or Indirect Participant (defined herein) to notify the Beneficial Owner (defined herein), will not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of Direct Participants in accordance with its rules or other agreements with Direct Participants and then Direct Participants and Indirect Participants may implement a redemption of such Bonds from the Beneficial Owners. Any such selection of Bonds to be redeemed will not be governed by the Order and will not be conducted by the District or Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to Direct Participants, Indirect Participants, or the persons for whom Direct Participants act as nominees, with respect to the payments on the Bonds or the providing of notice to Direct Participants, Indirect Participants, or Beneficial Owners of the selection of portions of the Bonds for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein).

Legality

The Bonds were initially delivered on July 24, 2018 and were approved as to legality by the Attorney General of the State of Texas and the approval of certain legal matters by the District's then-acting bond counsel. McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, as Bond Counsel, will approve certain legal matters relating to the conversion and remarketing of the Bonds described herein. (See "LEGAL MATTERS" and "Appendix C - Form of Legal Opinion of Bond Counsel").

Payment Record

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

Amendments

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

Defeasance

The Order provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar or other authorized escrow agent, in trust (1) money sufficient to make such payment, (2) Government Obligations (defined below) that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, or (3) a combination of money and Government Obligations sufficient to make such payment. The sufficiency of deposits hereinbefore described shall be certified by an independent certified accountant, the District's Financial Advisor, the Paying Agent/Registrar, or some other qualified financial institution as specified in the Order. The District has additionally reserved the right in the Order, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Obligations for the Government Obligations originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District money in excess of the amount required for such defeasance. The Order provides that "Government Obligations" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the District, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and, on the date of their acquisition or purchase by the District, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, or (d) any additional securities and obligations hereafter authorized by Texas law as eligible for use to accomplish the discharge of obligations such as the Bonds. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Bonds, or those for any other Government Obligations, will be maintained at any particular rating category. Further, there is no assurance that current Texas law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of those securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Bonds ("Defeasance Proceeds"), though the District has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Order does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the District to use lawfully available Defeasance Proceeds to defease all or any portion of the Bonds, registered owners of Bonds are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, deasance securities may not be of the same investment quality as those currently identified Texas law as permissible defeasance securities.

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

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

REGISTERED OWNERS' REMEDIES

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

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

The Depository Trust Company ("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 maturity of the Bonds, each in the aggregate principal amount of such maturity and will be deposited with DTC.

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

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

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

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

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

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

(or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Direct Participant, to the Tender Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of Bonds in connection with an option tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Tender Agent's DTC account.

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

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

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

Use of Certain Terms in Other Sections of this Remarketing Memorandum

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

REGISTRATION, TRANSFER AND EXCHANGE

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, trust company, financial institution or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District has agreed to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Future Registration

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

Record Date For Interest Payment

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

Limitation on Transfer of Bonds

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

Replacement Bonds

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

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

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]

Fiscal Year Ended 8/31	School District Bonds No. of Issues	School District Bonds Principal Amount	Charter District Bonds No. of Issues	Charter District Bonds Principal Amount	Totals No. of Issues	Totals Principal Amount
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 Remarketing Memorandum 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 Remarketing Memorandum.

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"). The information contained herein under the captions "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" and "TAX RATE LIMITATIONS" is subject to change. 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 adjourned on May 31, 2021. The Texas Legislature called a special session, scheduled to begin on July 8, 2021. 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 has taken or may take, but intends to analyze recent and proposed legislature 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" is set at 93% per $100 of taxable value. 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

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

Enrichment Tax Rate

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

School districts may levy an Enrichment Tax Rate at a level of their choice, subject to the limitations described under "TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate"; however to levy any of the Enrichment Tax Rate in a given year, a school district must levy a Tier One Tax Rate equal to the school district's MCR for 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 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 were required to reduce their Enrichment Tax Rate to approximately $0.138 per $100 taxable value for the 2019-2020 school year.

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

The Foundation School Program also includes facilities funding components consisting of the IFA and the EDA, subject to legislative appropriation each State fiscal biennium. To the extent funded for a biennium, these programs assist school districts in funding facilities by, generally, equalizing a school district’s I&S tax effort. The IFA guarantees each awarded school district a specified amount per student (the “IFA Yield”) in State and local funds for each cent of I&S tax levied to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate or improve instructional facilities. The IFA Yield has been $35 since this program first began in 1997. New awards of IFA are only available if appropriated funds are allocated for such purpose by the State Legislature. To receive an IFA award, in years where new IFA awards are available, a school district must apply to the Commissioner in accordance with rules adopted by the TEA before issuing the bonds to be paid with IFA State assistance. The total amount of debt service assistance over a biennium for which a school district may be awarded is limited to the lesser of (1) the actual debt service payments made by the school district in the biennium in which the bonds are issued; or (2) the greater of (a) $100,000 or (b) $250 multiplied by the number of students in ADA. The IFA is also available for lease-purchase agreements and refunding bonds meeting certain prescribed conditions. Once a school district receives an IFA award for bonds, it is entitled to continue receiving State assistance for such bonds without reapplying to the Commissioner. The guaranteed level of State and local funds per student per cent of local tax effort applicable to the bonds may not be reduced below the level provided for the year in which the bonds were issued. For the 2020-2021 State fiscal biennium, the State Legislature did not appropriate any funds for new IFA awards; however, awards previously granted in years the State Legislature did appropriate funds for new IFA awards will continue to be funded.

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

Since future-year IFA awards were not funded by the State Legislature for the 2020-2021 State fiscal biennium and debt service assistance on school district bonds that are not yet eligible for EDA is not available, debt service payments during the 2020-2021 State fiscal biennium on new bonds issued by school districts in the 2020-2021 State fiscal biennium to construct, acquire and improve facilities must be funded solely from local I&S taxes.

A school district may also qualify for a NIFA allotment, which provides assistance to school districts for operational expenses associated with opening new instructional facilities. In the 2019 Legislative Session, the State Legislature appropriated funds in the amount of $100,000,000 for each fiscal year of the 2020-2021 State fiscal biennium for NIFA allotments.

Tax Rate and Funding Equity

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

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

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

Local Revenue Level in Excess of Entitlement

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

Whereas prior to the 2019 Legislation, the recapture process had been based on the proportion of a school district's assessed property value per student in ADA, recapture is now measured by the "local revenue level" (being the M&O tax revenues generated in a school district) in excess of the entitlements appropriated by the State Legislature each fiscal biennium. Therefore, school districts are now guaranteed that recapture will not reduce revenue below their statutory entitlement. The changes to the wealth transfer provisions are expected to reduce the cumulative amount of recapture payments paid by school districts by approximately $3.6 billion during the 2020-2021 State fiscal biennium.

Options for Local Revenue Levels in Excess of Entitlement

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

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

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

For the 2020-2021 school year, the District was not designated as an "excess local revenue" Chapter 49 school district by TEA. Accordingly, the District has not been required to exercise one of the wealth equalization options permitted under applicable State law. As a district with local revenue less than the maximum permitted level, the District may benefit in the future by agreeing to accept taxable property or funding assistance from or agreeing to consolidate with, a property-rich district to enable such district to reduce its wealth per student to the permitted level.

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

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

AD VALOREM TAX PROCEDURES

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

Valuation of Taxable Property

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

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

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

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

State Mandated Homestead Exemptions

State law grants, with respect to each school district in the State, (1) a $25,000 exemption of the appraised value of all homesteads, (2) a $10,000 exemption of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled, and (3) various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty. See "Appendix A – Financial Information of the District – Assessed Valuation" for the reduction in taxable valuation attributable to state-mandated homestead exemptions.

Local Option Homestead Exemptions

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

State Mandated Freeze on School District Taxes

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

Personal Property

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

Freeport and Goods-In-Transit Exemptions

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

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

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

Other Exempt Property

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

Temporary Exemption for Qualified Property Damaged by a Disaster

The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. 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"). The 87th Texas Legislature did not vote to extend this program, which now is scheduled to expire by its terms, effective December 31, 2022.

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

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 March 9, 1974 under Chapter 20, Texas Education Code (now codified as Section 45.003, Texas Education Code). The 2019 Legislation established the following maximum M&O tax rate per $100 of taxable value that may be adopted by independent school districts, such as the District:

The maximum maintenance tax rate per $100 of taxable value that may be adopted by an independent school district is the sum of $0.17 and the school district's MCR. The District's MCR is, generally, inversely proportional to the change in taxable property values both within the District and the State, and is subject to recalculation annually. For any year, highest possible MCR for an independent school district is $0.93. Furthermore, a school district cannot annually increase its tax rate in excess of the school district's Voter-Approval Tax Rate without submitting such tax rate to an election and a majority of the voters voting at such election approving the adopted rate. See "TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate" herein.

I&S Tax Rate Limitations

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

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

THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT

The Appraisal District has the responsibility for appraising property in the District as well as other taxing units in the respective County. Each Appraisal District is governed by a board of directors appointed by members of the governing bodies of various political subdivisions within the respective 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 collects 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 Montgomery County Tax Assessor.

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

The District does not participate in a tax increment financing zone. The District does not grant tax abatements.

Other than the State-mandated exemptions of $25,000 for general homestead and an additional $10,000 for persons who are 65 years of age or older and who are disabled, the District does not grant a local option exemption to the market value of the residence homestead of persons 65 years of age or older or the disabled.

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

EMPLOYEES' RETIREMENT PLAN AND OTHER POST-EMPLOYMENT BENEFITS

The District's employees participate in a retirement plan (the "Plan") with the State. The Plan is administered by the Teacher Retirement System of Texas ("TRS"). State contributions are made to cover costs of the Plan up to certain statutory limits. The District is obligated for a portion of the Plan 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 August 31, 2020, the District made a contribution to TRS on a portion of their employee's salaries that exceeded the statutory minimum. The District 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 "4. OTHER INFORMATION – C. Defined Benefit Pension Plan" to the audited financial statements of the District that are attached hereto as Appendix D (the "Financial Statements").

During the year ended August 31, 2020, employees of the District were covered by a fully-insured health insurance plan (the "Health Care Plan"). The District contributed $250 per month, per employee to the Health Care Plan. Employees, at their option, authorize payroll withholdings to pay premiums for dependents. See "Note 4. OTHER INFORMATION – A. Risk Management - Health Care Coverage" of the Financial Statements.

The District contributes to the Texas Public School Retired Employees Group Insurance Program ("TRS-Care"), a cost-sharing, multiple-employer defined benefit postemployment health care plan administered by the TRS. Contribution requirements to TRS-Care are legally established each biennium by the State legislature. See "Note 4. OTHER INFORMATION – D. Defined Other Postemployment Benefit Plan" in the Financial Statements.

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

In June 2012, Government Accounting Standards Board (GASB) Statement No. 68 (Accounting and Financial Reporting for Pensions) was issued to improve accounting and financial reporting by state and local governments regarding pensions. GASB Statement No. 68 requires reporting entities, such as the District, to recognize their proportionate share of the net pension liability and operating statement activity related to changes in collective pension liability. This means that reporting entities, such as the District, that contribute to the TRS pension plan will report a liability on the face of their government-wide financial statements. Such reporting began with the District's fiscal year ending August 31, 2015. See "APPENDIX A – Change in Net Assets". GASB Statement No. 68 applies only to pension benefits and does not apply to Other Post-Employment Benefits (OPEB) or TRS-Care related liabilities.

RATINGS

At the time of their initial issuance, the Bonds were rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "AAA" by Fitch Ratings, Inc. ("Fitch") based upon the guaranteed repayment thereof under the Permanent School Fund Guarantee Program of the TEA. (See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM"). The Bonds remain guaranteed by the Permanent School Fund Guarantee Program. The District's unenhanced, underlying ratings, including the Bonds, are "Aa3" by Moody's and "AA-" by Fitch.

An explanation of the significance of such rating may be obtained from Moody's and Fitch. The rating on the Bonds by Moody's and Fitch reflects only the view 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 Fitch, if, in the judgment of Moody's and Fitch, 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 the rating agencies. Any downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds. A securities rating is not a recommendation to buy, sell, or hold securities.

LEGAL MATTERS

At the time of the initial issuance of the Bonds, the District furnished to the underwriters thereof a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the approving opinion of the District's then-acting bond counsel. McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, as Bond Counsel to the District will, at the time of the settlement of the remarketing of the Bonds into the New Rate Period, deliver its opinion that the interest on the Bonds, as remarketed, is excludable from gross income for federal income tax purposes under statutes, regulations, published rulings, and court decisions existing on the date thereof, subject to matters described under “TAX MATTERS” herein. See “THE BONDS – Determination of Interest Rates; Rate Mode Changes” identifying circumstances in which the opinion of a nationally recognized bond counsel is required as a condition for an interest rate mode conversion.

Bond Counsel has been engaged to represent the District in connection with the conversion of the Bonds from the current Term Rate Period to the New Rate Period. Though it represents the Financial Advisor and the Remarketing Agent from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the District with respect to the conversion of the Bonds from the current Term Rate Period to the New Rate Period. Except as noted below, Bond Counsel was not requested to participate, and did not take part in the preparation of this Remarketing Memorandum, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information appearing under the captions or subcaptions “THE BONDS” (except for the information included under the subcaption “Redemption – DTC Redemption Provision” and under the subcaptions “Permanent School Fund Guarantee” and “Payment Record,” as to which no opinion is expressed), “CONTINUING DISCLOSURE OF INFORMATION” (except for the information under the sub-caption “Compliance with Prior Undertakings,” as to which no opinion is expressed), and Bond Counsel is of the opinion that the statements and information contained therein fairly and accurately reflect the provisions of the Order; further, Bond Counsel has reviewed the statements and information contained in this Remarketing Memorandum under the captions and sub-captions “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 the last two sentences of the first paragraph thereof), “TAX MATTERS,” “LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS” and “REGISTRATION AND QUALIFICATION OF BONDS FOR SALE,” and Bond Counsel is of the opinion that the statements and information contained therein are correct as to matters of law.

In connection with the conversion of the Bonds to the New Rate Period, certain legal matters will be passed upon for the Remarketing Agent by its counsel, Hunton Andrews Kurth LLP, Houston,Texas.

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

TAX MATTERS

Opinion

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

In rendering its opinion, Bond Counsel to the Issuer relied upon (i) information furnished by the District, and particularly written representations of officers and agents of the District with respect to certain material facts that are solely within their knowledge relating to the use of the proceeds of the Bonds, the construction, use and management of the proceeds and (in the case of the opinion to be rendered on the conversion date) the use of proceeds of and the property to be financed by the Bonds and (ii) covenants of the District with respect to arbitrage, the application of the proceeds received from the issuance and sale of the Bonds and certain other matters. Failure to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

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

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

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

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

INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

State, Local and Foreign Taxes

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

Information Reporting and Backup Withholding

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

Future and Proposed Legislation

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

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

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 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 clauses (1) or (12), 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.

As a school district that qualifies as an "issuer" under Chapter 1371, the District is also authorized to purchase, sell, and invest its funds in corporate bonds, but only if the District has formally amended its investment policy to authorize such investments. Texas 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).

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.

Investment Policies

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

Effective September 1, 2019, the investment officer of a local government is allowed to invest bond proceeds or pledged revenue only to the extent permitted by the PFIA and in accordance with (i) statutory provisions governing the debt issuance (or lease, installment sale, or other agreement) and (ii) the local government's investment policy regarding the debt issuance or the agreement.

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

Additional Provisions

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

Current Investments

As of November 30, 2020, the District had $132,696,166 (unaudited) invested in TexPool and $2,938,409 (unaudited) invested in Lone Star Investment Pool which are government investment pools that generally have the characteristics of a money-market mutual fund) and $18,904,893 (unaudited) invested in a local bank. The market value of such investments (as determined by the District by reference to published quotations, dealer bids, and comparable information) is approximately 100% of the book value.

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

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the 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 Remarketing Memorandum. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

It is the obligation of the Remarketing Agent 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 Remarketing Agent's written request and sole expense, in registering or qualifying the Bonds or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the District shall not be required to qualify as a foreign corporation or to execute a general or special consent to service of process in any jurisdiction.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "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.

FINANCIAL ADVISOR

SAMCO Capital Markets, Inc. is employed as Financial Advisor to the District to assist in the remarketing of the Bonds. In this capacity, the Financial Advisor has compiled certain data relating to the Bonds that is contained in this Remarketing Memorandum. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the District to determine the accuracy or completeness of this Remarketing Memorandum. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fee of the Financial Advisor for services with respect to the Bonds is contingent upon the remarketing 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 Remarketing Memorandum. The Financial Advisor has reviewed the information in this Remarketing Memorandum in accordance with, and as part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data annually to the MSRB. The information to be updated includes financial information and operating data with respect to the District of the general type included in this Remarketing Memorandum in Appendix A (such information being the "Annual Operating Report"). The District will additionally provide financial statements of the District (the "Financial Statements"), that will be (i) prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in Appendix D and (ii) audited, if the District commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The District will update and provide the Annual Operating Report within six months after the end of each fiscal year and the Financial Statements within 6 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 6 months after any such fiscal year end, then the District shall file unaudited Financial Statements within such 6-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

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

The District's current fiscal year end is August 31. Accordingly, the Annual Operating Report must be provided by the last day of February in each year, and the Financial Statements must be provided by August 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". The District will provide each notice described in this paragraph to the MSRB. Neither the Bonds nor the Order make any provision for a bond trustee, debt service reserves, credit enhancement (except for the Permanent School Fund guarantee), or liquidity enhancement.

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

Limitations and Amendments

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

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if, but only if, (1) the agreement, as so amended, would have permitted Underwriter to purchase or sell Bonds in the initial primary offering in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent 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 holders and beneficial owners of the Bonds. If the District amends its agreement, it has agreed to include with the financial information and operating data next provided, in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and operating data so provided.

Compliance with Prior Undertakings

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

LITIGATION

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

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

CRIMINAL CHARGES AGAINST FORMER SUPERINTENDENT

On September 21, 2020, the District requested that the Texas Rangers investigate Mr. Kenn Franklin (who served as the District's superintendent for 11 years prior to his resignation) based on suspicions that he was creating and submitting fictitious travel vouchers. The Board accepted Mr. Franklin's resignation on November 16, 2020. In January of 2021, Mr. Franklin was charged with aggregate theft by a public servant and tampering with a government record. According to arrest warrant affidavits from the Montgomery County District Attorney's Office (the "District Attorney"), Mr. Franklin was accused of submitting at least 22 falsified expense reports to the District in 2020, and prosecutors were able to prove Mr. Franklin claimed at least

$5,600 in reimbursement for travel for meetings he did not attend. There were no similar allegations against other District officers or employees and, after conduct of an internal investigation, none are expected.

Notwithstanding the fact that the amount of alleged theft is immaterial to its financial condition, and no material weaknesses or deficiencies in internal management or controls were identified in the annual audit for the financial reporting period that ended August 31, 2020, the District has, because of this event, implemented additional internal procedures regarding travel and travel-related reimbursement to prevent reoccurrences. The District has also engaged Whitley Penn, as an independent auditor to analyze all of the District's various financial processes. The independent audit commenced February 22, 2021 and is now closed after the Board's review. The matter was turned over to the District Attorney to handle the criminal investigation, and legal proceedings regarding this matter began on March 31, 2021. Mr. Franklin plead guilty to theft by a public servant and was sentenced to two years in prison on April 28, 2021.

FORWARD LOOKING STATEMENTS

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

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

REMARKETING

The Remarketing Agent has agreed, subject to certain customary conditions, to purchase the Bonds at a price equal to the initial offering prices to the public, as shown on the inside cover page hereof, less an Remarketing Agent' discount of $197,700.43, plus accrued interest. The Remarketing Agent' obligations are subject to certain conditions precedent, and the Remarketing Agent 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 Remarketing Agent.

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

CONCLUDING STATEMENT

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

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 Remarketing Memorandum are made subject to all of the provisions of such statutes, documents, and the Order. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

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 Remarketing Memorandum for purposes of, and as that term is defined in, SEC Rule 15c2-12.

The Order also approved the form and content of this Remarketing Memorandum and any addenda, supplement or amendment thereto and authorized its further use in the re-offering of the Bonds by the Remarketing Agent.

