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

OFFICIAL STATEMENT
Dated: March 2, 2022

<u>NEW ISSUE</u>: BOOK-ENTRY-ONLY

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

$29,845,000
NEW CANEY INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Montgomery and Harris Counties, Texas)
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2022

Dated Date: March 15, 2022 **Due: February 15, as shown on the inside cover page**

The New Caney Independent School District Unlimited Tax School Building Bonds, Series 2022 (the "Bonds") are being issued pursuant to the Texas Constitution and general laws of the State of Texas, particularly Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, Chapter 1371, Texas Government Code, as amended ("Chapter 1371") an election held in the New Caney Independent School District (the "District") on May 5, 2018, and the order (the "Bond Order") adopted by the Board of Trustees of the District (the "Board") on January 24, 2022. As permitted by Chapter 1371, the Board, in the Bond Order, delegated the authority to certain District officials (the "Pricing Officer") to execute a pricing certificate (the "Pricing Certificate") establishing the pricing terms for the Bonds (the Pricing Certificate, together with the Bond Order, are collectively referred to herein as the "Order"). The Pricing Certificate was executed by the Pricing Officer on March 2, 2022, which completed the sale of the Bonds. The Bonds are payable as to principal and interest from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, against all taxable property located within the District. The District has received conditional approval from the Texas Education Agency for the Bonds to be guaranteed under the State of Texas Permanent School Fund Guarantee Program (hereinafter defined) which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. (See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").

Interest on the Bonds will accrue from the Dated Date shown above and will be payable on February 15 and August 15 of each year, commencing August 15, 2022 until stated maturity or prior redemption. The Bonds will be issued in fully registered form in principal denominations of $5,000 or any integral multiple thereof within a stated maturity. Principal and interest of the Bonds will be payable by the Paying Agent/Registrar, which initially is BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"), upon presentation and surrender of the Bonds for payment. Interest on the Bonds is payable by check dated as of the interest payment date and mailed by the Paying Agent/Registrar to the registered owners as shown on the records of the Paying Agent/Registrar on the close of business as of the last business day of the month next preceding each interest payment date.

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

Proceeds from the sale of the Bonds will be used for the purpose of (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. (See "THE BONDS - Authorization and Purpose").

The Bonds maturing on and after February 15, 2033 are subject to redemption at the option of the District in whole or in part in principal amounts of $5,000 or any multiple thereof, on February 15, 2032 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. In addition, the Term Bonds (hereafter defined) are subject to mandatory sinking fund redemption as described herein. (See "THE BONDS - Optional Redemption" and "THE BONDS – Mandatory Sinking Fund Redemption").

MATURITY SCHEDULE
(On Inside Cover Page)

The Bonds are offered for delivery when, as and if issued, and received by the Underwriters subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Bracewell LLP, Dallas, Texas. The Bonds are expected to be available for initial delivery through the facilities of DTC on or about March 30, 2022.

OPPENHEIMER & CO. **PIPER SANDLER & CO.**

$29,845,000
NEW CANEY INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Montgomery and Harris Counties, Texas)
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2022

MATURITY SCHEDULE
BASE CUSIP NO: 643154[1]

$2,965,000 Serial Bonds

Maturity Date 2/15	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix No.[1]
2024	$1,130,000	4.00%	1.200%	HT7
2025	385,000	5.00	1.240	HU4
2026	265,000	5.00	1.350	HV2
2027	275,000	5.00	1.430	HW0
2028	285,000	5.00	1.530	HX8
2029	310,000	5.00	1.610	HY6
2030	315,000	5.00	1.670	HZ3

(Interest to accrue from the Dated Date)

$26,880,000 Term Bonds

$160,000	3.000%	Term Bond due February 15, 2034 – Price	107.064	(yield 2.200%)[2]	CUSIP Suffix No. JA6[1]
$1,125,000	3.000%	Term Bond due February 15, 2042 – Price	103.727	(yield 2.570%)[2]	CUSIP Suffix No. JC2[1]
$3,240,000	4.000%	Term Bond due February 15, 2047 – Price	115.800	(yield 2.210%)[2]	CUSIP Suffix No. JD0[1]
$22,355,000	3.000%	Term Bond due February 15, 2052 – Price	98.058	(yield 3.100%)	CUSIP Suffix No. JE8[1]

(Interest to accrue from the Dated Date)

(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 Markets Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the District, the Financial Advisor, or the Underwriters are responsible for the selection or correctness of the CUSIP numbers set forth herein.

(2) Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on February 15, 2032, the first optional call date for such Bonds, at a redemption price of par, plus accrued interest to the redemption date.

NEW CANEY INDEPENDENT SCHOOL DISTRICT

APPOINTED OFFICIALS

Name	Position	Length of Education Service	Length of Service with District
Matt Calvert	Superintendent	16 Years	6 Years
Brandy Chelette	Executive Director, Finance	20 Years	16 Years
Blake Carroll	Executive Director, Operations	16 Years	4 Years
Position Currently Vacant	Executive Director, Human Resources	-	-
Loree Munro	Executive Director, Instructional Programs	21 Years	10 Years
Scott Castleberry	Executive Director, Student Services	32 Years	32 Years
Dr. Scott Powers	Executive Director, Public Relations	22 Years	5 Years
Kristi Shofner	Executive Director, School Leadership & Learning	26 Years	6 Years
Jim Holley	Director, Athletics	32 Years	14 Years
Merredith Hunt	Director, Budget	13 Years	7 Years
Amanda Garcia	Director, Accounting	5 Years	5 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 Independent School District
21580 Loop 494
New Caney, Texas 77357
(281) 577-8600

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

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – PSF Continuing Disclosure Undertaking" and "CONTINUING DISCLOSURE OF INFORMATION" for a description of the 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 UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

NONE OF THE DISTRICT, ITS FINANCIAL ADVISOR, OR THE UNDERWRITERS MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY 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 OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.

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

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SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The District	The 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.
The Bonds	The District's Unlimited Tax School Building Bonds, Series 2022 (the "Bonds") are being issued in the principal amount of $29,845,000 pursuant to the Texas Constitution and general laws of the State of Texas, particularly Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, Chapter 1371, Texas Government Code, as amended ("Chapter 1371") an election held in the District on May 5, 2018, and the order (the "Bond Order") adopted on January 24, 2022 by the Board. As permitted by Chapter 1371, the Board, in the Bond Order, delegated the authority to certain District officials (the "Pricing Officer") to execute a pricing certificate (the "Pricing Certificate") establishing the pricing terms of the Bonds (the Pricing Certificate, and the Bond Order, are collectively referred to herein as the "Order"). The Pricing Certificate was executed by the Pricing Officer on March 2, 2022, which completed the sale of the Bonds. Proceeds from the sale of the Bonds will be used for the purpose of (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. (See "THE BONDS - Authorization and Purpose")
Paying Agent/Registrar	The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. The District intends to use the Book-Entry-Only System of DTC. (See "BOOK-ENTRY-ONLY SYSTEM.")
Security	The Bonds will constitute direct and voted obligations of the District, payable as to principal and interest from ad valorem taxes levied annually against all taxable property located within the District, without legal limitation as to rate or amount. Payments of principal and interest on the Bonds will be further secured by the corpus of the Permanent School Fund of Texas. (See "THE BONDS – Security", "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS", "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM.")
Redemption	The Bonds maturing on and after February 15, 2033 are subject to redemption at the option of the District in whole or in part in principal amounts of $5,000 or any multiple thereof, on February 15, 2032 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. (See "THE BONDS – Optional Redemption.") In addition, the Term Bonds (hereafter defined) are subject to mandatory sinking fund redemption as described herein. (see "THE BONDS – Mandatory Sinking Fund Redemption").
Permanent School Fund Guarantee	The District has received conditional approval from the Texas Education Agency for the payment of the Bonds to be guaranteed under the Permanent School Fund Guarantee Program, which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. (See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM.")
Ratings	The Bonds are rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "AAA" Fitch Ratings, Inc. ("Fitch") based upon the guaranteed repayment thereof under the Permanent School Fund Guarantee Program of the Texas Education Agency. The District's underlying, unenhanced 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	In the opinion of Bond Counsel for the District, interest on the Bonds is excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein. (See "TAX MATTERS" and Appendix C - "Form of Legal Opinion of Bond Counsel.")
Payment Record	The District has never defaulted on the payment of its bonded indebtedness.
Legal Opinion	Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel.
Delivery	When issued, anticipated to occur on or about March 30, 2022.

INTRODUCTORY STATEMENT

This Official Statement, 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 located in Montgomery and Harris Counties, Texas, in connection with the offering by the District of its Unlimited Tax School Building Bonds, Series 2022 (the "Bonds").