/s/ Chad Turner
President, Board of Trustees

ATTEST:
/s/ Elizabeth Rhoden Harrell
Secretary, Board of Trustees

APPENDIX A

FINANCIAL INFORMATION OF THE DISTRICT

(this page intentionally left blank)

NEW CANEY INDEPENDENT SCHOOL DISTRICT

Financial Information

ASSESSED VALUATION [1]

2020/21 Total Valuation		$ 6,164,274,209
Less Exemptions & Deductions [2]:		
State Homestead Exemption	$ 335,265,605	
State Over-65 Exemption	41,572,377	
Disabled Homestead Exemption Loss	51,860,316	
Veterans Exemption Loss	4,134,953	
Surviving Spouse 100% Disabled Veteran Loss	2,447,970	
Surviving Spouse Deceased First Responder Loss	93,990	
Productivity Loss	104,387,185	
Pollution Control Loss	618,597	
Prorations & Other Partial Exemptions	896,732	
Homestead Cap Loss	148,859,339	
	$ 690,137,064	
2020/21 Net Taxable Valuation		$ 5,474,137,145
2021/22 Preliminary Net Taxable Valuation [3]		$ 6,120,188,833

(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. See "AD VALOREM TAX PROCEDURES -- Residential homestead Exemptions" in the body of the Remarketing Memorandum.
(2) Excludes the values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers which totaled $141,491,159 in 2020/21.
(3) Source: Preliminary Values from Montgomery Central Appraisal District and Harris County Appraisal District as of April 2021. This figure does not include $102,653,946 of property value under arbitration review in Montgomery and Harris County.

VOTED GENERAL OBLIGATION DEBT

Unlimited Tax Bonds Outstanding [1]		$ 485,270,000
Plus: The Bonds		57,885,000
Total Unlimited Tax Bonds [1]		543,155,000
Less: Interest & Sinking Fund Balance (As of August 31, 2020) [2]		(7,130,963)
Net General Obligation Debt		$ 536,024,037
Ratio of Net G.O. Debt to Net Taxable Valuation [3]	8.76%	
2021 Population Estimate [4]	88,560	
Per Capita Net Taxable Valuation	$69,108	
Per Capita Net G.O. Debt	$6,053	

(1) Excludes interest accreted on outstanding capital appreciation bonds. Excludes the Bonds.
(2) Source: New Caney ISD Audited Financial Statement.
(3) The ratio of Net G.O. Debt to Net Taxable Valuation above does not include the portion of the District's outstanding debt service that is payable from any debt subsidies that may be provided by the State of Texas. The District has received state funding assistance for voted bond debt service equal to approximately 13% of its debt service requirements, which was subject to tax effort rules and state funding program limits, for its unlimited tax debt service for the 2020/21 fiscal year. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the body of the Remarketing Memorandum and "DEBT SERVICE REQUIREMENTS" in this appendix and see the "Audited Financial Report Fiscal Year Ended August 31, 2020" in Appendix D for more information relative to the District's outstanding obligations.
(4) Source: Municipal Advisory Council of Texas.

PROPERTY TAX RATES AND COLLECTIONS

Fiscal Year	Net Taxable Valuation [1]	Tax Rate	% Collections [3] Current [4]	Total [4]
2006/07	$ 1,403,755,006	$ 1.6400 [5]	96.83%	101.44%
2007/08	1,628,307,021	1.4150 [5]	97.20%	100.64%
2008/09	1,902,216,996	1.4400	97.12%	100.02%
2009/10	2,032,733,864	1.4800	96.75%	99.11%
2010/11	2,076,233,536	1.5400	96.99%	99.53%
2011/12	2,220,942,251	1.5400	97.14%	99.82%
2012/13	2,363,898,110	1.5400	97.79%	100.67%
2013/14	2,556,225,775	1.6700	98.24%	100.48%
2014/15	2,803,969,485	1.6700	98.39%	100.22%
2015/16	3,215,791,497 [2]	1.6700	98.23%	99.62%
2016/17	3,645,605,882 [2]	1.6700	98.23%	99.75%
2017/18	3,976,159,760 [2]	1.6700	98.40%	100.10%
2018/19	4,462,295,502 [2]	1.6700	98.44%	99.63%
2019/20	4,851,824,401 [2]	1.5684 [6]	98.18%	99.40%
2020/21	5,474,137,145 [2]	1.4761		
2021/22	6,120,188,833			

(1) Source: Comptroller of Public Accounts - Property Tax Division. See the Assessed Valuation section in this Appendix for additional information.
(2) The passage of a Texas constitutional amendment on November 3, 2015 increased the homestead exemption from $15,000 to $25,000.
(3) Source: New Caney ISD Audited Financial Statements.
(4) Excludes penalties and interest.
(5) 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 Remarketing Memorandum.
(6) The decline in the District's Maintenance & Operation Tax from the 2018/19 fiscal year to the 2019/20 fiscal year is a function of House Bill 3 adopted by the Texas Legislature in June 2019. See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in this Remarketing Memorandum.

TAX RATE DISTRIBUTION (1)

	2016/17	2017/18	2018/19	2019/20 (2)	2020/21 (2)
Maintenance & Operations	$1.1700	$1.1700	$1.1700	$1.0684	$0.9761
Debt Service	$0.5000	$0.5000	$0.5000	$0.5000	$0.5000
Total Tax Rate	$1.6700	$1.6700	$1.6700	$1.5684	$1.4761

(1) On August 30, 2013, the District successfully held a tax ratification election. The voters of the District approved a maintenance and operations tax not to exceed $1.17.
(2) The decline in the District's Maintenance & Operations Tax from the 2018/19 fiscal year to the 2019/20 fiscal year and from the 2019/2020 fiscal year to the 2020/2021 fiscal year is a function of House Bill 3 adopted by the Texas Legislature in June 2019. See "State and Local Funding of School Districts in Texas" herein.

VALUATION AND FUNDED DEBT HISTORY

Fiscal Year	Net Taxable Valuation	Bond Debt Outstanding (1)	Ratio Debt to A.V. (2)
2006/07	$ 1,403,755,006	$ 153,984,458	10.97%
2007/08	1,628,307,021	172,730,458	10.61%
2008/09	1,902,216,996	196,665,453	10.34%
2009/10	2,032,733,864	205,705,492	10.12%
2010/11	2,076,233,536	202,104,257	9.73%
2011/12	2,220,942,251	250,515,776	11.28%
2012/13	2,363,898,110	276,909,358	11.71%
2013/14	2,556,225,775	279,004,409	10.91%
2014/15	2,803,969,485	353,859,957	12.62%
2015/16	3,215,791,497	345,046,645	10.73%
2016/17	3,645,605,882	411,228,762	11.28%
2017/18	3,976,159,760	461,040,353	11.60%
2018/19	4,462,295,502	512,885,359	11.49%
2019/20	4,851,824,401	504,345,000	10.39%
2020/21	5,474,137,145	543,155,000	9.92%
2021/22	6,120,188,833 (3)	534,155,000 (4)	8.73% (4)

(1) At fiscal year end. Excludes interest accreted on outstanding capital appreciation bonds.
(2) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement, "DEBT SERVICE REQUIREMENTS" in this Appendix and see the "Audited Financial Report Fiscal Year Ended August 31, 2020" in Appendix D for more information.
(3) Source: Preliminary Values from Montgomery Central Appraisal District and Harris County Appraisal District as of April 2021. This figure does not include $102,653,946 of property value under arbitration review in Montgomery and Harris County.
(4) Includes the Bonds as remarketed into their New Rate Period.

ESTIMATED OVERLAPPING DEBT STATEMENT

Taxing Body	Amount	Percent Overlapping	Amount Overlapping
E. Montgomery Co MUD #3	$ 25,265,000	100.00%	$ 25,265,000
E. Montgomery Co MUD #6	21,865,000	100.00%	21,865,000
E. Montgomery Co MUD #7	5,726,000	100.00%	5,726,000
Harris County	1,293,922,125	0.01%	129,392
Harris County Department of Education	20,185,000	0.01%	2,019
Harris County Flood Control	334,270,000	0.01%	33,427
Harris County Hospital District	81,540,000	0.01%	8,154
Harris County Toll Road	-	0.01%	-
Houston, City of	3,340,040,540	0.22%	7,348,089
Kings Manor MUD	11,320,000	100.00%	11,320,000
Lone Star College System	518,505,000	2.40%	12,444,120
Montgomery County	486,675,000	8.01%	38,982,668
Montgomery County MUD #24	7,440,000	100.00%	7,440,000
Montgomery County MUD #56	2,255,000	100.00%	2,255,000
Montgomery County MUD #83	13,125,000	100.00%	13,125,000
Montgomery County MUD #84	28,355,000	100.00%	28,355,000
Montgomery County MUD #96	7,460,000	100.00%	7,460,000
Montgomery County MUD #98	15,095,000	100.00%	15,095,000
New Caney MUD	33,278,524	100.00%	33,278,524
Port of Houston Authority	492,439,397	0.01%	49,244
Porter MUD (Auburn Trails Defined Area No. 1)	5,125,000	100.00%	5,125,000
Porter MUD (Auburn Trails Defined Area No. 2)	3,795,000	100.00%	3,795,000
Porter MUD (General Obligation Debt)	23,000,000	100.00%	23,000,000
Porter MUD - Hendricks Defined Area	4,615,000	100.00%	4,615,000
Roman Forest Consolidated MUD	5,655,000	100.00%	5,655,000
Roman Forest PUD #4	765,000	100.00%	765,000
Roman Forest, City of	3,130,000	100.00%	3,130,000
Valley Ranch MUD #1	31,820,000	100.00%	31,820,000
Valley Ranch Town Center District	16,090,000	100.00%	16,090,000
Woodbranch Village, City of	-	99.17%	-
Woodridge MUD	20,325,000	100.00%	20,325,000
Total Overlapping Debt (1)			$ 344,501,637
New Caney Independent School District (2) (3)			536,024,037
Total Direct & Overlapping Debt (2) (3)			$ 880,525,674
Ratio of Net Direct & Overlapping Debt to Net Taxable Valuation		14.39%	
Per Capita Direct & Overlapping Debt		$9,943	

(1) Equals gross-debt less self-supporting debt.
(2) Includes the Bonds as remarketed into their New Rate Period.
(3) Excludes interest accreted on 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 [(1) (2)]

2020/21 Top Ten Taxpayers

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Wal-Mart Stores Inc.	Retail Store & Distribution Center	$ 138,506,447	2.53%
Kingwood Medical Plaza Ltd	Medical Complex	130,855,671	2.39%
Entergy Texas Inc.	Electric Utility	48,473,220	0.89%
Administaff Services, Inc.	Employment Leasing Company	46,898,683	0.86%
MDC Kings Landing LP	Commercial Building	32,000,000	0.58%
The Pointe Valley Ranch Town Center LLC	Shopping Center	31,500,000	0.58%
Valley Ranch Town Center Two Ltd	Shopping Center	30,434,510	0.56%
Sir Kingwood Villas LLC	Real Estate Development	30,000,000	0.55%
Christian James Properties	Apartment Complex	29,145,000	0.53%
200 Kellington No 3A Partnership	Real Estate Development	27,500,000	0.50%
		$ 545,313,531	9.96%

2019/20 Top Ten Taxpayers

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Wal-Mart Stores Inc.	Retail Store & Distribution Center	$ 137,917,441	2.84%
Kingwood Medical Plaza Ltd	Medical Complex	136,717,022	2.82%
Administaff Services, Inc.	Employment Leasing Company	46,910,944	0.97%
Entergy Texas Inc.	Electric Utility	39,663,230	0.82%
MDC Kings Landing LP	Commercial Building	32,000,000	0.66%
Sir Kingwood Villas LLC	Real Estate Development	30,000,000	0.62%
Christian James Properties	Apartment Complex	29,145,000	0.60%
KRG Kingwood LLC	Developer	28,500,000	0.59%
200 Kellington No 3A Partnership	Real Estate Development	27,500,000	0.57%
Valley Ranch Town Center One Ltd	Shopping Center	27,013,740	0.56%
		$ 535,367,377	11.03%

2018/19 Top Ten Taxpayers

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Kingwood Medical Plaza Ltd	Medical Complex	$ 143,221,320	3.21%
Wal-Mart Stores Inc.	Retail Store & Distribution Center	137,059,510	3.07%
Administaff Services, Inc.	Employment Leasing Company	46,796,170	1.05%
Entergy Texas Inc.	Electric Utility	37,187,000	0.83%
Sir Kingwood Villas LLC	Real Estate Development	34,332,400	0.77%
KRG Kingwood LLC	Developer	32,642,580	0.73%
MDC Kings Landing LP	Commercial Building	32,462,960	0.73%
BPP Alphabet MF Kingwood LP	Commercial Building	26,508,080	0.59%
Kingwood Apartments LLC	Apartment Complex	26,500,000	0.59%
Christian James Properties	Apartment Complex	24,296,530	0.54%
		$ 541,006,550	12.12%

(1) Source: Comptroller of Public Accounts - Property Tax Division.
(2) As shown in the table above, the top ten taxpayers in the District account for in excess of 9% of the District's tax base. Adverse developments in economic conditions, especially in a particular industry in which any one of these large taxpayers participates, could adversely impact these businesses and, consequently, the tax values in the District, resulting in less local tax revenue. If any major taxpayer, or a combination of top taxpayers, were to default in the payment of taxes, the ability of the District to make timely payment of debt service on the Bonds may be dependent on its ability to enforce and liquidate its tax lien, which is a time consuming process that may only occur annually. See "REGISTERED OWNERS' REMEDIES" and "AD VALOREM TAX PROCEDURES – District's Rights in the Event of Tax Delinquencies" in this Official Statement.

CLASSIFICATION OF ASSESSED VALUATION BY USE CATEGORY (1)

Category	2020/21	% of Total	2019/20	% of Total	2018/19	% of Total
Real, Residential, Single-Family	$ 3,608,348,677	58.54%	$ 3,199,555,444	58.96%	$ 2,818,117,402	56.51%
Real, Residential, Multi-Family	379,808,258	6.16%	342,604,105	6.31%	327,219,543	6.56%
Real, Vacant Lots/Tracts	234,413,644	3.80%	150,784,192	2.78%	197,914,700	3.97%
Real, Qualified Land & Improvements	115,779,870	1.88%	84,685,170	1.56%	84,399,698	1.69%
Real, Non-Qualified Land & Improvements	81,009,240	1.31%	62,422,711	1.15%	67,764,900	1.36%
Real, Commercial & Industrial	1,085,931,461	17.62%	987,166,394	18.19%	939,210,186	18.83%
Oil & Gas	15,340	0.00%	14,890	0.00%	20,990	0.00%
Utilities	92,572,330	1.50%	76,948,028	1.42%	71,112,790	1.43%
Tangible Personal, Commercial	379,199,916	6.15%	348,610,531	6.42%	333,107,800	6.68%
Tangible Personal, Industrial	27,369,145	0.44%	21,646,469	0.40%	27,290,688	0.55%
Tangible Personal, Mobile Homes & Other	87,722,497	1.42%	71,359,904	1.31%	65,811,619	1.32%
Tangible Personal, Residential Inventory	57,568,880	0.93%	68,435,310	1.26%	42,919,580	0.86%
Tangible Personal, Special Inventory	14,534,951	0.24%	12,865,678	0.24%	12,187,632	0.24%
Total Appraised Value	$ 6,164,274,209	100.00%	$ 5,427,098,826	100.00%	$ 4,987,077,528	100.00%
Less:						
Homestead Cap Adjustment	$ 148,859,339		$ 101,047,320		$ 74,274,506	
Productivity Loss	104,387,185		72,826,646		72,826,144	
Exemptions (2)	436,890,540		401,400,459		377,681,376	
Total Exemptions/Deductions (3)	$ 690,137,064		$ 575,274,425		$ 524,782,026	
Net Taxable Assessed Valuation	$ 5,474,137,145		$ 4,851,824,401		$ 4,462,295,502	

Category	2017/18	% of Total	2016/17	% of Total	2015/16	% of Total
Real, Residential, Single-Family	$ 2,672,667,474	59.18%	$ 2,403,638,448	58.01%	$ 2,086,679,758	57.04%
Real, Residential, Multi-Family	252,030,736	5.58%	258,888,223	6.25%	246,609,482	6.74%
Real, Vacant Lots/Tracts	140,516,041	3.11%	111,311,012	2.69%	99,591,960	2.72%
Real, Qualified Land & Improvements	82,792,380	1.83%	80,011,190	1.93%	68,089,170	1.86%
Real, Non-Qualified Land & Improvements	71,771,001	1.59%	68,505,841	1.65%	59,995,243	1.64%
Real, Commercial & Industrial	798,501,784	17.68%	712,965,025	17.21%	643,668,323	17.60%
Oil & Gas	15,570	0.00%	19,160	0.00%	30,880	0.00%
Utilities	73,986,016	1.64%	72,290,190	1.74%	67,523,860	1.85%
Tangible Personal, Commercial	296,148,024	6.56%	305,824,742	7.38%	293,268,219	8.02%
Tangible Personal, Industrial	30,489,939	0.68%	35,130,277	0.85%	43,529,430	1.19%
Tangible Personal, Mobile Homes & Other	58,018,007	1.28%	49,477,400	1.19%	35,773,952	0.98%
Tangible Personal, Residential Inventory	29,132,240	0.65%	36,695,869	0.89%	4,998,979	0.14%
Tangible Personal, Special Inventory	10,447,743	0.23%	8,827,904	0.21%	8,250,070	0.23%
Total Appraised Value	$ 4,516,516,955	100.00%	$ 4,143,585,281	100.00%	$ 3,658,009,326	100.00%
Less:						
Homestead Cap Adjustment	$ 114,370,669		$ 96,503,222		$ 79,143,901	
Productivity Loss	70,351,534		67,131,967		53,443,860	
Exemptions (2)	355,634,992		334,344,210		309,630,068	
Total Exemptions/Deductions (3)	$ 540,357,195		$ 497,979,399		$ 442,217,829	
Net Taxable Assessed Valuation	$ 3,976,159,760		$ 3,645,605,882		$ 3,215,791,497	

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

PRINCIPAL REPAYMENT SCHEDULE

Fiscal Year Ending 8/31	Outstanding Bonds [1] [2]	Plus: The Bonds	Total [1]	Bonds Unpaid At Year End	Percent of Principal Retired
2021	$ 9,230,000.00	$ -	$ 9,230,000.00	$ 543,155,000.00	1.67%
2022	9,000,000.00	-	9,000,000.00	534,155,000.00	3.30%
2023	9,035,000.00	-	9,035,000.00	525,120,000.00	4.94%
2024	11,010,000.00	-	11,010,000.00	514,110,000.00	6.93%
2025	10,895,000.00	-	10,895,000.00	503,215,000.00	8.90%
2026	11,130,000.00	-	11,130,000.00	492,085,000.00	10.92%
2027	11,580,000.00	-	11,580,000.00	480,505,000.00	13.01%
2028	13,375,000.00	-	13,375,000.00	467,130,000.00	15.43%
2029	13,940,000.00	-	13,940,000.00	453,190,000.00	17.96%
2030	14,515,000.00	-	14,515,000.00	438,675,000.00	20.59%
2031	15,060,000.00	-	15,060,000.00	423,615,000.00	23.31%
2032	15,610,000.00	-	15,610,000.00	408,005,000.00	26.14%
2033	16,155,000.00	-	16,155,000.00	391,850,000.00	29.06%
2034	16,725,000.00	-	16,725,000.00	375,125,000.00	32.09%
2035	17,320,000.00	-	17,320,000.00	357,805,000.00	35.23%
2036	17,955,000.00	-	17,955,000.00	339,850,000.00	38.48%
2037	18,640,000.00	-	18,640,000.00	321,210,000.00	41.85%
2038	19,360,000.00	-	19,360,000.00	301,850,000.00	45.36%
2039	20,115,000.00	-	20,115,000.00	281,735,000.00	49.00%
2040	20,670,000.00	-	20,670,000.00	261,065,000.00	52.74%
2041	21,515,000.00	-	21,515,000.00	239,550,000.00	56.63%
2042	22,395,000.00	-	22,395,000.00	217,155,000.00	60.69%
2043	23,340,000.00	-	23,340,000.00	193,815,000.00	64.91%
2044	24,340,000.00	-	24,340,000.00	169,475,000.00	69.32%
2045	25,385,000.00	-	25,385,000.00	144,090,000.00	73.91%
2046	16,865,000.00	8,835,000.00	25,700,000.00	118,390,000.00	78.57%
2047	17,570,000.00	9,190,000.00	26,760,000.00	91,630,000.00	83.41%
2048	12,330,000.00	12,840,000.00	25,170,000.00	66,460,000.00	87.97%
2049	12,735,000.00	13,270,000.00	26,005,000.00	40,455,000.00	92.68%
2050	13,130,000.00	13,750,000.00	26,880,000.00	13,575,000.00	97.54%
2051	13,575,000.00		13,575,000.00	-	100.00%
Total	$ 494,500,000.00	$ 57,885,000.00	$ 552,385,000.00		

(1) Excludes the value on outstanding capital appreciation bonds.
(2) Excludes the Principal on the Variable Rate Unlimited Tax School Building Bonds, Series 2018.

DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 8/31	Outstanding Debt Service (1) (2)	Plus: The Bonds (3) Principal	Interest	Total	Combined Total (1) (2) (3) (4)
2021	$ 29,314,468.35	$ -	$ -	$ -	$ 29,314,468.35
2022	27,826,787.96	-	723,562.50	723,562.50	28,550,350.46
2023	28,262,069.21	-	723,562.50	723,562.50	28,985,631.71
2024	29,495,397.96	-	723,562.50	723,562.50	30,218,960.46
2025	29,260,370.46	-	1,736,550.00	1,736,550.00	30,996,920.46
2026	29,395,507.96	-	1,736,550.00	1,736,550.00	31,132,057.96
2027	29,398,482.96	-	1,736,550.00	1,736,550.00	31,135,032.96
2028	29,401,914.21	-	1,736,550.00	1,736,550.00	31,138,464.21
2029	29,393,139.21	-	1,736,550.00	1,736,550.00	31,129,689.21
2030	29,400,618.38	-	1,736,550.00	1,736,550.00	31,137,168.38
2031	29,396,778.45	-	1,736,550.00	1,736,550.00	31,133,328.45
2032	29,396,563.95	-	1,736,550.00	1,736,550.00	31,133,113.95
2033	29,395,471.65	-	1,736,550.00	1,736,550.00	31,132,021.65
2034	29,399,926.05	-	1,736,550.00	1,736,550.00	31,136,476.05
2035	29,398,722.78	-	1,736,550.00	1,736,550.00	31,135,272.78
2036	29,398,629.06	-	1,736,550.00	1,736,550.00	31,135,179.06
2037	29,400,624.08	-	1,736,550.00	1,736,550.00	31,137,174.08
2038	29,401,396.80	-	1,736,550.00	1,736,550.00	31,137,946.80
2039	29,400,759.20	-	1,736,550.00	1,736,550.00	31,137,309.20
2040	29,154,743.90	-	1,736,550.00	1,736,550.00	30,891,293.90
2041	29,155,535.00	-	1,736,550.00	1,736,550.00	30,892,085.00
2042	29,151,826.38	-	1,736,550.00	1,736,550.00	30,888,376.38
2043	29,154,984.38	-	1,736,550.00	1,736,550.00	30,891,534.38
2044	29,153,318.75	-	1,736,550.00	1,736,550.00	30,889,868.75
2045	29,152,437.50	-	1,736,550.00	1,736,550.00	30,888,987.50
2046	19,728,993.75	8,835,000.00	1,604,025.00	10,439,025.00	30,168,018.75
2047	19,677,150.00	9,190,000.00	1,333,650.00	10,523,650.00	30,200,800.00
2048	13,845,937.50	12,840,000.00	1,003,200.00	13,843,200.00	27,689,137.50
2049	13,836,262.50	13,270,000.00	611,550.00	13,881,550.00	27,717,812.50
2050	13,801,550.00	13,750,000.00	206,250.00	13,956,250.00	27,757,800.00
2051	13,801,481.25				13,801,481.25
	$ 825,351,849.59	$ 57,885,000.00	$ 43,396,912.50	$ 101,281,912.50	$ 926,633,762.09

(1) Includes the accreted value of outstanding capital appreciation bonds.
(2) Excludes the Debt Service on the Variable Rate Unlimited Tax School Building Bonds, Series 2018 in 2022 and thereafter.
(3) Includes accrued interest in the amount of $2,009.90. Interest on the Series 2018 Bonds is calculated at a Term Rate of 1.25% through August 15, 2024. For illustration purposes, interest is calculated at an assumed rate of 3.00% thereafter through stated maturity (which is consistent with the District's planning estimate). Actual rates applicable to this bond at conclusion of a rate period are subject to market conditions at the time or times that this bond is remarketed. The Highest Rate that the bond interest rate could reset to, commencing or after August 15, 2024, is 8.00%.
(4) Based on its wealth per student, the District has received $3,666,260 of state financial assistance for the payment of debt service for the fiscal year 2020/21. The amount of state financial assistance for debt service, if any, may differ substantially in future years 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" herein.

TAX ADEQUACY WITH RESPECT TO THE DISTRICT'S BONDS

Projected Maximum Debt Service Requirement (1)	$ 31,138,464.21
Projected State Financial Assistance for Debt Service in 2020/21 (2)	3,666,260.00
Projected Net Debt Service Requirement	$ 27,472,204.21
$0.46276 Tax Rate @ 97% Collections Produces (3)	$ 27,472,204.21
2021/22 Preliminary Net Taxable Valuation……	$ 6,120,188,833

(1) Includes the Bonds. Excludes the accreted value of outstanding capital appreciation bonds.
(2) The amount of state financial assistance for debt service, if any, may differ substantially in future years 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 Remarketing Memorandum.
(3) Certain of the District's bonds are "old debt" that are not subject to the 50-cent test. Consequently and despite the fact that the table above indicates a tax rate in excess of $0.50, the District may be required to utilize State tier one funds to pass the Attorney General's 50-cent test. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - State

AUTHORIZED BUT UNISSUED BONDS

The District has $30,000,000 of authorized but unissued unlimited ad valorem tax bonds from the May 5, 2018 election. The District may also incur other financial obligations payable from its collection of taxes and other sources of revenue, including maintenance tax notes payable from its collection of maintenance taxes, public property finance contractual obligations, delinquent tax notes, and leases for various purposes payable from State appropriations and surplus maintenance taxes.

COMPARATIVE STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES [1]

	Fiscal Year Ended August 31				
	2016	2017	2018	2019	2020
Beginning Fund Balance	**$ 21,472,262**	**$ 24,226,599**	**$ 23,456,512**	**$ 28,464,319**	**$ 34,555,039**
Revenues:					
Local and Intermediate Sources	$ 37,484,863	$ 42,977,335	$ 46,597,239	$ 54,816,127	$ 54,225,534
State Sources	83,770,896	82,434,407	93,946,630	94,800,120	109,176,863
Federal Sources & Other	1,160,166	1,195,137	1,350,165	3,072,806	1,825,277
Total Revenues	**$ 122,415,925**	**$ 126,606,879**	**$ 141,894,034**	**$ 152,689,053**	**$ 165,227,674**
Expenditures:					
Instruction	$ 67,239,980	$ 72,282,641	$ 77,483,725	$ 82,902,383	$ 92,646,312
Instructional Resources & Media Services	1,215,230	1,165,144	1,286,262	1,440,342	1,470,055
Curriculum & Instructional Staff Development	2,459,379	2,799,283	2,420,634	2,507,399	3,105,126
Instructional Leadership	1,212,628	1,318,951	1,390,739	1,750,356	2,131,627
School Leadership	7,749,853	8,382,006	8,652,562	8,870,580	9,562,637
Guidance, Counseling & Evaluation Services	4,081,816	4,327,325	4,747,810	4,796,035	5,386,699
Social Work Services	716	1,588	-	-	-
Health Services	1,129,283	1,231,645	1,346,916	1,558,135	1,889,121
Student (Pupil) Transportation	7,190,317	7,115,152	7,802,699	7,469,469	7,502,889
Cocurricular/Extracurricular Activities	5,061,238	5,207,250	5,747,139	5,807,077	6,044,776
General Administration	4,640,254	5,295,034	5,374,283	5,958,212	6,354,047
Plant Maintenance and Operations	12,230,804	13,044,762	14,417,718	17,782,403	17,249,991
Security and Monitoring Services	1,102,987	1,380,984	1,448,408	1,334,177	2,291,521
Data Processing Services	3,877,883	3,299,887	4,154,452	3,833,944	4,109,086
Community Services	345	89	13,030	7,893	9,691
Facilities Acquisition and Construction	21,212	-	-	-	217,575
Payments to Juvenile Justice Alternative Ed Programs	1,870	-	-	-	-
Other Intergovernmental Charges	445,793	525,225	599,850	634,467	630,485
Total Expenditures	**$ 119,661,588**	**$ 127,376,966**	**$ 136,886,227**	**$ 146,652,872**	**$ 160,601,638**
Excess (Deficiency) of Revenues over Expenditures	$ 2,754,337	$ (770,087) [2]	$ 5,007,807	$ 6,036,181	$ 4,626,036
Other Resources and (Uses):					
Sale of Real or Personal Property	$ -	$ -	$ -	$ 54,539	$ -
Transfers Out	-	-	-	-	(245,600)
Total Other Resources (Uses)	**$ -**	**$ -**	**$ -**	**$ 54,539**	**$ (245,600)**
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	$ 2,754,337	$ (770,087) [2]	$ 5,007,807	$ 6,090,720	$ 4,380,436
Ending Fund Balance	**$ 24,226,599**	**$ 23,456,512**	**$ 28,464,319**	**$ 34,555,039**	**$ 38,935,475**

(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.
(2) Decrease attributable to the District not accruing State revenue resulting from the District's closure due to Hurricane Harvey.

CHANGE IN NET ASSETS [1]

	Fiscal Year Ended August 31				
	2016	2017	2018	2019	2020
Revenues:					
Program Revenues:					
Charges for Services	$ 3,747,000	$ 4,009,811	$ 4,027,444	$ 4,490,157	$ 3,043,843
Operating Grants and Contributions	29,082,154	26,732,661	211,669	32,823,589	33,426,310
General Revenues:					
Property Taxes Levied for General Purposes	36,594,423	41,507,554	45,063,546	50,403,340	50,282,519
Property Taxes Levied for Debt Service	15,650,583	17,796,195	19,253,710	21,536,958	23,512,637
Grants and Contributions Not Restricted	79,572,709	78,232,506	88,959,633	91,384,217	102,737,693
Investment Earnings	-	-	-	2,515,739	2,048,914
Insurance Proceeds	-	-	-	-	2,459,755
Miscellaneous	299,123	920,017	1,640,140	3,172,858	518,332
Special Item - SSA Assets Transferred in	233,306	338,504	166,543	390,509	-
	$ 165,179,298	$ 169,537,248	$ 159,322,685	$ 206,717,367	$ 218,030,003
Expenses:					
Instruction	$ 82,407,840	$ 86,466,944	$ 64,335,886	$ 104,887,737	$ 117,737,950
Instruction Resources & Media Services	1,441,818	1,308,095	1,331,328	1,853,192	1,936,691
Curriculum & Staff Development	4,667,858	4,767,661	2,587,103	4,590,629	5,685,292
Instructional Leadership	1,258,696	1,374,059	900,859	1,957,178	2,475,055
School Leadership	8,379,203	8,783,603	6,096,219	9,944,877	10,777,004
Guidance, Counseling & Evaluation Services	4,708,441	4,943,520	3,505,476	6,344,738	7,237,177
Social Work Services	3,700	16,562	1,572	13,730	-
Health Services	1,201,490	1,252,532	937,139	1,665,398	2,069,314
Student Transportation	6,312,794	6,818,771	6,123,511	8,123,696	7,929,931
Food Service	7,927,832	8,419,371	6,821,256	10,977,902	9,492,276
Cocurricular/Extracurricular Activities	6,841,328	6,861,543	6,152,850	8,360,435	8,726,544
General Administration	4,872,492	5,380,347	4,151,447	6,399,835	6,960,427
Plant Maintenance & Operations	12,483,923	13,101,947	12,683,183	18,111,379	17,756,051
Security and Monitoring Services	1,182,565	1,382,334	1,200,658	1,426,477	2,284,307
Data Processing Services	3,997,500	3,467,260	3,712,150	4,125,286	4,499,756
Community Services	26,826	128,597	132,588	178,265	388,825
Debt Service - Interest on Long-term Debt	14,307,223	16,020,751	16,815,647	18,569,031	19,625,464
Debt Service - Bond Issuance Cost and Fees	1,232,330	738,379	805,895	610,335	250,503
Other Intergovernmental Charges	445,793	525,225	599,850	634,467	630,485
Payments Related to Shared Services Arrangements	165,000	154,000	154,000	165,000	743,848
Facilities Repair and Maintenance	2,194,050	833,671	4,069,353	144,138	518,075
Payments to Juvenile Justice Alternative Ed. Program	1,870	-	-	-	-
Total Expenditures	$ 166,060,572	$ 172,745,172	$ 143,117,970	$ 209,083,725	$ 227,724,975
Change in Net Assets	$ (881,274)	$ (3,207,924)	$ 16,204,715	$ (2,366,358)	$ (9,694,972)
Beginning Net Assets	$ 5,026,347	$ 4,145,073	$ 937,149	$ (70,103,616)	$ (72,469,974)
Prior Period Adjustment	$ -	$ -	$ (87,245,480) [2]	$ -	$ -
Ending Net Assets	$ 4,145,073	$ 937,149	$ (70,103,616)	$ (72,469,974)	$ (82,164,946)

(1) The foregoing information represents government-wide financial information provided in accordance with GASB Statement No. 34, which the District adopted for the 2002 fiscal year.
(2) In 2018, the District adopted GASB Statement No. 75 which required the District to assume their proportionate share of the net OPEB liability of the Texas Public School Retired Employees Group Insurance Program administered by the Teacher Retirement System of Texas.

APPENDIX B

GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

(this page intentionally left blank)

NEW CANEY INDEPENDENT SCHOOL DISTRICT

General and Economic Information

New Caney Independent School District (the "District") is located mostly in the southeastern corner of Montgomery County, Texas and includes some parts of Harris County, Texas, approximately 25 miles northeast of the City of Houston's central business district. The District is a petroleum producing and lumbering area that includes the unincorporated communities of New Caney and Porter, both located on U.S. Highway 59.

Montgomery County, Texas (the "County") was created in 1837 from Washington County, Texas. The County is located on the southern edge of the Big Thicket, a heavily forested wilderness area in southeast Texas. The economy is heavily influenced by timber and oil related businesses. The County seat is the City of Conroe.

Source: Texas Municipal Report for New Caney ISD and Montgomery County.

Enrollment Statistics

Year Ending 8/31	Enrollment
2009	9,130
2010	9,646
2011	10,080
2012	10,880
2013	11,551
2014	12,458
2015	13,068
2016	13,906
2017	14,681
2018*	15,046
2019*	15,543
2020*	16,075
Current	16,287

**Enrollment figures as of the end of the year.*

District Staff

Teachers	1,118
Auxiliary Personnel	542
Teachers' Aides & Secretaries	392
Other	245
Administrators	98
	2,395

Facilities (1)

Campus	Grade Alignment	Enrollment	Capacity	Year Built	Year of Addition/ Renovation
The Learning Center	1-12	96	100	1939	1999
Tavola Elementary	PK-5	684	1,000	2015	NA
Crippen Elementary	PK-5	623	1,000	1997	2013
Kings Manor Elementary	PK-5	718	900	2002	2017
New Caney Elementary	PK-5	615	900	1968	2003
Oakley Elementary	PK-5	770	1,000	2011	NA
Porter Elementary	PK-5	655	800	1965	2003
Bens Branch Elementary	PK-5	639	1,000	2004	2013
Brookwood Forest Elementary	PK-5	778	1,000	2017	2015
Valley Ranch Elementary	PK-5	799	1,000	2006	2013
Sorters Mill Elementary	PK-5	700	1,000	2007	2013
Dogwood Elementary	PK-5	731	1,000	2017	NA
New Caney Middle School	6-8	986	1,100	1972	2005, 2017
Keefer Crossing Middle School	6-8	960	1,100	1959	2013
White Oak Middle School	6-8	861	1,100	2004	NA
Woodridge Forrest Middle School	6-8	1,076	1,100	2014	NA
Porter High School	9-12	2,150	2,500	2010	2017
New Caney High School*	9-12	2,062	1,900	1986	2014, 2017
Infinity Early College High School	9-12	384	500	2017	2015

**Includes Annex and CRC*

(1) Certain District facilities sustained minor damage during winter storm Uri in February 2021. Remediation efforts are underway. No disruptions in operations occurred once weather cleared.

Principal Employers within the District

Name of Company	Type of Business	Number of Employees
New Caney ISD	School District	2,395
Administaff	Leasing Employee Co.	830
Columbia Kingwood Medical Center	Hospital	675
Super Wal-Mart	Retail Merchant	650
Wal-Mart Distribution Center	Distribution Center	600
Kingwood College	Education	250
Randall's	Retail Food Chain	170
Home Depot	Retail Hardware	150
Gerlands Food Fair	Retail Food Chain	110
Kroger Company	Retail Food Chain	105
Brookshire Bros.	Retail Food Chain	80

Unemployment Rates

	April 2019	April 2020(1)	April 2021
Montgomery County	2.9%	12.6%	6.5%
State of Texas	3.3%	14.4%	5.7%

Source: Texas Workforce Commission.

(1) See "INTRODUCTORY STATEMENT – COVID 19" in the body of the Remarketing Memorandum.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

(this page intentionally left blank)

August 16, 2021

NEW CANEY INDEPENDENT SCHOOL DISTRICT
VARIABLE RATE UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2018
DATED AS OF JULY 1, 2018

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

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and general laws of the State of Texas and a transcript of certified proceedings of the District, and other pertinent instruments authorizing and relating to the remarketing of the Bonds including (i) the original order authorizing the issuance of the Bonds (the *Original Order*), (ii) the order authorizing the remarketing of the Bonds (the *Remarketing Order*), (iii) the Tender Agent Agreement, dated as of June 18, 2018, between the District and BOKF, NA, Dallas, Texas, as Tender Agent, (iv) the executed Bond, and (v) each of the District's federal tax certificates, dated as of the original issuance of the Bonds (the *Original Federal Tax Certificate*) and of even date herewith (the *Remarketing Federal Tax Certificate*), respectively.

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

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds, as remarketed, is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds, as remarketed, will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the *Code*). In expressing the aforementioned opinions, we have relied on and assume continuing compliance with, certain representations contained in the Original Federal Tax Certificate and the Remarketing Federal Tax Certificate, respectively, of the District and covenants set forth in the Original Order and the Remarketing

Order adopted by the District authorizing the issuance and remarketing, respectively, of the Bonds, each of the foregoing relating to, among other matters, the use of the project and the investment and expenditure of the proceeds and certain other amounts used to pay or to secure the payment of debt service on the Bonds, and the certificate with respect to arbitrage by the Commissioner of Education regarding the allocation and investment of certain investments in the Permanent School Fund, the accuracy of which we have not independently verified. We call your attention to the fact that if such representations are determined to be inaccurate or if the District fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

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

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

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

District. Our role in connection with the District's Remarketing Memorandum prepared for use in connection with the remarketing of the Bonds has been limited as described therein.

Respectfully,

(this page intentionally left blank)

APPENDIX D

AUDITED FINANCIAL REPORT
FISCAL YEAR ENDED AUGUST 31, 2020

(this page intentionally left blank)

New Caney Independent School District

Annual Financial Report
For the Fiscal Year Ended August 31, 2020

This Page Intentionally Left Blank

New Caney Independent School District
Annual Financial Report
For the Fiscal Year Ended August 31, 2020
Table of Contents

New Caney Independent School District
Annual Financial Report
For the Fiscal Year Ended August 31, 2020
Table of Contents - Continued

Certificate of the Board

New Caney Independent School District	**Montgomery**	**170-908**
Name of School District	County	Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and 7 approved 0 disapproved for the fiscal year ended August 31, 2020 at a meeting of the Board of Trustees of such school district on the 19 day of January, 2021.

Elizabeth Rhoden Harrell
Signature of Board Secretary

Signature of Board President

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

This Page Intentionally Left Blank

Financial Section

This Page Intentionally Left Blank

Independent Auditor's Report

To the Board of Trustees of
New Caney Independent School District
New Caney, Texas

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 New Caney Independent School District (the District), as of and for the year ended August 31, 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

The District's 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.

Auditor's 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 auditor's 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 entity'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 entity'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.

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 New Caney Independent School District, as of August 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Weaver and Tidwell, L.L.P.
1601 South MoPac Expressway, Suite D250 | Austin, Texas 78746
Main: 512.609.1900

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information, as listed in 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.

Supplementary and 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 Supplementary Information and Schedule of Required Responses to Selected School FIRST Indicators are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations, Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplementary Information and Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 Supplementary Information and Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Required Responses to Selected 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 it.

The Board of Trustees of
New Caney Independent School District

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 19, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Austin, Texas
January 19, 2021

This Page Intentionally Left Blank

Management's Discussion and Analysis

As management of the New Caney 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 August 31, 2020.

Financial Highlights

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by $(82,164,946) *(net deficit).*
- The District’s total net deficit increased by $9,694,972 from current operations.
- As of the close of the current fiscal year, the District’s governmental funds reported combined ending fund balances of $140,530,178, a decrease of $29,227,968 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was $38,907,676, or 24 percent of total general fund expenditures.
- The District’s total bonded debt decreased by $9,515,196 (2 percent) during the current fiscal year. The key factor in this decrease was primarily due to scheduled payments of principal.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The District’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains required supplementary information and supplementary and other information in addition to the basic financial statements themselves.

Government-wide Financial Statements**.** The *government-wide financial statements* are designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private-sector business.

The *Statement of Net Position* (Exhibit A-1) presents information on all of the District’s assets, liabilities and deferred inflows/outflows 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.