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

There follows in this Official Statement descriptions of the Bonds and the order adopted by the Board of Trustees of the District (the "Board") on January 24, 2022 authorizing the issuance of the Bonds (the "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 Official Statement speaks only as of its date, and the information contained herein is subject to change. A copy of this Final Official Statement pertaining to the Bonds will be deposited with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system. See "CONTINUING DISCLOSURE OF INFORMATION" herein for a description of the District's undertaking to provide certain information on a continuing basis.

COVID-19

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

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency (including TEA) that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness, mitigation and reopening. 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 required 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. TEA has since updated its guidance in accordance with Executive Order GA-36. Executive Order GA-38, issued on July 29, 2021 and Executive Order GA-39, issued on August 25, 2021, further provide that governmental entities cannot require mask mandates, vaccine passports, or mandatory vaccinations. On October 11, 2021, the Governor issued Executive Order GA-40, prohibiting any entity from requiring COVID vaccinations. Various lawsuits have been filed throughout the State related to the foregoing and litigation is expected to continue. 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 Official Statement.

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 fully quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and may 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.

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 Official Statement 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 are being issued in the principal amount of $29,845,000 pursuant to the Texas Constitution and general laws of the State of Texas (the "State"), particularly Section 45.001 and 45.003(b)(1), Texas Education Code, as amended, Chapter 1371, Texas Government Code, as amended ("Chapter 1371") an election held in the District on May 5, 2018 (the "Election"), and the order (the "Bond Order") adopted January 24, 2022. As permitted by Chapter 1371, the Board, in the Bond Order, delegated the authority to certain District officials (the "Pricing Officer") to execute a pricing certificate (the "Pricing Certificate") establishing the pricing terms for the Bonds (the Pricing Certificate, together with the Bond Order, are collectively referred to herein as the "Order"). The Pricing Certificate was executed by the Pricing Officer on March 2, 2022, which completed the sale of the Bonds. Proceeds from the sale of the Bonds will be used for the purpose of (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.

General Description

The Bonds are dated March 15, 2022 (the "Dated Date") and will bear interest from the Dated Date. The Bonds will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. Interest on the Bonds is payable initially on August 15, 2022, and on each February 15 and August 15 thereafter until stated maturity or prior redemption.

The Bonds will be issued only as fully registered bonds. The Bonds will be issued in the denominations of $5,000 of principal amount or any integral multiple thereof within a stated maturity. Interest on the Bonds is payable by check mailed on or before each interest payment date by the Paying Agent/Registrar, initially, BOKF, NA, Dallas, Texas, to the registered owner at the last known address as it appears on the Paying Agent/Registrar's books on the Record Date (as defined herein) or by such other customary banking arrangement acceptable to the Paying Agent/Registrar and the registered owner to whom interest is to be paid, provided, however, that such person shall bear all risk and expense of such other arrangements. Principal of the Bonds will be payable only upon presentation of such Bonds at the corporate trust office of the Paying Agent/Registrar at stated maturity or prior redemption. So long as the Bonds are registered in the name of CEDE & CO. or other nominee for The Depository Trust Company, New York, New York ("DTC"), payments of principal and interest of the Bonds will be made as described in "BOOK-ENTRY-ONLY SYSTEM" herein.

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

Optional Redemption

The Bonds maturing on and after February 15, 2033 are subject to redemption at the option of the District in whole or in part in principal amounts of $5,000 or any multiple thereof, on February 15, 2032 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the District shall determine the amounts and maturities thereof to be redeemed and shall direct the Paying Agent/Registrar to select by lot the Bonds, or portions thereof, to be redeemed.