The *Statement of Activities* (Exhibit B-1) presents information showing how the District's net position changed during the most recent fiscal 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.* Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

The government-wide financial statements of the District are principally supported by taxes and intergovernmental revenues *(governmental activities)*. The governmental activities of the District include *Instruction, Instructional Resources and Media Services, Curriculum and Instructional Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling and Evaluation Services, Social Work Services, Health Services, Student Transportation, Food Services, Extracurricular Activities, General Administration, Plant Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Interest on Long-term Debt, Issuance Costs and Fees, Facilities Repair and Maintenance, Payments Related to Shared Services Arrangements and Other Intergovernmental Charges, as applicable*.

The government-wide financial statements can be found as noted in the table of contents of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains 45 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, debt service fund and the capital projects fund, all of which are considered to be major funds. Data from the other 42 governmental funds are combined into a single, aggregated presentation.

The District adopts an annual revenue and appropriations budget for its general fund, debt service fund and national school breakfast and lunch program special revenue fund. All other governmental funds adopt project length budgets. Subsequent to adoption, amendments approved by the governing body are reflected in a revised budget column. A budgetary comparison statement has been provided for the general fund and national school breakfast and lunch program special revenue fund to demonstrate compliance with its budget.

The basic governmental fund financial statements can be found as noted in the table of contents of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of students. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District’s own programs. The funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The accounting used for fiduciary funds is similar to the accounting used for proprietary funds.

The basic fiduciary fund financial statements can be found as noted in the table of contents of this report.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as noted in the table of contents of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information and supplementary and other information, including schedules required by the Texas Education Agency. Such information can be found as noted in the table of contents of this report.

Government-wide Financial Analysis

As mentioned earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $(82,164,946) at the close of the most recent fiscal year.

New Caney Independent School District's Net Position

	Governmental Activities					
	2020		2019		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Current and other assets	$ 163,512,899	28	$ 188,889,304	32	$ (25,376,405)	(13)
Capital assets	416,601,570	72	397,481,820	68	19,119,750	5
Total assets	580,114,469	100	586,371,124	100	(6,256,655)	
Total deferred outflows of resources	49,392,303	100	48,670,906	100	721,397.00	1
Other liabilities	20,564,452	3	17,166,707	3	3,397,745	20
Long-term liabilities outstanding	656,073,517	97	667,751,139	97	(11,677,622)	(2)
Total liabilities	676,637,969	100	684,917,846	100	(8,279,877)	
Total deferred inflows of resources	35,033,749	100	22,594,158	100	12,439,591	55
Net position						
Net investment in capital assets	(25,266,754)	31	(21,911,790)	30	(3,354,964)	15
Restricted	8,303,507	(10)	9,875,678	(13)	(1,572,171)	(16)
Unrestricted	(65,201,699)	79	(60,433,862)	83	(4,767,837)	8
Total net position	$ (82,164,946)	100	$ (72,469,974)	100	$ (9,694,972)	

Net investment in capital assets includes land and improvements, buildings and improvements, furniture and equipment and construction in progress, less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. At the end of the current fiscal year, the District reports a negative balance in Net Investment in Capital Assets which is attributed to expenditure of bond proceeds not meeting the criteria for capitalization.

Net position that is restricted for debt service and grants total $8,303,507 of total net position.

Unrestricted net position of ($65,201,699) deficit resulted from the implementation of GASB Statement No. 75 for postemployment benefit (retiree health care provided through TRS-CARE) in a prior fiscal year.

Governmental Activities. Governmental activities decreased the District's net position by $9,694,972 from current operations. The elements giving rise to this change may be determined from the table below.

New Caney Independent School District's Changes in Net Position

	Governmental Activities					
	2020		2019		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Revenue:						
Program revenues:						
Charges for services	$ 3,043,843	2	$ 4,490,157	2	$ (1,446,314)	(32)
Operating grants and contributions	33,426,310	15	32,823,589	16	602,721	2
General revenues:						
Property taxes, levied for general purpose	50,282,519	23	50,403,340	24	(120,821)	-
Property taxes, levied for debt service	23,512,637	11	21,536,958	11	1,975,679	9
Grants and contributions not restricted to specific programs	102,737,693	47	91,384,217	44	11,353,476	12
Insurance proceeds	2,459,755	1	2,515,739	1	(55,984)	(2)
Investment earnings	2,048,914	1	3,172,858	2	(1,123,944)	(35)
Miscellaneous	518,332	-	390,509	-	127,823	33
Total revenues	218,030,003	100	206,717,367	100	11,312,636	
Expenses:						
Instruction	117,737,950	52	104,887,737	50	12,850,213	12
Instructional resources and media services	1,936,691	1	1,853,192	1	83,499	5
Curriculum and instructinonal staff development	5,685,292	3	4,590,629	2	1,094,663	24
Instructional leadership	2,475,055	1	1,957,178	1	517,877	26
School leadership	10,777,004	5	9,944,877	5	832,127	8
Guidance, counseling, and evaluation services	7,237,177	3	6,344,738	3	892,439	14
Social work services	-	-	13,730	-	(13,730)	(100)
Health services	2,069,314	1	1,665,398	1	403,916	24
Student transportation	7,929,931	3	8,123,696	4	(193,765)	(2)
Food services	9,492,276	4	10,977,902	5	(1,485,626)	(14)
Extracurricular activities	8,726,544	4	8,360,435	4	366,109	4
General administration	6,960,427	3	6,399,835	3	560,592	9
Plant maintenance and operations	17,756,051	8	18,111,379	9	(355,328)	(2)
Security and monitoring services	2,284,307	1	1,426,477	1	857,830	60
Data processing services	4,499,756	2	4,125,286	2	374,470	9
Community services	388,825	-	178,265	-	210,560	118
Interest on long-term debt	19,625,464	9	18,569,031	9	1,056,433	6
Issuance costs and fees	250,503	-	610,335	-	(359,832)	(59)
Facilities repair and maintenance	518,075	-	144,138	-	373,937	259
Payments related to shared services arrangements	743,848	-	165,000	-	578,848	351
Other intergovernmental charges	630,485	-	634,467	-	(3,982)	(1)
Total expenses	227,724,975	100	209,083,725	100	18,641,250	
Change in net position	(9,694,972)		(2,366,358)		(7,328,614)	
Net position - beginning	(72,469,974)		(70,103,616)		(2,366,358)	
Net position - ending	$ (82,164,946)		$ (72,469,974)		$ (9,694,972)	

The decrease in net position was primarily due to the increase in expenditures across most functions, most notably Instruction, which results from an overall growth due to increases in students and staff.

Revenues are generated primarily from two sources. Grants and contributions (program and general revenues totaling $136,164,003) represent 62 percent of total revenues and property taxes ($73,795,156) represent 34 percent of total revenues. The remaining 4 percent is generated from investment earnings, charges for services, insurance proceeds, and miscellaneous revenues.

The primary functional expense of the District is instruction ($117,737,950) which represents 52 percent of total expenses. The remaining functional categories of expenses are individually 9 percent or less of total expenses.

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of $140,530,178, a decrease of $29,227,968 in comparison with the prior year.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was $38,907,676 and total fund balance was $38,935,475. As a measure of the general fund's liquidity, it may be useful to compare unassigned and total fund balance to total fund expenditures. Unassigned and total fund balance represents 24 percent of total general fund expenditures. The fund balance of the District's general fund increased by $4,380,436 during the current fiscal year. The fund balance of the general fund increased primarily due to an increase in state funding.

The debt service fund has a total fund balance of $7,130,963, all of which is restricted for retirement of long-term debt. The net decrease in fund balance during the current year in the debt service fund was $1,526,894. The decrease in fund balance was due primarily to an increase in current debt service requirements that exceeded an increase in property taxes.

The capital projects fund has a total fund balance of $92,910,322, all of which is restricted for capital acquisition programs and contractual obligations. The net decrease in fund balance during the current year in the capital projects fund was $30,985,454. The net decrease in fund balance during the current year in the capital projects fund was due to the increased construction expenditures using the prior year proceeds from the sale of building bonds.

General Fund Budgetary Highlights

The District amended the budget several times throughout the year. The variations between the original budget and the final amended budget of the general fund included an increase in state program revenues and an increase in instruction expenditures and contracted instructional services between public schools.

There were no significant variations between the final budget and actual results at year end.

Capital Assets and Long-term Liabilities

Capital Assets. The District's investment in capital assets for its governmental-type activities as of August 31, 2020, amounts to $416,601,570 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, furniture and equipment and construction in progress.

New Caney Independent School District's Capital Assets
(net of depreciation)

	Governmental Activities					
	2020		2019		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Land and improvements	$ 38,705,137	9	$ 38,503,709	10	$ 201,428	1
Buildings and improvements	337,560,397	81	315,436,070	79	22,124,327	7
Furniture and equipment	11,227,639	3	11,647,745	3	(420,106)	(4)
Construction in progress	29,108,397	7	31,894,296	8	(2,785,899)	(9)
Totals	$ 416,601,570	100	$ 397,481,820	100	$ 19,119,750	

Major capital asset purchases during the current fiscal year included the following:

- $31,844,926 construction and renovations for various campuses and facilities
- $728,302 buses

Additional information on the District's capital assets can be found in Note 3.D. in the notes to the financial statements as noted in the table of contents of this report.

Construction Commitments. At the end of the current fiscal year, the Districts commitments with construction contractors totaled $98,797,910.

Long-term Liabilities. At year-end, the District had the following long-term liabilities:

New Caney Independent School District's Outstanding Long-term Liabilities

	Governmental Activities					
	2020		2019		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
General obligation bonds (net)	$ 541,321,495	83	$ 550,836,691	83	$ (9,515,196)	(2)
Net pension liability	54,175,721	8	54,995,174	8	(819,453)	(1)
Net OPEB liability	60,576,301	9	61,919,274	9	(1,342,973)	(2)
Totals	$ 656,073,517	100	$ 667,751,139	100	$ (11,677,622)	

The District's bonded debt decreased by $9,515,196 (2 percent) during the current fiscal year. The key factor in this decrease was primarily due to scheduled payments of principal.

The District's general obligation debt is backed by the full faith and credit of the District and is further guaranteed by the Texas Permanent School Fund Guarantee Program.

State statutes do not limit the tax rate or amount for the support of school districts' bonded indebtedness. However, approval by the Attorney General of the State of Texas is required prior to the sale of bonds.

Additional information on the District's long-term debt can be found in Note 3.E. in the notes to the financial statements as indicated in the table of contents of this report.

Additional information on the District's net pension liability can be found in Note 4.C. in the notes to the financial statements as indicated in the table of contents of this report.

Additional information on the District's OPEB liability can be found in Note 4.D. to the financial statements as indicated in the table of contents of this report.

Economic Factors and Next Year's Budgets and Rates

- Current enrollment totals 16,291 students, which is an increase from the prior year.
- District staff totals 2,579 employees, which includes of 1,113 teachers and 402 teachers' aides and secretaries.
- The District maintains 18 campuses for instruction and The Learning Center.
- The unemployment rate for the County is currently 6.9 percent, which is an increase from a rate of 3.6 percent a year ago. This compares to the state's average unemployment rate of 7.0 percent, which is an increase from a rate of 3.5 percent a year ago.
- Property values of the District are projected to increase for the 2019-2020 fiscal year.

A maintenance and operations tax rate of $0.9761 and a debt service tax rate of $.50, a total rate of $1.4761, were adopted for 2020-2021. Preceding year rates were $1.0684, $0.50 and $1.5684, respectively.

All of these factors were considered in preparing the District's budget for the 2020-2021 fiscal year.

During the current fiscal year, fund balance in the general fund increased to $38,935,475, which exceeded two months of annual operating expenditures.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director of Finance, New Caney Independent School District, 21580 Loop 494, New Caney, Texas, 77357.

This Page Intentionally Left Blank

Basic Financial Statements

New Caney Independent School District **Exhibit A-1**

Statement of Net Position

August 31, 2020

Data Control Codes		Primary Government Governmental Activities
	ASSETS	
1110	Cash and cash equivalents	$ 148,396,576
1220	Property taxes receivable	3,411,505
1230	Allowance for uncollectible taxes	(68,000)
1240	Due from other governments	11,483,226
1290	Other receivables	8,740
1300	Inventories	280,852
	Capital assets:	
1510	Land and improvements	38,705,137
1520	Buildings and improvements (net)	337,560,397
1530	Furniture and equipment (net)	11,227,639
1580	Construction in progress	29,108,397
1000	Total assets	580,114,469
	DEFERRED OUTFLOWS OF RESOURCES	
1705	Deferred outflows - pension	28,679,354
1706	Deferred outflows - OPEB	14,170,100
1710	Deferred charge on refunding	6,542,849
1700	Total deferred outflows of resources	49,392,303
	LIABILITIES	
2110	Accounts payable	4,581,440
2140	Interest payable	925,236
2150	Payroll deductions and withholdings	44,125
2160	Accrued wages payable	12,291,538
2180	Due to other governments	326,851
2190	Due to student groups	19,715
2300	Unearned revenue	2,375,547
	Noncurrent liabilities:	
2501	Due within one year	8,115,000
2502	Due in more than one year	533,206,495
2540	Net pension liability	54,175,721
2545	Net OPEB liability	60,576,301
2000	Total liabilities	676,637,969
	DEFERRED INFLOWS OF RESOURCES	
2605	Deferred inflows - pension	8,827,542
2606	Deferred inflows - OPEB	26,206,207
2600	Total deferred inflows of resources	35,033,749
	NET POSITION (DEFICIT)	
3200	Net investment in capital assets	(25,266,754)
3820	Restricted for grants	1,057,351
3850	Restricted for debt service	7,246,156
3900	Unrestricted	(65,201,699)
3000	**TOTAL NET POSITION (DEFICIT)**	$ (82,164,946)

The Notes to the Financial Statements are an integral part of this statement.

New Caney Independent School District

Exhibit B-1

Statement of Activities
For the Fiscal Year Ended August 31, 2020

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues Charges for Services	4 Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Governmental Activities
	PRIMARY GOVERNMENT:				
	Governmental activities:				
0011	Instruction	$ 117,737,950	$ 107,025	$ 14,247,817	$ (103,383,108)
0012	Instructional resources and media services	1,936,691	96,240	191,374	(1,649,077)
0013	Curriculum and instructional staff development	5,685,292	3,869	2,327,077	(3,354,346)
0021	Instructional leadership	2,475,055	-	314,248	(2,160,807)
0023	School leadership	10,777,004	169,096	885,939	(9,721,969)
0031	Guidance, counseling, and evaluation services	7,237,177	1,597	1,679,047	(5,556,533)
0033	Health services	2,069,314	-	240,066	(1,829,248)
0034	Student transportation	7,929,931	21,136	354,971	(7,553,824)
0035	Food services	9,492,276	1,446,032	6,297,167	(1,749,077)
0036	Extracurricular activities	8,726,544	770,160	528,873	(7,427,511)
0041	General administration	6,960,427	419,338	413,563	(6,127,526)
0051	Plant maintenance and operations	17,756,051	9,185	561,992	(17,184,874)
0052	Security and monitoring services	2,284,307	165	297,625	(1,986,517)
0053	Data processing services	4,499,756	-	197,485	(4,302,271)
0061	Community services	388,825	-	344,481	(44,344)
0072	Interest on long-term debt	19,625,464	-	4,272,556	(15,352,908)
0073	Issuance costs and fees	250,503	-	-	(250,503)
0081	Facilities repair and maintenance	518,075	-	59,529	(458,546)
0093	Payments related to shared services arrangements	743,848	-	212,500	(531,348)
0099	Other intergovernmental charges	630,485	-	-	(630,485)
TG	Total governmental activities	227,724,975	3,043,843	33,426,310	(191,254,822)
TP	**TOTAL PRIMARY GOVERNMENT**	$ 227,724,975	$ 3,043,843	$ 33,426,310	(191,254,822)
	General revenues:				
MT	Property taxes, levied for general purpose				50,282,519
DT	Property taxes, levied for debt service				23,512,637
GC	Grants and contributions not restricted to specific programs				102,737,693
IN	Insurance proceeds				2,459,755
IE	Investment earnings				2,048,914
MI	Miscellaneous				518,332
TR	Total general revenues				181,559,850
CN	Change in net position (deficit)				(9,694,972)
NB	Net position (deficit) - beginning				(72,469,974)
NE	**NET POSITION (DEFICIT) - ENDING**				$ (82,164,946)

The Notes to the Financial Statements are an integral part of this statement.

New Caney Independent School District
Balance Sheet
Governmental Funds
August 31, 2020

Data Control Codes		199 General Fund	599 Debt Service Fund
	ASSETS		
1110	Cash and cash equivalents	$ 42,185,003	$ 7,390,178
1220	Property taxes receivable	2,350,076	1,061,429
1230	Allowance for uncollectible taxes	(47,000)	(21,000)
1240	Due from other governments	9,504,936	-
1260	Due from other funds	1,338,752	67,426
1290	Other receivables	8,740	-
1300	Inventories	27,799	-
1000	Total assets	55,368,306	8,498,033
1000a	**TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**	$ 55,368,306	$ 8,498,033
	LIABILITIES		
2110	Accounts payable	$ 536,818	$ -
2150	Payroll deductions and withholdings	44,125	-
2160	Accrued wages payable	11,594,485	-
2170	Due to other funds	68,977	-
2180	Due to other governments	-	326,641
2190	Due to student groups	19,715	-
2300	Unearned revenue	1,865,635	-
2000	Total liabilities	14,129,755	326,641
	DEFERRED INFLOWS OF RESOURCES		
2600	Unavailable revenue - property taxes	2,303,076	1,040,429
	Total deferred inflows of resources	2,303,076	1,040,429
	FUND BALANCES		
3410	Nonspendable - inventories	27,799	-
3450	Restricted - grant funds	-	-
3470	Restricted - capital acquisitions and contractual obligations	-	-
3480	Restricted - debt service	-	7,130,963
3545	Committed - other	-	-
3600	Unassigned	38,907,676	-
3000	Total fund balances	38,935,475	7,130,963
4000	**TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES**	$ 55,368,306	$ 8,498,033

The Notes to the Financial Statements are an integral part of this statement.

699 Capital Projects Funds	Total Nonmajor Funds	98 Total Governmental Funds
$ 96,947,780	$ 1,873,615	$ 148,396,576
-	-	3,411,505
-	-	(68,000)
-	1,978,290	11,483,226
785	1,779	1,408,742
-	-	8,740
-	253,053	280,852
96,948,565	4,106,737	164,921,641
$ 96,948,565	$ 4,106,737	$ 164,921,641
$ 4,010,207	$ 34,415	$ 4,581,440
-	-	44,125
28,036	669,017	12,291,538
-	1,339,765	1,408,742
-	210	326,851
-	-	19,715
-	509,912	2,375,547
4,038,243	2,553,319	21,047,958
-	-	3,343,505
-	-	3,343,505
-	-	27,799
-	1,057,351	1,057,351
92,910,322	-	92,910,322
-	-	7,130,963
-	496,067	496,067
-	-	38,907,676
92,910,322	1,553,418	140,530,178
$ 96,948,565	$ 4,106,737	$ 164,921,641

This Page Intentionally Left Blank

New Caney Independent School District **Exhibit C1-R**

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
August 31, 2020

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-1)		$ 140,530,178
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The governmental capital assets at year-end consist of:		
Governmental capital assets costs	$ 565,370,422	
Accumulated depreciation of governmental capital assets	(148,768,852)	416,601,570
Property taxes receivable, which will be collected subsequent to year-end, but are not available soon enough to pay expenditures and, therefore, are deferred in the funds.		3,343,505
Long-term liabilities, including bonds payable and net pension and OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Liabilities at year end related to such items, consist of:		
Bonds payable, at original par	$ (504,345,000)	
Premium on bonds payable	(36,976,495)	
Accrued interest on the bonds	(925,236)	
Net pension liability	(54,175,721)	
Net OPEB liability	(60,576,301)	(656,998,753)
Deferred charge on refunding is reported as deferred outflow in the statement of net position and is not reported in the funds due to it is not a current financial resource available to pay for current expenditures.		6,542,849
Deferred outflows of resources for pension represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenses/expenditures) until then.		28,679,354
Deferred inflows of resources for pension represents an acquisition of net position that future period(s) and will not be recognized as an inflow of resouces (revenue) until that time.		(8,827,542)
Deferred outflows of resources for OPEB represents a consumption of net position that applies to a applies to a future period(s) and will not be recognized as an outflow of resources (expenses/expenditures) until then.		14,170,100
Deferred inflows of resources for OPEB represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resouces (revenue) until that time.		(26,206,207)
TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES (EXHIBIT A-1)		$ (82,164,946)

The Notes to the Financial Statements are an integral part of this statement.