Mandatory Sinking Fund Redemption

In addition to the optional redemption provision described above, the Bonds maturing on February 15, 2034, February 15, 2042, February 15, 2047, and February 15, 2052 (the "Term Bonds") are subject to mandatory sinking fund redemption prior to their stated maturity, and will be redeemed by the District, at a redemption price equal to the principal amount thereof plus interest accrued thereon to the redemption date, on the dates and in the principal amounts shown in the following schedule:

Term Bonds February 15, 2034 (3.000%)		Term Bonds February 15, 2042 (3.000%)		Term Bonds February 15, 2047 (4.000%)		Term Bonds February 15, 2052 (3.000%)	
Date (2/15)	Amount	Date (2/15)	Amount	Date (2/15)	Amount	Date (2/15)	Amount
2031	$40,000	2035	$40,000	2043	$325,000	2048	$3,705,000
2032	40,000	2036	45,000	2044	340,000	2049	3,790,000
2033	40,000	2037	40,000	2045	355,000	2050	3,865,000
2034*	40,000	2038	40,000	2046	1,105,000	2051	5,415,000
		2039	45,000	2047*	1,115,000	2052*	5,580,000
		2040	295,000				
		2041	305,000				
		2042*	315,000				

**Stated Maturity*

Approximately forty-five (45) days prior to each mandatory redemption date for any Term Bond, the Paying Agent/Registrar shall randomly select by lot or other customary method the numbers of the Term Bonds within the applicable Stated Maturity to be redeemed on the next following February 15 from moneys set aside for that purpose in the Interest and Sinking Fund (as defined in the Bond Order). Any Term Bonds not selected for prior redemption shall be paid on the date of their Stated Maturity.

The principal amount of Term Bonds of a stated maturity required to be redeemed on any mandatory redemption date pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the Issuer, by the principal amount of any Term Bonds of the same maturity which, at least fifty (50) days prior to a mandatory redemption date (1) shall have been acquired by the Issuer at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, 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 Issuer at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

Notice of Redemption and DTC Notices

Not less than 30 days prior to a redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of a Bond to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER RECEIVED BY THE BONDHOLDER, AND, SUBJECT TO PROVISION FOR PAYMENT OF THE REDEMPTION PRICE HAVING BEEN MADE AND THE SATISFACTION OF ANY OTHER CONDITION SPECIFIED IN THE NOTICE, INTEREST ON THE REDEEMED BONDS SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A BOND HAS NOT BEEN PRESENTED FOR PAYMENT.

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

The Paying Agent/Registrar and the District, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Order or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the beneficial owners. Any such selection of Bonds to be redeemed will not be governed by the Order and will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds for redemption. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Security

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

Permanent School Fund Guarantee

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

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

Legality

The Bonds are offered when, as and if issued, subject to the approval of legality by the Attorney General of the State and McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel. (See "LEGAL MATTERS" and "Appendix C - Form of Legal Opinion of Bond Counsel").

Payment Record

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

Amendments

In the Order, the District has reserved the right to amend the Order without the consent of any holder for the purpose of amending or supplementing the Order to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of the Order that do not materially adversely affect the interests of the holders, (iv) qualify the Order under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect or (v) make such other provisions in regard to matters or questions arising under the Order that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the District, do not materially adversely affect the interests of the holders.

The Order further provides that the holders of the Bonds aggregating in principal amount 51% of the outstanding Bonds shall have the right from time to time to approve any amendment not described above to the Order if it is deemed necessary or desirable by the District; provided, however, that without the consent of 100% of the holders of the then outstanding Bonds so affected, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Bonds; (ii) reducing the rate of interest borne by any of the outstanding Bonds; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Bonds; (iv) modifying the terms of payment of principal or interest or redemption premium, if any, on outstanding Bonds or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Bonds necessary for consent to such amendment. Reference is made to the Order for further provisions relating to the amendment thereof.

Defeasance

The Bond Order provides for the defeasance of the Bonds when payment of the principal amount of the Bonds plus interest accrued on the Bonds to their due date (whether such due date be by reason of stated maturity, redemption, or otherwise) is provided by irrevocably depositing with a paying agent, or other authorized escrow agent, in trust (1) money in an amount sufficient to make such payment and/or (2) Defeasance Securities, that will mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The District has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance. The Bond Order provides that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Bonds. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District authorizes the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the District adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent 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 current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used for defeasance purposes or that for any other Defeasance Security will be maintained at any particular rating category.

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

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

Sources and Uses of Funds

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

Sources		
Par Amount of Bonds	$	29,845,000.00
Net Reoffering Premium		513,276.55
Accrued Interest on Bonds		40,656.25
Total Sources of Funds	$	30,398,932.80
Uses		
Deposit to Construction Fund	$	30,000,000.00
Costs of Issuance		190,289.87
Underwriters' Discount		167,986.68
Deposit to Interest and Sinking Fund		40,656.25
Total Uses of Funds	$	30,398,932.80

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 issuance 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.