New Caney Independent School District

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended August 31, 2020

Data Control Codes		199 General Fund	599 Debt Service Fund
	REVENUES		
5700	Local and intermediate sources	$ 54,225,534	$ 23,501,503
5800	State program revenues	109,176,863	4,272,556
5900	Federal program revenues	1,825,277	-
5020	Total revenues	165,227,674	27,774,059
	EXPENDITURES		
	Current:		
0011	Instruction	92,646,312	-
0012	Instructional resources and media services	1,470,055	-
0013	Curriculum and instructional staff development	3,105,126	-
0021	Instructional leadership	2,131,627	-
0023	School leadership	9,562,637	-
0031	Guidance, counseling, and evaluation services	5,386,699	-
0033	Health services	1,889,121	-
0034	Student transportation	7,502,889	-
0035	Food services	-	-
0036	Extracurricular activities	6,044,776	-
0041	General administration	6,354,047	-
0051	Plant maintenance and operations	17,249,991	-
0052	Security and monitoring services	2,291,521	-
0053	Data processing services	4,109,086	-
0061	Community services	9,691	-
	Debt service:		
0071	Principal on long-term debt	-	7,410,358
0072	Interest on long-term debt	-	21,887,903
0073	Issuance costs and fees	-	250,503
	Capital outlay:		
0081	Facilities acquisition and construction	217,575	-
	Intergovernmental:		
0093	Payments related to shared services arrangements	-	-
0099	Other intergovernmental charges	630,485	-
6030	Total expenditures	160,601,638	29,548,764
1100	Excess (deficiency) of revenues over (under) expenditures	4,626,036	(1,774,705)
	OTHER FINANCING SOURCES (USES)		
7901	Issuance of refunding bonds	-	16,875,000
7915	Transfers in	-	-
7916	Premium on issuance of bonds	-	1,689,751
8911	Transfers out	(245,600)	-
8940	Payment to bond refunding escrow agent	-	(18,316,940)
7080	Total other financing sources (uses)	(245,600)	247,811
1200	Net change in fund balances	4,380,436	(1,526,894)
0100	Fund balances - beginning	34,555,039	8,657,857
3000	**FUND BALANCES - ENDING**	$ 38,935,475	$ 7,130,963

The Notes to the Financial Statements are an integral part of this statement.

699		98
Capital Projects Funds	Total Nonmajor Funds	Total Governmental Funds
$ 1,262,117	$ 2,560,717	$ 81,549,871
42,971	2,579,460	116,071,850
-	12,601,171	14,426,448
1,305,088	17,741,348	212,048,169
-	5,212,755	97,859,067
-	145,159	1,615,214
-	1,877,690	4,982,816
-	90,686	2,222,313
-	230,918	9,793,555
-	1,026,348	6,413,047
-	-	1,889,121
-	12,009	7,514,898
-	8,541,545	8,541,545
-	433,539	6,478,315
-	186,524	6,540,571
-	65,474	17,315,465
-	204,773	2,496,294
-	16,705	4,125,791
-	295,031	304,722
-	-	7,410,358
-	-	21,887,903
-	-	250,503
32,290,542	-	32,508,117
-	743,848	743,848
-	-	630,485
32,290,542	19,083,004	241,523,948
(30,985,454)	(1,341,656)	(29,475,779)
-	-	16,875,000
-	245,600	245,600
-	-	1,689,751
-	-	(245,600)
-	-	(18,316,940)
-	245,600	247,811
(30,985,454)	(1,096,056)	(29,227,968)
123,895,776	2,649,474	169,758,146
$ 92,910,322	$ 1,553,418	$ 140,530,178

New Caney Independent School District **Exhibit C-3**

Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Fiscal Year Ended August 31, 2020

TOTAL NET CHANGES IN FUND BALANCES - GOVERNMENTAL (EXHIBIT C-2)		$ (29,227,968)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital assets increased	$ 33,427,809	
Depreciation expense	(14,258,650)	19,169,159
The net effect of miscellaneous transactions involving capital assets (transfers, adjustments and dispositions) is an increase (decrease) to net position.		(49,409)
Because some property taxes will not be collected for several months after the District's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased (decreased) by this amount this year.		431,885
Issuance of bonds provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.		
Par value	$ (16,875,000)	
(Premium) discount	(1,689,751)	(18,564,751)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		7,410,358
Payment to escrow agent to refund bonds from refunding proceeds.		18,316,940
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due, and includes amortization of related long-term debt accounts. The increase (decrease) in interest expense reported in the statement of activities consist of the following:		
Accrued interest on current interest bonds payable (increased) decreased	$ 21,933	
Interest accreted on the capital appreciation bonds	(27,328)	
Accreted interest paid	919,641	
Amortization of bond premium and discount	1,778,051	
Amortization of deferred charge on refunding	(429,858)	2,262,439
The net change in net pension liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:		
Deferred outflows increased (decreased)	$ (2,837,512)	
Deferred inflows (increased) decreased	(5,813,750)	
Net pension liability (increased) decreased	819,453	(7,831,809)
The net change in net OPEB liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:		
Deferred outflows increased (decreased)	$ 3,671,052	
Deferred inflows (increased) decreased	(6,625,841)	
Net OPEB liability (increased) decreased	1,342,973	(1,611,816)
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT B-1)		$ (9,694,972)

The Notes to the Financial Statements are an integral part of this statement.

New Caney Independent School District **Exhibit E-1**

Statement of Assets and Liabilities
Fiduciary Fund
August 31, 2020

Data Control Codes		Agency Fund Student Activity
	ASSETS	
1110	Cash and cash equivalents	$ 439,880
1000	**TOTAL ASSETS**	$ 439,880
	LIABILITIES	
2190	Due to student groups	$ 439,880
2000	**TOTAL LIABILITIES**	$ 439,880

The Notes to the Financial Statements are an integral part of this statement.

This Page Intentionally Left Blank

Note 1. Summary of Significant Accounting Policies

A. Description of 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 non-fiduciary activities of the District. All fiduciary activities are reported only in the fund financial statements. *Governmental activities* normally are supported by taxes, intergovernmental revenues and other nonexchange transactions.

B. Reporting Entity

The District is governed by a seven-member board of trustees (the Board), which has governance responsibilities over all activities related to public elementary and secondary education within the District. Members of the Board are elected by the public; have authority to make decisions; appoint management and significantly influence operations; and have primary accountability for fiscal matters; the District is not included in any other governmental reporting entity.

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. Separate financial statements are provided for governmental 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.

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 and fiduciary—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The District reports the following major governmental funds:

> The *general fund* is the District’s primary operating fund. It accounts for all financial resources of the District, except those accounted for in another fund.
>
> The *debt service fund* is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.
>
> The *capital projects fund* accounts for the acquisition and construction of the District’s major capital facilities, other than those financed by proprietary funds.

Additionally, the District reports the following fund types:

> The *agency fund* accounts for assets held by the District for student organizations. The fund is custodial in nature (assets equal liabilities) and does not involve measurement or results of operations.

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 funds) are eliminated.

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 are eliminated in governmental activities.

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 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 required under accrual accounting. However, debt service expenditures 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.

Interest associated with the current fiscal period is considered to be susceptible to accrual and has 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 this revenue source (within 60 days of year-end). All other revenue items, including property taxes, are considered to be measurable and available only when cash is received by the District.

The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

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 and cash on deposit with bank depository.

2. Investments

Investments for the District, except for certain investment pools, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost or fair value.

3. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital Assets

Capital assets, which include land and improvements, construction in progress, buildings and improvements and furniture and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. The District's infrastructure includes parking lots and sidewalks associated with various buildings. The cost of the infrastructure was initially capitalized with the building cost and is being depreciated over the same useful life as the building. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the District chose to include all such items regardless of their acquisition date or amount. The District was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the District constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Land and improvements and construction in progress are not depreciated. The buildings and improvements and furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Capital Asset Classes	Lives
Buildings and improvements	5-47
Furniture and equipment	5-30

5. Deferred Outflows/Inflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then. Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and 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 and OPEB activities are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and OPEB plan, except for projected and actual earnings differences on investments which are amortized on a closed basis over a 5-year period.
* District contributions to the pension and OPEB plans after the measurement date of each plan are recognized in the subsequent fiscal year.
* Deferred charge/gain on refunding is amortized over the shorter of the life of the refunded or refunding debt.
* Property taxes are recognized in the period the amount becomes available.

6. Compensated Absences

Vacation

The District does not have a liability for unpaid vacation at year end due to the District's policy does not allow a carryover of vacation not taken at August 31.

Sick Leave

Prior to September 1, 1992, the District's policy permitted employees to accumulate earned but unused sick leave benefits. Payment for unused sick leave days accumulated locally will be made upon retirement (in accordance with guidelines established by the Teacher Retirement System of Texas) for all employees hired prior to September 1, 1992. No liabilities were recorded due to the amounts were not significant. All sick pay is accrued when incurred in the government-wide financial statements. If significant, a liability for these amounts is reported in governmental funds only if they have met the District's retirement and State's retirement eligibility requirements.

7. 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 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.

8. 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. The general fund is the only fund that reports a positive unassigned fund balance.

9. Fund Balance Policies

Fund balance of governmental funds is 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).

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 Board is the highest level of decision-making authority for the District that can, by board action or adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by board action or the resolution remains in place until a similar action is taken (the board action or adoption of another resolution) 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 Board has, by policy, authorized the superintendent or his designee to assign fund balance. The 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 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.

10. Pension

The fiduciary net position of the Teacher Retirement System of Texas (TRS) Pension Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net 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 Pension Plan 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.

11. Other Postemployment Benefits

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

F. 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 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

Property values are determined by the County Central Appraisal District as of January 1 of each year. Prior to September 1 of each year, District must adopt its annual budget and as soon thereafter as practicable, shall adopt a tax rate thus creating the tax levy. Property taxes for the current calendar year are levied on approximately October 1 of each year and are payable by January 31 of the following year. Property tax receivables are recorded as of the date levied. Unpaid taxes become delinquent on February 1 and a tax lien on real property is created as of July 1 of each year.

G. Use of Estimates

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

H. Data Control Codes

The Data Control Codes refer to the account code structure prescribed by Texas Education Agency (TEA) in the *Financial Accountability System Resource Guide*. TEA requires school districts to display these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

Note 2. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, *National School Breakfast and Lunch Program* special revenue fund and debt service fund. All annual appropriations lapse at fiscal year-end. The following procedures are followed in establishing the budgetary data reflected in the financial statements.

1. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.

The appropriated budget is prepared by fund, function and campus/department. The District's campus/department heads may make transfers of appropriations within a department. Transfers of appropriations between campus/departments require the approval of the District's management. Transfers of appropriations between functions require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level within a fund. The District amended general fund budget throughout the year between functions and total appropriations.

B. Encumbrances

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

	Restricted Fund Balance
Capital projects Fund	$ 98,797,010
Total encumbrances	$ 98,797,010

The District has encumbrances and construction commitments in the capital projects fund totaling $98,797,010. The excess amount of $5,886,688 in encumbrances over the fund balance of $92,910,322 will be funded by future building bond issuances.

Note 3. Detailed Notes on All Funds

A. Deposits and Investments

Cash Deposits
The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the District's and the depository banks' agent bank. The pledged securities shall be in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Investments
The District's investment policy is in accordance with the Public Funds Investment Act, the Public Funds Collateral Act, and federal and state laws. State law and District policy limits credit risk by allowing investing in 1) Obligations of the United States or its agencies which are backed by the full faith and credit of the United States, obligations of the State of Texas or its agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized statistical rating organization (NRSRO) not less than A or its equivalent; 2) Certificates of deposit issued by a broker or depository located in Texas which is insured by the FDIC or purchased through a broker who has an office located in Texas; 3) Fully collateralized repurchase agreements secured by obligations of the United States or its agencies not to exceed 90 days to maturity from the date of purchase; 4) Securities lending program as permitted by Government Code 2256.0015; 5) Bankers acceptances with a stated maturity of 270 days or fewer which are eligible for collateral for borrowing from a Federal Reserve Bank; 6) Commercial paper if it has a stated maturity of 270 days or fewer from the date of its issuance and is rated not less than A-1 or P-1 or an equivalent rating by at least: two nationally recognized credit rating agencies or one nationally recognized agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state; 7) No-load money market mutual funds which shall be registered with the Securities and Exchange Commission and have a dollar-weighted average stated maturity of 90 days or fewer; 8) No-load mutual funds which shall be registered with the Securities and Exchange Commission, have an average weighted maturity of less than two years, include investments that comply with the Public Funds Investment Act and are continuously rated not less than AAA by at least one NRSRO; 9) A guaranteed investment contract (for bond proceeds only) which meets the criteria and eligibility requirements established by the Public Funds Investment Act; 10) Public funds investment pools which meet the requirements of the Public Funds Investment Act.

The District's measurements of investments are presented in the table below. The District's investment balances and weighted average maturity and credit risk of such investments are as follows:

	Fair Value Measurement Using			
	August 31, 2020	Percent of Total Investments	Weighted Average Maturity (Days)	Moody's / S&P Rating
Investments measured at amortized cost:				
Investment pools				
Texpool - LGIP	$ 124,715,544	87%	32	AAAm
Lone Star Overnight	2,180,383	2%	24	AAAm
Investments measured at fair value:				
Wells Fargo money market mutual funds	16,068,637	11%	40	AAAm/Aaa-mf
Total investments	$ 142,964,564	100%		
Cash and checking accounts	5,871,892			
Total cash and cash equivalents and investments	$ 148,836,456			
Portfolio weighted average maturity			32	

Investment Pools are measured at amortized cost. Such investments are not required to be reported by levels in the table above.

Wells Fargo Money Market Mutual Funds are reported at net asset value of $1.00 per share, i.e. fair value. Such investments are not subject to level reporting of the fair value hierarchy.

The TexPool and Lone Star Overnight investment pools are external investment pools measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, investment pools must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool. The investment pools transact at a net asset value of $1.00 per share, have weighted average maturity of 60 days or less and weighted average life of 120 days or less, investments held are highly rated by nationally recognized statistical rating organization, have no more than 5% of portfolio with one issuer (excluding U.S. government securities) and can meet reasonably foreseeable redemptions. TexPool and Lone Star Overnight have a redemption notice period of one day and no maximum transaction amounts. The investment pools' authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pools' liquidity.

Credit Risk

For fiscal year 2020, the District invested in Wells Fargo Money Market Mutual Funds, TexPool, and Lone Star Investment Pool. TexPool is duly chartered and administered by the State Comptroller's Office. Lone Star Investment Pool is duly chartered by the State of Texas Interlocal Cooperation Act and is administered by First Public, LLC, formerly, the Texas Association of School Boards Financial Services. The credit rating for investments are noted in the table above.

Interest Rate Risk
Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the District reduces its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio as a whole to no more than 180 days, diversification and by holding securities to maturity not to exceed one year unless specifically authorized by the Board of Trustees.

Concentration of Credit Risk
The District's investment policy does not limit an investment in any one issuer.

Custodial Credit Risk – Deposits
In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of August 31, 2020, the District's deposits at the local bank was not exposed to custodial credit risk because it was insured and collateralized with securities held by the District's agent and in the District's name.

Custodial Credit Risk – Investments
For an investment, this is the risk that, in the event of the failure of the counterparty, 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. The District is not exposed to custodial credit risk due to the investments are insured or registered in the District's name, or the investments are held by the District or its agent.

B. Receivables

Tax revenues of the general and debt service fund are reported net of uncollectible amounts. Total change in uncollectible amounts related to revenues of the current period increased (decreased) revenues as follows:

Change in uncollectibles related to General Fund property taxes	$ (6,000)
Change in uncollectibles related to Debt Service property taxes	(3,000)
Total change in uncollectibles of the current fiscal year	$ (9,000)

Approximately 70% of the outstanding balance of property taxes is not anticipated to be collected within the next year.

C. Interfund Receivables and Payables

1. Receivables/Payables
The composition of interfund balances as of August 31, 2020, was as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund	$ 1,338,752	$ 68,977
Debt Service Fund	67,426	-
Capital Projects Funds	785	-
Other governmental funds - nonmajor	1,779	1,339,765
Totals	$ 1,408,742	$ 1,408,742

Interfund balances consist of short-term lending/borrowing arrangements that generally result from payroll and other regularly occurring charges that are primarily paid by the one fund and then charged back to the appropriate other fund. Additionally, some lending/borrowing may occur between two or more non-major governmental funds.

2. Transfers

The Interfund transfers are defined as "flows of assets from one fund to another fund without equivalent flow of assets in return and without a requirement for repayment." Transfers are the use of funds collected in one fund to finance various programs accounted for in other funds. The following is a summary of the District's interfund transfers for the fiscal year ended August 31, 2020.

Transfer Out	Transfers In	Amount
General Fund	Other governmental funds - nonmajor	$ 245,600
Total		$ 245,600

The transfer from the general fund to the other governmental funds was made to subsidize the National School Breakfast and Lunch Program.

D. Capital Assets

Capital asset activity for the fiscal year ended August 31, 2020 was as follows:

	Beginning Balance	Additions	Reductions and Adjustments	Transfers and Reclassifications	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land and improvements	$ 38,503,709	$ 201,428	$ -	$ -	$ 38,705,137
Construction in progress	31,894,296	31,844,926	-	(34,630,825)	29,108,397
Total capital assets, not being depreciated	70,398,005	32,046,354	-	(34,630,825)	67,813,534
Capital assets, being depreciated:					
Buildings and improvements	435,225,388	-	-	33,703,087	468,928,475
Furniture and equipment	26,680,457	1,381,455	(361,237)	927,738	28,628,413
Total capital assets, being depreciated	461,905,845	1,381,455	(361,237)	34,630,825	497,556,888
Less accumulated depreciation for:					
Buildings and improvements	(119,789,318)	(12,214,680)	-	635,920	(131,368,078)
Furniture and equipment	(15,032,712)	(2,043,970)	311,828	(635,920)	(17,400,774)
Total accumulated depreciation	(134,822,030)	(14,258,650)	311,828	-	(148,768,852)
Total capital assets, being depreciated, net	327,083,815	(12,877,195)	(49,409)	34,630,825	348,788,036
Governmental activities capital assets, net	$ 397,481,820	$ 19,169,159	$ (49,409.00)	$ -	$ 416,601,570

Depreciation expense was charged to functions/programs of the District as follows:

Governmental Activities:	
11 Instruction	$ 10,227,888
12 Instructional resources and media services	182,070
13 Curriculum and instructional staff development	39,309
21 Instructional leadership	520
23 School leadership	152,997
31 Guidance, counseling, and evaluation services	25,162
33 Health services	25,162
34 Student (pupil) transportation	930,760
35 Food services	249,832
36 Extracurricular activities	1,907,154
41 General administration	82,214
51 Plant maintenance and operations	175,167
52 Security and monitoring services	21,950
53 Data processing	238,465
Total depreciation expense-governmental activities	$ 14,258,650

Construction Commitments

The District had active construction projects as of August 31, 2020. The projects include the construction and equipment of school facilities. At year end, the District's commitments with contractors are as follows:

Project	Remaining Commitment
Keefer Crossing Middle School	22,236,028
New Caney High School #3	76,561,882
Totals	$ 98,797,910

The commitment for construction and equipment of school facilities is being financed by general obligation bonds secured by tax revenues and local funds.

E. Long-term Liabilities

The District’s long-term liabilities consist of bond indebtedness and net pension and OPEB liability. The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. Other long-term liabilities are generally liquidated with resources of the general fund.