BOOK-ENTRY-ONLY SYSTEM

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

The District and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption 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 Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

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

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

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

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar for the Bonds is BOKF, NA, Dallas, Texas. In the Order, the District covenants to maintain and provide a Paying Agent/Registrar until the Bonds are duly paid.

Successor Paying Agent/Registrar

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

Initial Registration

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

Future Registration

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

Record Date For Interest Payment

The record date (the "Record Date") for determining the party to whom the interest payable on a Bond on any interest payment date means the close of business on the last 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

The Paying Agent/Registrar shall not be required to make any such transfer, conversion or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

Replacement Bonds

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

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

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

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

During the 87th Regular Session of the Texas Legislature (the "87th Regular Session"), which concluded on May 31, 2021, Senate Bill 1232 ("SB 1232" or "the bill") was enacted, and the bill became effective on September 1, 2021. SB 1232 provides for a variety of changes to the operations and management of the Fund, including the creation of the Permanent School Fund Corporation (the "PSF Corporation"), and the delegation of responsibility to manage the portion of the Fund previously under the management supervision of the State Board of Education (the "SBOE") to the PSF Corporation. SB 1232 also requires changes with respect to the management of certain investments previously made at the discretion of the Texas School Land Board ("the "SLB"), including limiting the types of investments that may be made by the SLB and mandating the transfer of cash and certain other investment properties from the SLB to the PSF Corporation once the PSF Corporation is created. Certain of the authorizations of SB 1232, including the creation of the PSF Corporation have occurred, but other authorized changes are expected to be implemented in phases, generally from the first quarter of calendar year 2022 through the end of calendar year 2023. See "Management Transition to the PSF Corporation" for a summary of SB 1232 and its expected impact on the management and operations of the Fund.

History and Purpose

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

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

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

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

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

Audited financial information for the SBOE financial portfolios of 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 SLB's land and real assets investment operations, which are part of the PSF as described below, are included in the annual financial report of the Texas General Land Office (the "GLO") that is included in the comprehensive annual report of the State of Texas. 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, 2021, 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, 2021 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, 2021 and for a description of the financial results of the PSF for the year ended August 31, 2021, the most recent year for which audited financial information regarding the Fund is available. The 2021 Annual Report speaks only as of its date and the TEA has not obligated itself to update the 2021 Annual Report or any other Annual Report. The TEA posts (i) each Annual Report, which includes statistical data regarding the Fund as of the close of each fiscal year, (ii) the most recent disclosure for the Guarantee Program, (iii) the 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"), and (iv) 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. See "Management Transition to the PSF Corporation" for ongoing changes in the management structure of the Fund that may result in changes to the annual audit prepared with respect to the Fund.

Management and Administration of the Fund

The following discussion describes the legal and management structure of the Fund prior to full implementation of SB 1232, which has begun and is expected to continue in phases over an approximately two year period. See "Management Transition to the PSF Corporation" for summaries of certain laws applicable to the Fund pursuant to the Texas Constitution and SB 1232 and the ongoing changes in the management structure 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. The SBOE consists of 15 members who are elected by territorial districts in the State to four year terms of office.

The Texas Constitution provides that the Fund shall be managed though the exercise of the judgment and care under the circumstances then prevailing which persons of ordinary prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income therefrom as well as the probable safety of their capital (the "Prudent Person Standard"). 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.

In accordance with the Texas Constitution, the SBOE views the PSF as a perpetual endowment, and the Fund is managed as an endowment fund with a long-term investment horizon. 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 below, the Total Return Constitutional Amendment restricts the annual pay-out from the Fund to both (i) 6% of the average of the market value of the Fund, excluding real property, on the last day of each of the sixteen State fiscal quarters preceding the Regular Session of the Legislature that begins before that State fiscal biennium, and (ii) the total-return on all investment assets of the Fund over a rolling ten-year period.

By law, the Education Commissioner is appointed by the Governor, with Senate confirmation, and assists the SBOE, but the Education Commissioner can neither be hired nor dismissed by the SBOE. The Executive Administrator of the Fund is hired by and reports to the Education Commissioner. Moreover, although the Fund's Executive Administrator and the PSF staff at TEA implement the decisions of and provide information to the School Finance/PSF Committee of the SBOE (the "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.

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

The SBOE/PSF investment staff and the SBOE's investment consultant for the Fund 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.