Changes in Long-term Liabilities

Long-term liability activity for the fiscal year ended August 31, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	$ 512,885,358	$ 16,875,000	$ (25,415,358)	$ 504,345,000	$ 8,115,000
Issuance premiums	37,154,570	1,689,751	(1,867,826)	36,976,495	-
Issuance discounts	(95,550)	-	95,550	-	-
Accreted interest (CAB's)	892,313	27,328	(919,641)	-	-
Total bonds payable, net	550,836,691	18,592,079	(28,107,275)	541,321,495	8,115,000
Net pension liability	54,995,174	10,213,640	(11,033,093)	54,175,721	-
Net OPEB liability	61,919,274	8,628,718	(9,971,691)	60,576,301	-
Governmental activities long-term liabilities	$ 667,751,139	$ 37,434,437	$ (49,112,059)	$ 656,073,517	$ 8,115,000

General Obligation Bonds

The District issues general obligation bonds to provide funds for the construction and equipment of school facilities buildings (BLDG) and to refund general obligation bonds (REF). General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued as 14-32 year current interest and capital appreciation bonds (CAB) with various amounts of principal maturing each year. The following is a summary of changes in the general obligation bonds for the fiscal year:

Series	Interest Rate	Original Issue	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
2006 (CAB) REF		$ 4,385,000	2/15/2020	$ 140,358	$ -	$ (140,358)	$ -
2010 REF	2-4.125%	8,135,000	2/15/2030	5,560,000	-	(5,560,000)	-
2010 (CAB) REF		2,540,000	2/15/2020	260,000	-	(260,000)	-
2010 BLDG	3.75-4.50%	12,650,000	2/15/2039	12,550,000	-	(12,550,000)	-
2010A REF	2.0-4.0%	4,080,000	2/15/2030	2,615,000	-	(195,000)	2,420,000
2011 REF	2.0-4.0%	9,255,000	2/15/2033	7,325,000	-	(400,000)	6,925,000
2012 BLDG	3.50-5.00%	55,000,000	2/15/2042	50,235,000	-	-	50,235,000
2012 REF	2.00-5.00%	17,150,000	2/15/2033	14,295,000	-	(730,000)	13,565,000
2013 REF	3.25-6.25%	13,985,000	2/15/2035	12,010,000	-	(475,000)	11,535,000
2013 BLDG	3.00-5.00%	31,850,000	2/15/2042	28,070,000	-	(795,000)	27,275,000
2014 REF	2.00-4.00%	7,680,000	2/15/2033	5,930,000	-	(340,000)	5,590,000
2014 BLDG	2-4.25%	9,240,000	2/15/2042	5,590,000	-	(230,000)	5,360,000
2015 REF	2.00-5.00%	51,500,000	2/15/2037	47,775,000	-	(1,750,000)	46,025,000
2015 BLDG	2.00-5.00%	86,315,000	2/15/2045	84,105,000	-	(340,000)	83,765,000
2015A REF	2.00-5.00%	10,610,000	2/15/2030	10,435,000	-	-	10,435,000
2016 REF	2.00-4.00%	8,605,000	8/15/2038	8,390,000	-	(100,000)	8,290,000
2017 BLDG	2.00-5.00%	73,895,000	2/15/2047	71,395,000	-	(515,000)	70,880,000
2017 REF	2.00-5.00%	28,550,000	2/15/2039	27,960,000	-	(1,035,000)	26,925,000
2018 BLDG	2.00-5.00%	59,015,000	2/15/2050	59,015,000	-	-	59,015,000
2019 BLDG	3.00-5.00%	59,230,000	2/15/2051	59,230,000	-	-	59,230,000
2019 REF	3.00-5.00%	16,875,000	2/15/2039	-	16,875,000	-	16,875,000
Totals				$ 512,885,358	$ 16,875,000	$ (25,415,358)	$ 504,345,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending August 31,	Principal Value	Interest	Total Requirements
2021	$ 8,115,000	$ 20,749,261	$ 28,864,261
2022	8,490,000	20,969,430	29,459,430
2023	8,885,000	20,574,236	29,459,236
2024	10,300,000	20,135,740	30,435,740
2025	10,765,000	19,664,338	30,429,338
2026	11,260,000	19,170,425	30,430,425
2027	11,770,000	18,660,150	30,430,150
2028	12,275,000	18,154,856	30,429,856
2029	12,785,000	17,651,106	30,436,106
2030	13,295,000	17,137,694	30,432,694
2031	13,815,000	16,613,463	30,428,463
2032	14,385,000	16,045,469	30,430,469
2033	15,010,000	15,419,656	30,429,656
2034	15,680,000	14,753,313	30,433,313
2035	16,345,000	14,085,650	30,430,650
2036	17,025,000	13,404,406	30,429,406
2037	17,760,000	12,673,544	30,433,544
2038	18,530,000	11,904,856	30,434,856
2039	19,330,000	11,101,056	30,431,056
2040	19,090,000	10,262,250	29,352,250
2041	19,970,000	9,388,325	29,358,325
2042	20,880,000	8,473,850	29,353,850
2043	21,825,000	7,532,350	29,357,350
2044	22,790,000	6,563,250	29,353,250
2045	23,805,000	5,550,625	29,355,625
2046	23,420,000	4,509,525	27,929,525
2047	24,490,000	3,438,050	27,928,050
2048	20,475,000	2,480,700	22,955,700
2049	21,260,000	1,646,000	22,906,000
2050	22,090,000	779,000	22,869,000
2051	8,430,000	168,600	8,598,600
Totals	$ 504,345,000	$ 379,661,174	$ 884,006,174

As of August 31, 2020, the District had approximately $80,000,000 in authorized but unissued bonds.

In prior and current years, the District defeased certain bonds through the issuance of new bonds and placed the proceeds in an irrevocable trust to provide for all future debt service payments of the old bonds. Securities being utilized to repay the refinanced debt as it becomes due consist solely of U.S. government obligations. Accordingly, the trust account securities and the liability for the defeased bonds are not included in the Districts basic financial statements. At August 31, 2020, the District had no outstanding defeased bonds.

In November 2020, the District issued $16,875,000 of unlimited tax refunding bonds. The proceeds of the refunding bonds were used to legally defease $18,005,000 of previously issued District bonds in order to lower its overall debt services requirements. The net carrying value of the old debt exceeded the reacquisition price by $376,680. The amount is netted against the new debt and amortized over the life of the new debt. The District completed the advance refunding to reduce its total debt service payments over the next 30 years by approximately $3,790,886 and to obtain an economic gain (difference between present values of the old and new debt service payments) of approximately $3,399,344.

F. Fund Balance

Other committed fund balance includes the following commitments of funds:

Other governmental funds:		
Campus activity	$	496,058
Local funds		9
Total other committed fund balance	$	496,067

G. Revenues from Local and Intermediate Sources

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

	General	Debt Service	Capital Projects	Other Governmental Funds	Totals
Property taxes	$ 50,012,768	$ 23,350,503	$ -	$ -	$ 73,363,271
Investment income	631,200	151,000	1,262,117	4,597	2,048,914
Food sales	-	-	-	1,446,032	1,446,032
Extracurricular student activities	-	-	-	-	-
Other	3,581,566	-	-	1,110,088	4,691,654
Total	$ 54,225,534	$ 23,501,503	$ 1,262,117	$ 2,560,717	$ 81,549,871

Note 4. Other Information

A. Risk Management

Property/Liability
The District is exposed to various risks of loss related to property/liability losses for which the District participates in the Texas Association of Public Schools Property and Liability Fund. The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain competitive costs for coverages and develop a comprehensive loss control program. The District pays an annual premium to the Fund for its liability coverage and transfers the risk of loss to the Fund. The District's agreement with the Fund provides that the Fund will be self-sustaining through member premiums and may provide, through commercial companies, reinsurance contracts. In the event that the Fund was to discontinue operations, the member districts would be responsible for any eligible claims not funded by the Fund. In addition, there were no significant reductions in coverages in the past fiscal year and there were no settlements exceeding insurance coverages for each of the past three fiscal years.

Health Care Coverage
During the year ended August 31, 2020, employees of the District were covered by TRS-Active Care (the Plan) a statewide health coverage program for Texas public education employees, implemented by the Teacher Retirement System of Texas (TRS). The District paid premiums of $250 per month, per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to the TRS. The legislature created the Plan for public school employee group health coverage in 2002-03, requiring all Districts with fewer than 500 employees to participate in the Plan.

Workers' Compensation
The District participates in the Texas Public Workers' Compensation Program ("Program"). The Program was created to formulate, develop and administer a program of modified self-funding for the Program's membership, obtain competitive costs for coverages and develop a comprehensive loss control program. The District pays an annual premium to the Program for its coverages and transfers the risk of loss to the Program. The District's agreement with the Program provides that the Program will be self-sustaining through member premiums and will provide, through commercial companies, reinsurance contracts. In regards to the workers' compensation program, the Program maintains stop loss coverage for any claim in excess of the Program's self-insured retention. In the event that the Program was to discontinue operations or leave the Program, the member districts would be responsible for any eligible claims not funded by the Program. There were no significant reductions in insurance coverage from the prior year or settlements exceeding insurance coverage for each of the past three fiscal years.

B. Litigation and Contingencies

The District is a defendant in various lawsuits arising principally in the normal course of operations. In the opinion of the District's management, the potential claims will not have a material effect on the District's financial position or results of operations.

The District participates in a number of federal and state financial assistance programs. Although the District's grant programs have been audited in accordance with the provisions of the Single Audit Act through August 31, 2020, these programs are subject to financial and compliance audits by the grantor agencies. The District is also subject to audit by the TEA of the attendance data upon which payments from the agency are based. These audits could result in questioned costs or refunds to be paid back to the granting agencies.

C. Defined Benefit Pension Plan

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

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

Pension Plan Fiduciary Net Position

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

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity, except for members who are grandfathered where 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 previously noted in the Plan Description above.

Contributions

Employee contribution rates are set in state statute, Texas Government Code 825.402. Contribution requirements are established or amended pursuant to Article XVI, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Rates for such plan fiscal years are as follows:

	Contribution Rates	
	2020	2019
Member	7.7%	7.7%
Non-employer contributing entity (State)	7.5%	6.8%
Employers (District)	7.5%	6.8%
Employers (District - Non-OASDI)*	1.5%	1.5%

*SB12 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% contributions (Non-OASDI surcharge). Beginning September 1, 2019 all employers are required to pay the Public Education Employer contribution irrespective of participation in social security.

The contribution amounts for the District's fiscal year 2020 are as follows:

District contributions	$	4,066,939
Member contributions		8,930,213
NECE On-behalf contributions (State)		6,197,274

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

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

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

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

- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment-after-retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the member's salary.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

At August 31, 2020, the District reported a liability of $54,175,721 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District are as follows:

District's proportionate share of the net pension liability	$ 54,175,721
State's proportionate share of the net pension liability associated with the District	72,280,107
Total	$ 126,455,828

The net pension liability was measured as of August 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as August 31, 2018 rolled forward to August 31, 2019. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2018 through August 31, 2019.

At the measurement date of August 31, 2019, the District's proportion of the collective net pension liability was 0.10422% which was an increase 0.00430% from its proportion measured as of August 31, 2018.

For the fiscal year ended August 31, 2020, the District recognized pension expense of $11,898,748 and revenue of $11,354,186 for support provided by the State.

At August 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 227,586	$ 1,881,067
Changes of assumptions	16,807,969	6,945,848
Difference between projected and actual earnings on pension plan investments	543,987	-
Changes in proportion and difference between District's contributions and the proportionate share of contributions	7,032,873	627
District contributions paid subsequent to the measurement date	4,066,939	-
Totals	$ 28,679,354	$ 8,827,542

$4,066,939 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2021 Annually. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending August 31,	
2021	$ 3,913,093
2022	3,295,569
2023	3,967,651
2024	3,622,428
2025	1,392,283
Thereafter	(406,151)
Total	$ 15,784,873

Actuarial Methods and Assumptions

The actuarial valuation of the total pension liability was performed as of August 31, 2018. Update procedures were used to roll forward the total pension liability to August 31, 2019 and was determined using the following actuarial methods and assumptions:

Actuarial cost method	Individual entry age normal
Asset valuation method	Market value
Single discount rate	7.25%
Long-term expected rate of return	7.25%
Municipal bond rate as of August 2019	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	2.30%
Salary increases	3.05% to 9.05% including inflation
Ad hoc postemployment benefit changes	None
Active mortality rates	Based on 90% of the RP 2014 Employing Mortality Tables for males and females with full generational mortality. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables with full generational projection using the ultimate improvement rates from the most recently published projection scale U-MP.

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

Discount Rate and Long-Term Expected Rate of Return

A single discount rate of 7.25% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.25%. The projection of cash flows used to determine the single discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity will be made at the statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TRS's target asset allocation as of August 31, 2019 are summarized below:

Asset Class	Target Allocation*	Long-term Expected Arthimetic Real Rate of Return
Global equity:		
U.S.	18.00%	5.70%
Non-U.S. developed	13.00%	6.90%
Emerging markets	9.00%	8.95%
Directional hedge funds	4.00%	3.53%
Private equity	13.00%	10.18%
Stable value:		
U.S. treasuries	11.00%	1.11%
Stable value hedge funds	4.00%	3.09%
Real return:		
Global inflation linked bonds	3.00%	0.70%
Real estate	14.00%	5.21%
Energy, natural resources and infrastructure	5.00%	7.48%
Risk Parity:		
Risk parity	5.00%	3.70%
Asset allocation leverage cash	1.00%	(0.30%)
Totals	100.00%	

* Target allocations are based on the FY2016 policy model

Discount Rate Sensitivity Analysis

The following table presents the District's proportionate share of the TRS net pension liability calculated using the discount rate of 7.25%, as well as what the District's proportionate share of the net pension liability would be if it was calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
District's proportionate share of the net pension liability	$ 83,275,953	$ 54,175,721	$ 30,598,916

Change of Assumptions Since the Prior Measurement Date

- 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 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.

Change of Benefit Terms Since the Prior Measurement Date

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

D. Defined Other Postemployment Benefit Plan

Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position

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

Benefits Provided

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

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees of TRS is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052.

The premium rates for retirees are reflected in the following table:

TRS-Care Monthly Plan Premium Rates

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

Contributions

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

Texas Insurance Code, section 1575.202 establishes the State's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act.

Rates for such plan fiscal years are as follows:

	Contribution Rates	
	2020	2019
Active employee	0.65%	0.65%
Non-employer contribution entity (State)	1.25%	1.25%
Employers (District)	0.75%	0.75%
Federal/private funding*	1.25%	1.25%

*Contributions paid from federal funds and private grants are remitted by the employer (District) and paid at the State rate.

The contribution amounts for the District's fiscal year 2020 are as follows:

District contributions	$ 963,005
Member contributions	753,858
NECE on-behalf contributions (State)	1,679,001

In addition, the State of Texas contributed $548,937, $399,732 and $229,976 in 2020, 2019, and 2018, respectively, for on-behalf payments for Medicare Part D.

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

TRS-Care received a supplemental appropriation from the State of Texas as the Non-Employer Contributing Entity in the amount of $73.6 million in fiscal year 2019.

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

At August 31, 2020, the District reported a liability of $60,576,301 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District are as follows:

District's proportionate share of the net OPEB liability	$ 60,576,301
State's proportionate share of the net OPEB liability associated with the District	80,492,354
Total	$ 141,068,655

The net OPEB liability was measured as of August 31, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as August 31, 2018 rolled forward to August 31, 2019. The District's proportion of the net OPEB liability was based on the District's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2018 through August 31, 2019.

At the measurement date of August 31, 2019, the employer's proportion of the collective net OPEB liability was 0.02138% which was a decrease of 0.00081% from its proportion measured as of August 31, 2018.

For the fiscal year ended August 31, 2020, the District recognized OPEB expense of $2,574,821 and revenue of $2,121,448 for support provided by the State.

At August 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,971,782	$ 9,912,669
Changes of assumptions	3,364,541	16,293,538
Difference between projected and actual earnings on OPEB plan investments	6,535	-
Changes in proportion and difference between District's contributions and the proportionate share of contributions	6,864,237	-
District contributions paid subsequent to the measurement date	963,005	-
Totals	$ 14,170,100	$ 26,206,207

$963,005 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended August 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending August 30,	
2021	$ (2,406,892)
2022	(2,406,892)
2023	(2,409,008)
2024	(2,410,217)
2025	(2,409,886)
Thereafter	(956,217)
Total	$ (12,999,112)

Actuarial Methods and Assumptions

The actuarial valuation of the total OPEB liability was performed as of August 31, 2018. Update procedures were used to roll forward the total OPEB liability to August 31, 2019.

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The following assumptions used for the valuation of the TRS-Care OPEB liability are identical to the assumptions employed in the August 31, 2019 TRS annual pension actuarial valuation:

Demographic Assumptions	Economic Assumptions
Rates of mortality	General inflation
Rates of retirement	Wage inflation
Rates of termination	Salary increases
Rates of disability	

See Note 4.C for detail on these assumptions. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

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.

The following methods and additional assumptions were used in the TRS-Care OPEB valuation:

Actuarial cost method	Individual entry age normal
Single discount rate	2.63%
Aging factors	Based on plan specific experience
Election rates	Normal retirement: 65% participation prior to age 65 and 50% after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Ad hoc postemployment benefit changes	None

The impact of the Cadillac Tax that is returning in fiscal year 2023 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 2.30%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis point addition to the long-term trend rate assumption.

Discount Rate
A single discount rate of 2.63% was used to measure the total OPEB liability at August 31, 2019. This was a decrease of 1.06% in the discount rate since the August 31, 2018 measurement date. The plan is essentially a “pay-as-you-go” plan, and based on the assumption that contributions are made at the statutorily required rates, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments to current members and therefore, the single discount rate is equal to the prevailing municipal bond rate. The 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”.

Sensitivity Analysis of Rates

Discount Rate
The following table presents the District's proportionate share of the TRS-Care net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that was 1% less than and 1% greater than the discount rate that was used (2.63%) in measuring the net OPEB liability.

	1% Decrease (1.63%)	Current Discount Rate (2.63%)	1% Increase (3.63%)
District's proportionate share of the net OPEB liability	$ 73,135,032	$ 60,576,301	$ 50,751,593

Healthcare Cost Trend Rates
The following table presents the District's proportionate share of net OPEB liability using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% lower or 1% higher than the assumed health-care cost trend rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	$ 49,416,021	$ 60,576,301	$ 75,525,950

Change of Assumptions Since the Prior Measurement Date
The following were changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period:

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

Change of Benefit Terms Since the Prior Measurement Date
There were no changes in benefit terms since the prior measurement date.

E. Joint Venture-Shared Service Arrangement

The District participates in the following shared service arrangements:

Purchasing Alliance Cooperative
The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides food purchasing services for various member districts. All services are provided by the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in the appropriate Special Revenue Fund and has accounted for these funds using Model 1 in the SSA section of the Resource Guide. Expenditures spent by the District were $674,305 for the year ended August 31, 2020.

Humble Regional Day School Program for the Deaf
The District participates in a shared service arrangement, Humble Regional Day School Program for the Deaf, with numerous districts for the education of students with a hearing impairment. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Humble Independent School District, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent is responsible for the financial activities of the shared service arrangement.

F. Net Position Deficit

The statement of net position reported a deficit balance of $82,164,946 at August 31, 2020 due to the implementation of Governmental Accounting Standards Board Statement No. 75 in fiscal year 2018.

G. Deficit Fund Balance

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

Fund	Deficit Amount	Remarks
Dogwood Elementary Campus Activity	$ (38)	Deficit expected to be funded by next year's campus activity revenue.

H. Subsequent Events

Issuance of Refunding Bonds
In September 2020, the District issued $62,265,000 Series 2020 unlimited tax refunding bonds. The 2020 issuance refunded $50,235,000 of the District's Series 2012 Unlimited Tax School Building Bonds and are scheduled to mature on February 15, 2042. The 2020 issuance also refunded $12,030,000 of the District's Series 2012 Unlimited Tax Refunding Bonds and are scheduled to mature on February 15, 2033.

COVID-19 Pandemic
In March 2020, the World Health Organization declared the novel coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected public education, workforces, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses and organizations. It is not possible for management to predict the duration or magnitude of the adverse results of the outbreak and its disruptive effects on the District's operations and financial results at this time.

This Page Intentionally Left Blank

Required Supplementary Information

This Page Intentionally Left Blank

New Caney Independent School District

Exhibit G-1

Schedule of Revenues, Expenditures and Changes
In Fund Balance – Budget and Actual
General Fund
For the Fiscal Year Ended August 31, 2020

Data Control Codes		199 Budgeted Amounts Original	199 Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
	REVENUES:				
5700	Local and intermediate sources	$ 50,259,985	$ 53,895,848	$ 54,225,534	$ 329,686
5800	State program revenues	104,894,218	110,617,593	109,176,863	(1,440,730)
5900	Federal program revenues	1,850,000	1,850,000	1,825,277	(24,723)
5020	Total revenues	157,004,203	166,363,441	165,227,674	(1,135,767)
	EXPENDITURES:				
	Current:				
0011	Instruction	88,972,978	93,053,684	92,646,312	407,372
0012	Instructional resources and media services	1,611,848	1,642,004	1,470,055	171,949
0013	Curriculum and instructional staff development	2,733,411	3,639,294	3,105,126	534,168
0021	Instructional leadership	2,026,847	2,181,724	2,131,627	50,097
0023	School leadership	9,345,861	9,758,088	9,562,637	195,451
0031	Guidance, counseling, and evaluation services	5,080,243	5,448,996	5,386,699	62,297
0033	Health services	1,836,310	1,889,974	1,889,121	853
0034	Student transportation	7,772,229	7,958,456	7,502,889	455,567
0036	Extracurricular activities	5,766,995	6,198,969	6,044,776	154,193
0041	General administration	6,032,676	6,669,783	6,354,047	315,736
0051	Plant maintenance and operations	15,836,341	17,885,667	17,249,991	635,676
0052	Security and monitoring services	1,929,821	2,576,094	2,291,521	284,573
0053	Data processing services	4,107,193	4,269,792	4,109,086	160,706
0061	Community services	1,100	10,791	9,691	1,100
	Capital outlay:				
0081	Facilities acquisition and construction	-	220,000	217,575	2,425
	Intergovernmental charges:				
0095	Payments to juvenile justice alternative education programs	45,000	45,000	-	45,000
0099	Other intergovernmental charges	660,000	660,000	630,485	29,515
6030	Total expenditures	153,758,853	164,108,316	160,601,638	3,506,678
1100	Excess (deficiency) of revenues over (under) expenditures	3,245,350	2,255,125	4,626,036	2,370,911
	OTHER FINANCING SOURCES (USES):				
8911	Transfers out	-	(195,600)	(245,600)	(50,000)
7080	Total other financing sources (uses)	-	(195,600)	(245,600)	(50,000)
1200	Net change in fund balance	3,245,350	2,059,525	4,380,436	2,320,911
0100	Fund balance - beginning	34,555,039	34,555,039	34,555,039	-
3000	**FUND BALANCE - ENDING**	$ 37,800,389	$ 36,614,564	$ 38,935,475	$ 2,320,911

The Notes to the Required Supplementary Information are an integral part of this schedule.

New Caney Independent School District

Schedule of the District's Proportionate Share of the Net Pension Liability of a Cost-Sharing Multiple-Employer Pension Plan
Teacher Retirement System of Texas
For the Last Six Fiscal Years*

	2020
District's proportion of the net pension liability	0.1042179%
District's proportionate share of the net pension liability	$ 54,175,721
State's proportionate share of the net pension liability associated with the District	72,459,837
TOTALS	$ 126,635,558
District's covered payroll	$ 108,854,866
District's proportionate share of the net pension liability as a percentage of its covered payroll	49.77%
Plan fiduciary net position as a percentage of the total pension liability	75.24%

* The amounts presented for the fiscal years were determined as of the Plan's fiscal year end, August 31, of the prior year. Ten years of data is not available.

The Notes to the Required Supplementary Information are an integral part of this schedule.

Exhibit G-2

2019	2018	2017	2016	2015
0.0999142%	0.0927553%	0.0866803%	0.086618%	0.0567278%
$ 54,995,174	$ 29,658,134	$ 32,755,201	$ 30,618,310	$ 15,152,779
78,083,072	45,319,803	52,456,045	48,009,456	38,947,704
$ 133,078,246	$ 74,977,937	$ 85,211,246	$ 78,627,766	$ 54,100,483
$ 103,297,323	$ 95,872,906	$ 88,748,492	$ 82,049,484	$ 74,214,555
53.24%	30.93%	36.91%	37.32%	20.42%
73.74%	82.17%	78.00%	78.43%	83.25%

New Caney Independent School District
Schedule of the District's Contributions to the
Teacher Retirement System of Texas Pension Plan
For the Last Six Fiscal Years*

	2020
Contractually required contributions	$ 4,066,939
Contributions in relation to the contractually required contributions	(4,066,939)
CONTRIBUTION DEFICIENCY (EXCESS)	$ -
District's covered payroll	$ 115,981,853
Contributions as a percentage of covered payroll	3.51%

*The amounts presented for the fiscal years were determined as of the District's fiscal year end.
Ten years of data is not available.

The Notes to the Required Supplementary Information are an integral part of this schedule.

Exhibit G-3

2019	2018	2017	2016	2015
$ 3,646,779	$ 3,512,303	$ 3,039,976	$ 2,753,835	$ 2,564,563
(3,646,779)	(3,512,303)	(3,039,976)	(2,753,835)	(2,564,563)
$ -	$ -	$ -	$ -	$ -
$ 108,854,866	$ 103,297,323	$ 95,872,906	$ 88,748,492	$ 82,049,484
3.35%	3.40%	3.17%	3.10%	3.13%

New Caney Independent School District

Exhibit G-4

Schedule of the District’s Proportionate Share of the Net OPEB
Liability of a Cost-Sharing Multiple-Employer OPEB Plan
Teacher Retirement System of Texas
For the Last Three Fiscal Years*

	2020	2019	2018
District's proportion of the net OPEB liability	0.128092%	0.124010%	0.114416%
District's proportionate share of the net OPEB liability	$ 60,576,301	$ 61,919,274	$ 49,755,221
State's proportionate share of the net OPEB liability associated with the District	80,492,354	89,157,122	75,560,484
TOTALS	$ 141,068,655	$ 151,076,396	$ 125,315,705
District's covered payroll	$ 108,854,866	$ 103,297,323	$ 95,872,906
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	55.65%	59.94%	51.90%
Plan fiduciary net position as a percentage of the total OPEB liability	2.66%	1.57%	0.91%

* The amounts presented for the fiscal years were determined as of the Plan's fiscal year end, August 31 of the prior year. Ten years of data is not available.

The Notes to the Required Supplementary Information are an integral part of this schedule.

New Caney Independent School District **Exhibit G-5**

Schedule of the District's Contributions to the
Teacher Retirement System of Texas OPEB Plan
For the Last Three Fiscal Years*

	2020	2019	2018
Contractually required contributions	$ 963,005	$ 908,968	$ 768,007
Contributions in relation to the contractually required contributions	$ (963,005)	$ (908,968)	(768,007)
CONTRIBUTION DEFICIENCY (EXCESS)	$ -	$ -	$ -
District's covered payroll	$ 115,981,853	$ 108,854,866	$ 103,297,323
Contributions as a percentage of covered payroll	0.83%	0.84%	0.74%

*The amounts presented for the fiscal years were determined as of the District's fiscal year end.
Ten years of data is not available.

The Notes to the Required Supplementary Information are an integral part of this schedule.

This Page Intentionally Left Blank

Note 1. Budget

Budgetary Information

Each school district in Texas is required by law to prepare annually a budget of anticipated revenues and expenditures for the general fund, debt service fund and the National School Breakfast and Lunch Program special revenue fund. The Texas Education Code requires the budget to be prepared not later than August 20 and adopted by August 31 of each year. The budgets are prepared on a basis of accounting that is used for reporting in accordance with generally accepted accounting principles.

The following procedures are followed in establishing the budgetary data reflected in the fund financial schedules:

1. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to September 1, the budget is formally approved and adopted by the Board.

The appropriated budget is prepared by fund and function. The District's campus/department heads may make transfers of appropriations within a campus or department. Transfers of appropriations between campuses or departments require the approval of the District's management. Increasing any one of the functional spending categories, or revenues object accounts and other resources require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level within a fund. All annual appropriations lapse at fiscal year-end.

Note 2. Net Pension Liability and Net OPEB Liability

The following factors significantly affect trends in the amounts reported for the District's proportionate share of the net pension liability and net OPEB liability:

Changes in actuarial assumptions and inputs

	Net Pension Liability		Net OPEB Liability
Measurement Date August 31,	Discount Rate	Long-term Expected Rate of Return	Discount Rate
2019	7.250%	7.250%	2.630%
2018	6.907%	7.250%	3.690%
2017	8.000%	8.000%	3.420%
2016	8.000%	8.000%	
2015	8.000%	8.000%	
2014	8.000%	8.000%	

Changes in demographic and economic assumptions
For the measurement dates August 31, 2019 and 2014-2017 – No changes in assumptions.

For Measurement Date August 31, 2018 – Net Pension Liability and Net OPEB Liability:
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement and economic assumptions, including rates of salary increase for individual participants were updated based on the experience study performed for TRS for the period ending August 31, 2017.

Supplementary Information

New Caney Independent School District
Combining Balance Sheet
Nonmajor Government Funds
Special Revenue Funds
August 31, 2020

Data Control Codes		206 Title X Education for Homeless Children and Youth	210 Title I 1003 School Improvement	211 ESEA Title I Improving Basic Programs
	ASSETS			
1110	Cash and cash equivalents	$ -	$ -	$ -
1240	Due from other governments	10,470	12,335	714,130
1260	Due from other funds	-	-	-
1300	Inventories	-	-	-
1000	**TOTAL ASSETS**	$ 10,470	$ 12,335	$ 714,130
	LIABILITIES			
2110	Accounts payable	$ -	$ -	$ -
2160	Accrued wages payable	-	-	131,796
2170	Due to other funds	10,260	12,335	582,334
2180	Due to other governments	210	-	-
2300	Unearned revenue	-	-	-
2000	Total liabilities	10,470	12,335	714,130
	FUND BALANCES (DEFICIT)			
3450	Restricted - grant funds	-	-	-
3545	Committed - other	-	-	-
3000	Total fund balances (deficit)	-	-	-
4000	**TOTAL LIABILITIES AND FUND BALANCES**	$ 10,470	$ 12,335	$ 714,130

224	225	240	244	255	263
IDEA-B Formula	IDEA-B Preschool Grant	National School Breakfast/Lunch Program	Career and Technical - Basic Grant	ESEA Title II Supporting Effective Instruction	Title III, English Language Acquisition and Enhancement
$ -	$ -	$ 507,991	$ -	$ -	$ -
260,417	4,093	149,851	9,300	81,134	41,205
-	-	1,779	-	-	-
-	-	253,053	-	-	-
$ 260,417	$ 4,093	$ 912,674	$ 9,300	$ 81,134	$ 41,205
$ 34,415	$ -	$ -	$ -	$ -	$ -
171,495	2,701	302,910	-	19,164	25,775
54,507	1,392	-	9,300	61,970	15,430
-	-	-	-	-	-
-	-	-	-	-	-
260,417	4,093	302,910	9,300	81,134	41,205
-	-	609,764	-	-	-
-	-	-	-	-	-
-	-	609,764	-	-	-
$ 260,417	$ 4,093	$ 912,674	$ 9,300	$ 81,134	$ 41,205

New Caney Independent School District
Combining Balance Sheet
Nonmajor Government Funds
Special Revenue Funds – Continued
August 31, 2020

Data Control Codes		276 Instructional Continuity Grant	289 Other Federally Funded Grants	385 Supplemental Visually Impaired
	ASSETS			
1110	Cash and cash equivalents	$ -	$ -	$ -
1240	Due from other governments	12,401	432,848	-
1260	Due from other funds	-	-	-
1300	Inventories	-	-	-
1000	**TOTAL ASSETS**	$ 12,401	$ 432,848	$ -
	LIABILITIES			
2110	Accounts payable	$ -	$ -	$ -
2160	Accrued wages payable	-	-	-
2170	Due to other funds	12,401	430,582	-
2180	Due to other governments	-	-	-
2300	Unearned revenue	-	2,266	-
2000	Total liabilities	12,401	432,848	-
	FUND BALANCES (DEFICIT)			
3450	Restricted - grant funds	-	-	-
3545	Committed - other	-	-	-
3000	Total fund balances (deficit)	-	-	-
4000	**TOTAL LIABILITIES AND FUND BALANCES**	$ 12,401	$ 432,848	$ -

397	410	427	428	429	458
Advanced Placement Incentives	**State Textbook Fund**	**Special Education Fiscal Support**	**SSA - Dyslexia Grant**	**Other State Funded Grants**	**SSA - Purchasing Alliance Co-op**
$ 11,591	$ 342,979	$ 70,808	$ -	$ -	$ 441,180
-	-	-	43,057	207,049	-
-	-	-	-	-	-
-	-	-	-	-	-
$ 11,591	$ 342,979	$ 70,808	$ 43,057	$ 207,049	$ 441,180
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	15,176	-
-	-	-	43,057	103,198	-
-	-	-	-	-	-
5,184	342,979	70,808	-	88,675	-
5,184	342,979	70,808	43,057	207,049	-
6,407	-	-	-	-	441,180
-	-	-	-	-	-
6,407	-	-	-	-	441,180
$ 11,591	$ 342,979	$ 70,808	$ 43,057	$ 207,049	$ 441,180

New Caney Independent School District
Combining Balance Sheet
Nonmajor Government Funds
Special Revenue Funds – Continued
August 31, 2020

Data Control Codes		460 New Caney High School Campus Activity	461 White Oak M.S. Activity	462 Keefer Crossing M.S. Campus Activity
	ASSETS			
1110	Cash and cash equivalents	$ 56,725	$ 32,992	$ 34,049
1240	Due from other governments	-	-	-
1260	Due from other funds	-	-	-
1300	Inventories	-	-	-
1000	**TOTAL ASSETS**	$ 56,725	$ 32,992	$ 34,049
	LIABILITIES			
2110	Accounts payable	$ -	$ -	$ -
2160	Accrued wages payable	-	-	-
2170	Due to other funds	1,147	-	-
2180	Due to other governments	-	-	-
2300	Unearned revenue	-	-	-
2000	Total liabilities	1,147	-	-
	FUND BALANCES (DEFICIT)			
3450	Restricted - grant funds	-	-	-
3545	Committed - other	55,578	32,992	34,049
3000	Total fund balances (deficit)	55,578	32,992	34,049
4000	**TOTAL LIABILITIES AND FUND BALANCES**	$ 56,725	$ 32,992	$ 34,049

463	464	465	466	467	468
Porter Elementary Campus Activity	New Caney Elementary Campus Activity	Tavola Elementary Campus Activity	Robert Crippen Elementary Campus Activity	Kings Manor Elementary Campus Activity	Infinity Early College High School Campus Activity
$ 10,390	$ 7,463	$ 5,253	$ 6,908	$ 11,688	$ 10,475
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ 10,390	$ 7,463	$ 5,253	$ 6,908	$ 11,688	$ 10,475
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	1,108	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,108	-	-
-	-	-	-	-	-
10,390	7,463	5,253	5,800	11,688	10,475
10,390	7,463	5,253	5,800	11,688	10,475
$ 10,390	$ 7,463	$ 5,253	$ 6,908	$ 11,688	$ 10,475

New Caney Independent School District
Combining Balance Sheet
Nonmajor Government Funds
Special Revenue Funds – Continued
August 31, 2020

Data Control Codes		469 Special Education Campus Activity	470 Bens Branch Elementary Campus Activity	471 Valley Ranch Elementary Campus Activity
	ASSETS			
1110	Cash and cash equivalents	$ 126	$ 36,380	$ 4,692
1240	Due from other governments	-	-	-
1260	Due from other funds	-	-	-
1300	Inventories	-	-	-
1000	**TOTAL ASSETS**	$ 126	$ 36,380	$ 4,692
	LIABILITIES			
2110	Accounts payable	$ -	$ -	$ -
2160	Accrued wages payable	-	-	-
2170	Due to other funds	-	420	-
2180	Due to other governments	-	-	-
2300	Unearned revenue	-	-	-
2000	Total liabilities	-	420	-
	FUND BALANCES (DEFICIT)			
3450	Restricted - grant funds	-	-	-
3545	Committed - other	126	35,960	4,692
3000	Total fund balances (deficit)	126	35,960	4,692
4000	**TOTAL LIABILITIES AND FUND BALANCES**	$ 126	$ 36,380	$ 4,692

472	473	474	475	476	477
Sorters Mill Elementary Campus Activity	New Caney Middle School Campus Activity	District Wide Activity	New Caney High School Athletic Activity	Porter High School Campus Activity	Oakley Elementary Campus Activity
$ 9,071	$ 16,623	$ 8,267	$ 142,983	$ 22,062	$ 28,889
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ 9,071	$ 16,623	$ 8,267	$ 142,983	$ 22,062	$ 28,889
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	286
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	286
-	-	-	-	-	-
9,071	16,623	8,267	142,983	22,062	28,603
9,071	16,623	8,267	142,983	22,062	28,603
$ 9,071	$ 16,623	$ 8,267	$ 142,983	$ 22,062	$ 28,889

New Caney Independent School District
Combining Balance Sheet
Nonmajor Government Funds
Special Revenue Funds – Continued
August 31, 2020

Data Control Codes		478 Porter High School Athletic Activity	479 Woodridge Forest M.S. Activity	480 Dogwood Elementary Campus Activity
	ASSETS			
1110	Cash and cash equivalents	$ 19,666	$ 15,387	$ -
1240	Due from other governments	-	-	-
1260	Due from other funds	-	-	-
1300	Inventories	-	-	-
1000	**TOTAL ASSETS**	$ 19,666	$ 15,387	$ -
	LIABILITIES			
2110	Accounts payable	$ -	$ -	$ -
2160	Accrued wages payable	-	-	-
2170	Due to other funds	-	-	38
2180	Due to other governments	-	-	-
2300	Unearned revenue	-	-	-
2000	Total liabilities	-	-	38
	FUND BALANCES (DEFICIT)			
3450	Restricted - grant funds	-	-	-
3545	Committed - other	19,666	15,387	(38)
3000	Total fund balances (deficit)	19,666	15,387	(38)
4000	**TOTAL LIABILITIES AND FUND BALANCES**	$ 19,666	$ 15,387	$ -

481	495	499	
Brookwood Forest Elementary Campus Activity	Education Foundation Grant	Locally Funded Special Revenue Fund	Total Nonmajor Funds (See Exhibit C-1)
$ 10,300	$ 8,668	$ 9	$ 1,873,615
-	-	-	1,978,290
-	-	-	1,779
-	-	-	253,053
$ 10,300	$ 8,668	$ 9	$ 4,106,737
$ -	$ -	$ -	$ 34,415
-	-	-	669,017
-	-	-	1,339,765
-	-	-	210
-	-	-	509,912
-	-	-	2,553,319
-	-	-	1,057,351
10,300	8,668	9	496,067
10,300	8,668	9	1,553,418
$ 10,300	$ 8,668	$ 9	$ 4,106,737

New Caney Independent School District
Combining Statements of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Government Funds
Special Revenue Funds
For the Fiscal Year Ended August 31, 2020

Data Control Codes		206 Title X Education for Homeless Children and Youth	210 Title I 1003 School Improvement	211 ESEA Title I Improving Basic Programs
	REVENUES			
5700	Local and intermediate sources	$ -	$ -	$ -
5800	State program revenues	-	-	-
5900	Federal program revenues	14,096	126,466	2,647,665
5020	Total revenues	14,096	126,466	2,647,665
	EXPENDITURES			
	Current:			
0011	Instruction	6,722	77,808	1,146,827
0012	Instructional resources and media services	-	-	-
0013	Curriculum and instructional staff development	-	48,658	1,218,664
0021	Instructional leadership	-	-	85,676
0023	School leadership	-	-	10,937
0031	Guidance, counseling, and evaluation services	7,163	-	18,714
0034	Student transportation	-	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	-	-	-
0041	General administration	-	-	40,360
0051	Plant maintenance and operations	-	-	-
0052	Security and monitoring services	-	-	-
0053	Data processing services	-	-	-
0061	Community services	211	-	126,487
	Intergovernmental:			
0093	Payments related to shared services arrangements	-	-	-
6030	Total expenditures	14,096	126,466	2,647,665
1100	Excess (deficiency) of revenues over (under) expenditures	-	-	-
	OTHER FINANCING SOURCES (USES)			
7915	Transfers in	-	-	-
7080	Total other financing sources (uses)	-	-	-
1200	Net change in fund balances (deficit)	-	-	-
0100	Fund balances (deficit) - beginning	-	-	-
3000	**FUND BALANCES - ENDING (DEFICIT)**	$ -	$ -	$ -

224 IDEA-B Formula	225 IDEA-B Preschool Grant	240 National School Breakfast/Lunch Program	244 Career and Technical - Basic Grant	255 ESEA Title II Supporting Effective Instruction	263 Title III, English Language Acquisition and Enhancement
$ -	$ -	$ 1,449,943	$ -	$ -	$ -
-	-	313,530	-	-	-
2,572,148	29,932	5,663,737	152,704	372,876	380,987
2,572,148	29,932	7,427,210	152,704	372,876	380,987
1,559,554	29,932	-	152,704	-	263,472
-	-	-	-	-	-
4,881	-	-	-	372,078	102,937
-	-	-	-	-	-
-	-	-	-	798	-
795,213	-	-	-	-	-
-	-	-	-	-	-
-	-	8,540,532	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	14,578
212,500	-	-	-	-	-
2,572,148	29,932	8,540,532	152,704	372,876	380,987
-	-	(1,113,322)	-	-	-
-	-	245,600	-	-	-
-	-	245,600	-	-	-
-	-	(867,722)	-	-	-
-	-	1,477,486	-	-	-
$ -	$ -	$ 609,764	$ -	$ -	$ -

New Caney Independent School District
Combining Statements of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Government Funds
Special Revenue Funds - Continued
For the Fiscal Year Ended August 31, 2020

Data Control Codes		276 Instructional Continuity Grant	289 Other Federally Funded Grants	385 Supplemental Visually Impaired
	REVENUES			
5700	Local and intermediate sources	$ -	$ -	$ -
5800	State program revenues	-	-	3,166
5900	Federal program revenues	12,401	628,159	-
5020	Total revenues	12,401	628,159	3,166
	EXPENDITURES			
	Current:			
0011	Instruction	12,401	129,885	3,066
0012	Instructional resources and media services	-	59,060	-
0013	Curriculum and instructional staff development	-	90,033	100
0021	Instructional leadership	-	546	-
0023	School leadership	-	48,513	-
0031	Guidance, counseling, and evaluation services	-	39,190	-
0034	Student transportation	-	12,009	-
0035	Food services	-	1,013	-
0036	Extracurricular activities	-	139,760	-
0041	General administration	-	3,207	-
0051	Plant maintenance and operations	-	49,554	-
0052	Security and monitoring services	-	38,684	-
0053	Data processing services	-	16,705	-
0061	Community services	-	-	-
	Intergovernmental:			
0093	Payments related to shared services arrangements	-	-	-
6030	Total expenditures	12,401	628,159	3,166
1100	Excess (deficiency) of revenues over (under) expenditures	-	-	-
	OTHER FINANCING SOURCES (USES)			
7915	Transfers in	-	-	-
7080	Total other financing sources (uses)	-	-	-
1200	Net change in fund balances	-	-	-
0100	Fund balances (deficit) - beginning	-	-	-
3000	**FUND BALANCES - ENDING (DEFICIT)**	$ -	$ -	$ -