The SBOE contracts with a financial institution for custodial and securities lending services in addition to the performance measurement of the total return of the Fund's financial assets managed by the SBOE. 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. Like other State agencies and instrumentalities that manage large investment portfolios, the PSF has an incentive compensation plan that may provide additional compensation for investment personnel, depending upon the criteria relating to the investment performance of the Fund.

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

Texas law assigns to the SLB the ability to control of the Fund's land and mineral rights and make investments in real assets. Administrative duties related to the land and mineral rights reside with the GLO, which is under the guidance of the elected commissioner of the GLO (the "Land Commissioner. The SLB manages the proceeds of the land and mineral rights that are administrated by the GLO on behalf of the Fund. The SLB is governed by a five member board, the membership of which consists of the Land Commissioner, who sits as the chairman of the board, and four citizen members appointed by the Governor. The SLB and is generally authorized to invest in the following asset classes:

- Discretionary real assets investments consisting of externally managed real estate, infrastructure, and energy/minerals investment funds, separate accounts, and co-investment vehicles; internally managed direct real estate investments, and associated cash;
- Sovereign and other lands, being the lands set aside for the Fund when it was created, and other various lands not considered discretionary real asset investments; and,
- Mineral interests associated with Fund lands.

At August 31, 2021, the SLB managed approximately 15% of the PSF, as reflected in the fund balance of the PSF at that date. See "Management Transition to the PSF Corporation" for a summary of SB 1232 and its expected impact on the management and operations of the Fund.

In 2019, the Texas Legislature enacted legislation that required 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 legislation enacted in 2019 included a bill that created a "permanent school fund liquid account" (the "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. That legislation also provided for the SBOE to administer and invest the Liquid Account and required the TEA, in consultation with the GLO, to conduct a study regarding distributions to the ASF from the PSF. That study (the "PSF Distribution Study"), dated August 31, 2020, is available at https://tea.texas.gov/sites/default/files/TEA-Distribution-Study.pdf.

Management Transition to the PSF Corporation

In accordance with SB 1232, at its November 2021 board meeting, the SBOE approved the articles of formation of the PSF Corporation. The articles were filed on December 1, 2021, thus effecting the creation of the PSF Corporation. SB 1232 authorizes the SBOE to delegate investment authority over the PSF and the Charter District Reserve Fund to the PSF Corporation. The bill also provides that the PSF Corporation, the SBOE and TEA must coordinate to determine the PSF Corporation's role in the operation and management of the Guarantee Program to ensure the proper and efficient operation of the program.

The description of SB 1232 that follows summarizes some key provisions of the bill. The full text of the bill can be found at https://capitol.texas.gov/BillLookup/Text.aspx?LegSess=87R&Bill=SB1232. SB 1232 provides for various transition dates relating to implementation of the bill, with the latest dates generally occurring in calendar year 2023. As a result, the full implementation of SB 1232 will necessarily evolve over time with the timing of certain aspects of its implementation yet to be determined.

As allowed by SB 1232, the PSF Corporation has been created as a special-purpose governmental corporation and instrumentality of the State which is entitled to sovereign immunity. The PSF Corporation is to be governed by nine-member board of directors (the "Board"), consisting of five members of the SBOE, the Land Commissioner, and three appointed members who have substantial background and expertise in investments and asset management; with one of the appointees being appointed by the Land Commissioner and the other two appointed by the Governor with confirmation by the Senate.

At the inaugural meeting of the Board in January 2022, the Board appointed the Executive Administrator of the Fund as the interim chief executive officer of the PSF Corporation. The interim chief executive officer will report to the Board. Any amendments to the PSF Corporation's articles of formation and bylaws will be adopted by the Board but are subject to approval by the SBOE.

Notwithstanding the management transition for the Fund from the SBOE to the PSF Corporation, the provisions of the Texas Constitution that formerly applied to the SBOE's management will continue to provide a framework for the management of the Fund. In particular, the Prudent Person Standard is applicable to the PSF Corporation, and the Total Return Constitutional Amendment will govern distributions from the PSF to the ASF by the SBOE. A separate constitutional provision allowing distributions from the PSF to the ASF that is currently used by the SLB was also granted to the PSF Corporation. When determining any amount to distribute, the PSF Corporation may consider distributions made by the SBOE. In addition, the Fund will continue to be managed as a perpetual endowment for the benefit of citizens of the State.