New Caney Independent School District
Combining Statements of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Government Funds
Special Revenue Funds - Continued
For the Fiscal Year Ended August 31, 2020

397	410	427	428	429	458
Advanced Placement Incentives	**State Textbook Fund**	**Special Education Fiscal Support**	**SSA - Dyslexia Grant**	**Other State Funded Grants**	**SSA - Purchasing Alliance Co-op**
$ -	$ -	$ -	$ -	$ -	$ 419,963
911	1,641,974	49,193	71,769	498,917	-
-	-	-	-	-	-
911	1,641,974	49,193	71,769	498,917	419,963
-	1,641,974	-	36,006	53,678	-
-	-	-	-	-	-
504	-	-	33,536	2,975	-
-	-	-	-	4,464	-
-	-	-	-	-	-
-	-	49,193	-	115,583	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	142,957
-	-	-	-	4,800	-
-	-	-	-	165,889	-
-	-	-	-	-	-
-	-	-	2,227	151,528	-
-	-	-	-	-	531,348
504	1,641,974	49,193	71,769	498,917	674,305
407	-	-	-	-	(254,342)
-	-	-	-	-	-
-	-	-	-	-	-
407	-	-	-	-	(254,342)
6,000	-	-	-	-	695,522
$ 6,407	$ -	$ -	$ -	$ -	$ 441,180

New Caney Independent School District
Combining Statements of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Government Funds
Special Revenue Funds - Continued
For the Fiscal Year Ended August 31, 2020

Data Control Codes		460 New Caney High School Campus Activity	461 White Oak M.S. Activity	462 Keefer Crossing M.S. Campus Activity
	REVENUES			
5700	Local and intermediate sources	$ 57,810	$ 18,500	$ 44,891
5800	State program revenues	-	-	-
5900	Federal program revenues	-	-	-
5020	Total revenues	57,810	18,500	44,891
	EXPENDITURES			
	Current:			
0011	Instruction	2,459	3,540	7,873
0012	Instructional resources and media services	-	3,712	4,832
0013	Curriculum and instructional staff development	1,147	-	-
0021	Instructional leadership	-	-	-
0023	School leadership	22,127	4,017	5,676
0031	Guidance, counseling, and evaluation services	1,292	-	-
0034	Student transportation	-	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	19,750	4,655	16,722
0041	General administration	-	-	-
0051	Plant maintenance and operations	-	-	-
0052	Security and monitoring services	-	-	-
0053	Data processing services	-	-	-
0061	Community services	-	-	-
	Intergovernmental:			
0093	Payments related to shared services arrangements	-	-	-
6030	Total expenditures	46,775	15,924	35,103
1100	Excess (deficiency) of revenues over (under) expenditures	11,035	2,576	9,788
	OTHER FINANCING SOURCES (USES)			
7915	Transfers in	-	-	-
7080	Total other financing sources (uses)	-	-	-
1200	Net change in fund balances (deficit)	11,035	2,576	9,788
0100	Fund balances (deficit) - beginning	44,543	30,416	24,261
3000	**FUND BALANCES - ENDING (DEFICIT)**	$ 55,578	$ 32,992	$ 34,049

463	464	465	466	467	468
Porter Elementary Campus Activity	New Caney Elementary Campus Activity	Tavola Elementary Campus Activity	Robert Crippen Elementary Campus Activity	Kings Manor Elementary Campus Activity	Infinity Early College High School Campus Activity
$ 42,112	$ 21,874	$ 44,754	$ 20,108	$ 34,824	$ 667
-	-	-	-	-	-
-	-	-	-	-	-
42,112	21,874	44,754	20,108	34,824	667
3,285	5,611	16,686	5,492	8,084	908
9,556	8,264	6,587	3,354	3,151	-
-	913	-	939	-	-
-	-	-	-	-	-
9,143	3,056	9,922	1,607	4,436	1,793
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
12,178	3,548	9,670	6,541	6,654	-
-	-	-	-	-	-
-	-	11,120	-	-	-
-	-	200	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
34,162	21,392	54,185	17,933	22,325	2,701
7,950	482	(9,431)	2,175	12,499	(2,034)
-	-	-	-	-	-
-	-	-	-	-	-
7,950	482	(9,431)	2,175	12,499	(2,034)
2,440	6,981	14,684	3,625	(811)	12,509
$ 10,390	$ 7,463	$ 5,253	$ 5,800	$ 11,688	$ 10,475

New Caney Independent School District
Combining Statements of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Government Funds
Special Revenue Funds - Continued
For the Fiscal Year Ended August 31, 2020

Data Control Codes		469 Special Education Campus Activity	470 Bens Branch Elementary Campus Activity	471 Valley Ranch Elementary Campus Activity
	REVENUES			
5700	Local and intermediate sources	$ -	$ 21,442	$ 29,627
5800	State program revenues	-	-	-
5900	Federal program revenues	-	-	-
5020	Total revenues	-	21,442	29,627
	EXPENDITURES			
	Current:			
0011	Instruction	-	3,578	7,825
0012	Instructional resources and media services	-	6,100	6,303
0013	Curriculum and instructional staff development	-	-	-
0021	Instructional leadership	-	-	-
0023	School leadership	-	11,776	4,411
0031	Guidance, counseling, and evaluation services	-	-	-
0034	Student transportation	-	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	-	253	12,704
0041	General administration	-	-	-
0051	Plant maintenance and operations	-	-	-
0052	Security and monitoring services	-	-	-
0053	Data processing services	-	-	-
0061	Community services	-	-	-
	Intergovernmental:			
0093	Payments related to shared services arrangements	-	-	-
6030	Total expenditures	-	21,707	31,243
1100	Excess (deficiency) of revenues over (under) expenditures	-	(265)	(1,616)
	OTHER FINANCING SOURCES (USES)			
7915	Transfers in	-	-	-
7080	Total other financing sources (uses)	-	-	-
1200	Net change in fund balances (deficit)	-	(265)	(1,616)
0100	Fund balances (deficit) - beginning	126	36,225	6,308
3000	**FUND BALANCES - ENDING (DEFICIT)**	$ 126	$ 35,960	$ 4,692

472 Sorters Mill Elementary Campus Activity	473 New Caney Middle School Campus Activity	474 District Wide Activity	475 New Caney High School Athletic Activity	476 Porter High School Campus Activity	477 Oakley Elementary Campus Activity
$ 36,751	$ 39,469	$ 1,199	$ 80,864	$ 21,457	$ 39,801
-	-	-	-	-	-
-	-	-	-	-	-
36,751	39,469	1,199	80,864	21,457	39,801
4,841	1,328	-	-	-	4,594
6,847	2,490	-	-	1,464	9,207
-	-	-	-	-	325
-	-	-	-	-	-
11,051	16,252	615	-	32,804	1,271
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
8,892	16,902	-	57,040	-	12,467
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
31,631	36,972	615	57,040	34,268	27,864
5,120	2,497	584	23,824	(12,811)	11,937
-	-	-	-	-	-
-	-	-	-	-	-
5,120	2,497	584	23,824	(12,811)	11,937
3,951	14,126	7,683	119,159	34,873	16,666
$ 9,071	$ 16,623	$ 8,267	$ 142,983	$ 22,062	$ 28,603

New Caney Independent School District
Combining Statements of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Government Funds
Special Revenue Funds - Continued
For the Fiscal Year Ended August 31, 2020

Data Control Codes		478 Porter High School Athletic Activity	479 Woodridge Forest M.S. Activity	480 Dogwood Elementary Campus Activity
	REVENUES			
5700	Local and intermediate sources	$ 29,227	$ 47,845	$ 18,882
5800	State program revenues	-	-	-
5900	Federal program revenues	-	-	-
5020	Total revenues	29,227	47,845	18,882
	EXPENDITURES			
	Current:			
0011	Instruction	-	9,066	3,652
0012	Instructional resources and media services	-	2,479	4,001
0013	Curriculum and instructional staff development	-	-	-
0021	Instructional leadership	-	-	-
0023	School leadership	-	18,130	7,378
0031	Guidance, counseling, and evaluation services	-	-	-
0034	Student transportation	-	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	64,240	24,817	6,217
0041	General administration	-	-	-
0051	Plant maintenance and operations	-	-	-
0052	Security and monitoring services	-	-	-
0053	Data processing services	-	-	-
0061	Community services	-	-	-
	Intergovernmental:			
0093	Payments related to shared services arrangements	-	-	-
6030	Total expenditures	64,240	54,492	21,248
1100	Excess (deficiency) of revenues over (under) expenditures	(35,013)	(6,647)	(2,366)
	OTHER FINANCING SOURCES (USES)			
7915	Transfers in	-	-	-
7080	Total other financing sources (uses)	-	-	-
1200	Net change in fund balances (deficit)	(35,013)	(6,647)	(2,366)
0100	Fund balances (deficit) - beginning	54,679	22,034	2,328
3000	**FUND BALANCES - ENDING (DEFICIT)**	$ 19,666	$ 15,387	$ (38)

481 Brookwood Forest Elementary Campus Activity	495 Education Foundation Grant	499 Locally Funded Special Revenue Fund	Total Nonmajor Funds (See Exhibit C-2)
$ 38,707	$ -	$ -	$ 2,560,717
-	-	-	2,579,460
-	-	-	12,601,171
38,707	-	-	17,741,348
9,904	-	-	5,212,755
7,752	-	-	145,159
-	-	-	1,877,690
-	-	-	90,686
5,205	-	-	230,918
-	-	-	1,026,348
-	-	-	12,009
-	-	-	8,541,545
10,529	-	-	433,539
-	-	-	186,524
-	-	-	65,474
-	-	-	204,773
-	-	-	16,705
-	-	-	295,031
-	-	-	743,848
33,390	-	-	19,083,004
5,317	-	-	(1,341,656)
-	-	-	245,600
-	-	-	245,600
5,317	-	-	(1,096,056)
4,983	8,668	9	2,649,474
$ 10,300	$ 8,668	$ 9	$ 1,553,418

New Caney Independent School District
Schedule of Delinquent Taxes Receivable
For the Fiscal Year Ended August 31, 2020

	1	2	3
	Tax Rates		Assessed/Appraised Value For School Tax Purposes
Year Ended August 31,	Maintenance	Debt Service	
2011 and prior years	$ Various	$ Various	$ Various
2012	1.04	0.500	2,167,000,714
2013	1.04	0.500	2,310,948,896
2014	1.17	0.500	2,488,663,413
2015	1.17	0.500	2,733,588,922
2016	1.17	0.500	3,141,603,593
2017	1.17	0.500	3,528,444,491
2018	1.17	0.500	3,851,748,623
2019	1.17	0.500	4,308,636,048
2020	1.17	0.500	4,680,992,923
1000 TOTALS			
9000 - Portion of row 1000 for taxes paid into tax increment zone under chapter 311, tax code			

Exhibit J-1

10 Beginning Balance 9/1/19	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/20
$ 538,537	$ -	$ 13,574	$ 6,527	$ (159,458)	$ 358,978
99,527	-	1,159	558	(1,014)	96,796
108,045	-	2,391	1,150	(1,365)	103,139
126,647	-	8,535	3,648	(1,480)	112,984
114,990	-	13,826	5,909	6,587	101,842
140,699	-	14,291	6,107	15,669	135,970
244,720	-	31,228	13,345	8,212	208,359
487,193	-	60,369	25,798	(36,445)	364,581
1,110,262	-	264,680	113,111	(138,718)	593,753
-	73,416,693	49,101,979	22,979,611	-	1,335,103
$ 2,970,620	$ 73,416,693	$ 49,512,032	$ 23,155,764	$ (308,012)	$ 3,411,505
		$ -	$ -		

New Caney Independent School District **Exhibit J-2**

Schedule of Revenues, Expenditures and Changes
in Fund Balance – Budget and Actual
National School Breakfast and Lunch Program
For the Fiscal Year Ended August 31, 2020

Data Control Codes		240 Budgeted Amounts Original	240 Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
	REVENUES				
5700	Local and intermediate sources	$ 2,264,582	$ 2,264,582	$ 1,449,943	$ (814,639)
5800	State program revenues	345,000	345,000	313,530	(31,470)
5900	Federal program revenues	7,230,000	7,230,000	5,663,737	(1,566,263)
5020	Total revenues	9,839,582	9,839,582	7,427,210	(2,412,372)
	EXPENDITURES				
	Current:				
0035	Food services	9,789,582	9,789,582	8,540,532	1,249,050
0051	Plant maintenance and operations	50,000	50,000	-	50,000
6030	Total expenditures	9,839,582	9,839,582	8,540,532	1,299,050
1100	Excess (deficiency) of revenues over (under) expenditures	-	-	(1,113,322)	(1,113,322)
	OTHER FINANCING SOURCES (USES)				
7915	Transfers in	-	195,600	245,600	(50,000)
7080	Total other financing sources (uses)	-	195,600	245,600	(50,000)
1200	Net change in fund balance	-	195,600	(867,722)	(1,163,322)
0100	Fund balance - beginning	1,477,486	1,477,486	1,477,486	-
3000	**FUND BALANCE - ENDING**	$ 1,477,486	$ 1,673,086	$ 609,764	$ (1,163,322)

New Caney Independent School District **Exhibit J-3**

Schedule of Revenues, Expenditures and Changes
in Fund Balance – Budget and Actual
Debt Service Fund
For the Fiscal Year Ended August 31, 2020

Data Control Codes		599 Budgeted Amounts Original	599 Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
	REVENUES				
5700	Local and intermediate sources	$ 23,342,640	$ 23,342,640	$ 23,501,503	$ 158,863
5800	State program revenues	1,830,983	1,830,983	4,272,556	2,441,573
5020	Total revenues	25,173,623	25,173,623	27,774,059	2,600,436
	EXPENDITURES				
	Debt service:				
0071	Principal on long-term debt	7,410,358	7,410,358	7,410,358	-
0072	Interest on long-term debt	21,887,903	21,887,903	21,887,903	-
0073	Issuance costs and fees	558,268	558,268	250,503	307,765
6030	Total expenditures	29,856,529	29,856,529	29,548,764	307,765
1100	Excess (deficiency) of revenues over (under) expenditures	(4,682,906)	(4,682,906)	(1,774,705)	2,908,201
	OTHER FINANCING SOURCES (USES)				
7901	Issuance of refunding bonds	16,875,000	16,875,000	16,875,000	-
7916	Premium on issuance of bonds	1,689,751	1,689,751	1,689,751	-
8940	Payment to bond refunding escrow agent	(18,316,940)	(18,316,940)	(18,316,940)	-
7080	Total other financing sources (uses)	247,811	247,811	247,811	-
1200	Net change in fund balance	(4,435,095)	(4,435,095)	(1,526,894)	2,908,201
0100	Fund balance - beginning	8,657,857	8,657,857	8,657,857	-
3000	**FUND BALANCE - ENDING**	$ 4,222,762	$ 4,222,762	$ 7,130,963	$ 2,908,201

This Page Intentionally Left Blank

Overall Compliance, Internal Control Section and Federal Awards

This Page Intentionally Left Blank

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees of
New Caney Independent School District
New Caney, Texas

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of New Caney Independent School District (the District) as of and for the year ended August 31, 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 January 19, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Weaver and Tidwell, L.L.P.
1601 South MoPac Expressway, Suite D250 | Austin, Texas 78746
Main: 512.609.1900

The Board of Trustees of
New Caney Independent School District

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Austin, Texas
January 19, 2021

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

To the Board of Trustees of
New Caney Independent School District
New Caney, Texas

Report on Compliance for Each Major Federal Program

We have audited New Caney 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 August 31, 2020. The District's major federal programs are identified in the summary of auditor's 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.

Auditor's 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 (CFR) 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.

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 August 31, 2020.

Weaver and Tidwell, L.L.P.
1601 South MoPac Expressway, Suite D250 | Austin, Texas 78746
Main: 512.609.1900

The Board of Trustees of
New Caney Independent School District

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.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Austin, Texas
January 19, 2021

New Caney Independent School District
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended August 31, 2020

Section 1. Summary of Auditor's Results

Financial Statements

1.	Type of auditor's report issued	Unmodified
2.	Internal control over financial reporting:	
	a. Material weakness(es) identified?	No
	b. Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
3.	Noncompliance material to the financial statements noted?	No

Federal Awards

4.	Internal control over major programs:	
	a. Material weakness(es) identified?	No
	b. Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
5.	Type of auditor's report issued on compliance with major programs?	Unmodified
6.	Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	No
7.	Identification of major programs	Child Nutrition Cluster – 10.553 and 10.555
8.	Dollar threshold used to distinguish between Type A and Type B federal programs	$750,000
9.	Auditee qualified as a low-risk auditee	Yes

Section 2. Financial Statement Findings

None reported

Section 3. Federal Award Findings and Questioned Costs

None reported

New Caney Independent School District
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended August 31, 2020

Prior Year Findings

None reported

New Caney Independent School District

Exhibit K-1

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2020

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education:			
ESEA Title I, Part A - Improving Basic Programs	84.010A	20610101170908	$ 2,647,665
Title I 1003 School Improvement	84.010A	20610141170908	126,466
Total 84.010A			2,774,131
Special Education Cluster (IDEA):			
IDEA - Part B, Formula	84.027A	206600011709086600	2,572,148
IDEA - Part B, Preschool	84.173A	206610011709086610	29,932
Total Special Education Cluster (IDEA)			2,602,080
Career and Technical - Basic Grant	84.048A	20420006170908	131,049
Career and Technical - Reserve Grant	84.048A	204200287110064	21,655
Total 84.048A			152,704
Title III, Part A - English Language Acquisition and Language Enhancement	84.365A	20671001170908	380,987
Instructional Continuity Grant	84.377A	17610740170908	12,401
Title IV, Part A, Subpart 1	84.424A	20680101170908	166,667
Summer School LEP	84.369A	69551902	19,173
ESEA Title II, Part A - Teacher and Principal Training and Recruiting	84.367A	20694501170908	372,876
ESEA, Title X, Part C - Texas Education for Homeless Children & Youth	84.196A	204600057110054	14,096
Restart Hurricane Recovery	84.938A	18511701170908	76,638
Restart for 2019 Flooding	84.938A	20511703170908	344,867
Texas Hurricane Homeless Youth	84.938B	19513701170908	16,561
Project SERV Hurricane Recovery Grant	84.938G	18510701170908	4,253
Total 84.938A			442,319
TOTAL U.S. DEPARTMENT OF EDUCATION			6,937,434
U.S. DEPARTMENT OF AGRICULTURE			
Child Nutrition Cluster:			
Passed Through State Department of Agriculture - Non-Cash Assistance:			
National School Lunch Program	10.555	806780706	606,276
Passed Through State Department of Education - Cash Assistance:			
School Breakfast Program	10.553	71402001	1,103,014
COVID-19 School Breakfast Program	10.553	71402001	259,460
National School Lunch Program	10.555	71302001	3,272,674
COVID-19 National School Lunch Program	10.555	71302001	422,313
Total Child Nutrition Cluster			5,663,737
Passed Through Montgomery County, Texas:			
Forest Service Schools and Roads Cluster:			
Schools and Roads - Grants to States	10.665	N/A	761
Schools and Roads - Grants to Counties	10.666	N/A	1,739
Total Forest Service Schools and Roads Cluster			2,500
TOTAL U.S. DEPARTMENT OF AGRICULTURE			5,666,237
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 12,603,671

* N/A indicates that a pass-through entity identifying number was not available from the pass-through grantor.

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

This Page Intentionally Left Blank

Note 1. Summary of Significant Accounting Policies

The District accounts for all awards under federal programs in the General Fund and certain Special Revenue Funds in accordance with the Texas Education Agency's Financial Accountability System Resource Guide. These programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in fund balance.

The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned. Generally, unused balances are returned to the grantor at the close of specified project periods.

National School Lunch Program non-cash commodities are recorded at their estimated market value at the time of donation.

Note 2. De Minimis Cost Rate

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

Note 3. Reconciliation to Basic Financial Statements

The following is a reconciliation of expenditures of federal awards per Exhibit K-1 and federal revenues reported on Exhibit C-2:

Total expenditures of federal awards per Exhibit K-1	$ 12,603,671
General Fund - federal revenue	
SHARS	1,617,859
ROTC	130,263
MAC	74,655
Total federal revenues per exhibit C-2	$ 14,426,448

New Caney Independent School District **Exhibit L-1**

Schedule of Required Responses to Selected
School FIRST Indicators (Unaudited)
For the Fiscal Year Ended August 31, 2020

Data 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 school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school 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 school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school 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 school 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 school district's fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end	$ -

Financial Advisory Services
Provided By:

SAMCO Capital