The SLB's investments in real estate investment funds and real asset investment funds will transfer to the PSF Corporation. Beginning December 31, 2022, the SLB will no longer be authorized to make investments into funds; however, the SLB will still be able to invest in land, mineral and royalty interests, and direct real estate holdings; the SLB will also be required to send PSF mineral revenue to the PSF Corporation for investment, subject to designation via the appropriations process to cover GLO expenses of managing the minerals. Tentatively, the transfer of SLB assets to the management of the PSF Corporation is expected to occur in late 2022 or early 2023, but exceptions could be made for specific investments.

In connection with the transfer of SLB's investment funds to the PSF Corporation, the PSF Corporation will also determine when the Liquid Account can be abolished, and any remaining balance transferred to the PSF managed by the PSF Corporation.

Not less than once each year, the Board must submit an audit report to the Legislative Budget Board ("LBB") regarding the operations of the PSF Corporation. The PSF Corporation may contract with a certified public accountant or the State Auditor to conduct an independent audit of the operations of the PSF Corporation, but such authorization does not affect the State Auditor's authority to conduct an audit of the PSF Corporation in accordance with other State laws.

As required by State law, during the 87th Regular Session the LBB issued a fiscal note on SB 1232. The fiscal note stated that uncertainty exists regarding the nature of future returns and the effect of the bill on distributions from all components of the PSF to the ASF, such that the financial impact of the bill could not be determined during the legislative session. However, the fiscal note stated that TEA and the GLO projected that the changes effected by the bill will have a positive fiscal impact in terms of growth of the Fund and future Fund distributions. No assurances can be given as to future investment results for the Fund.

The State general appropriations act for fiscal years 2022-23 required TEA (and GLO) to submit a plan to the LBB describing the steps required to implement SB 1232, and the plan was submitted on September 1, 2021. The plan included a description of appropriated funds and full time equivalent employees ("FTEs") to be transferred to PSF Corporation and identified costs to accrue to TEA as a result of such transfers. The plan identified a cost range of approximately $8,000,000 to $11,000,000 required in connection with the establishment of the PSF Corporation. During the Summer or Fall of 2022, an appropriation request is expected to be made by the chief executive officer of the PSF Corporation acting in cooperation with the Board to LBB in preparation for the 2024-2025 State biennium.

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. Prior to the adoption of the Total Return Constitutional Amendment, all interest and dividend income produced by Fund investments flowed into the ASF, where they were distributed to local school districts and open-enrollment charter schools based on average daily attendance, any net gains from investments of the Fund were reflected in the value of the PSF, and costs of administering the PSF were allocated to the ASF. 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, in accordance with the rate adopted by: (a) a vote of two-thirds of the total membership of the SBOE, taken before the Regular Session of the Legislature convenes or (b) the Legislature by general law or appropriation, if the SBOE does not adopt a rate as provided by clause (a); and (2) over the ten-year period consisting of the current State fiscal year and the nine preceding state fiscal years may not exceed the total return on all investment assets of the Fund over the same ten-year period (the "Ten Year Total Return"). In April 2009, the Attorney General issued a legal opinion, Op. Tex. Att'y Gen. No. GA-0707 (2009) ("GA-0707"), with regard to certain matters pertaining to the Distribution Rate and the determination of the Ten Year Total Return. In GA-0707 the Attorney General opined, among other advice, that (i) the Ten Year Total Return should be calculated on an annual basis, (ii) a contingency plan adopted by the SBOE, to permit monthly transfers equal in aggregate to the annual Distribution Rate to be halted and subsequently made up if such transfers temporarily exceed the Ten Year Total Return, is not prohibited by State law, provided that such contingency plan applies only within a fiscal year time basis, not on a biennium basis, and (iii) 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." The definition of intergenerational equity that the SBOE has generally followed is the maintenance of purchasing power to ensure that endowment spending keeps pace with inflation, with the ultimate goal being to ensure that current and future generations are given equal levels of purchasing power in real terms. In making this determination, the SBOE takes into account various considerations, and relies upon its staff and external investment consultants, which undertake analysis for long-term projection periods that includes certain assumptions. Among the assumptions used in the analysis are a projected rate of growth of student enrollment State-wide, the projected contributions and expenses of the Fund, projected returns in the capital markets and a projected inflation rate.

On November 8, 2011, a referendum was held in the State at which voters of the State 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 November 8, 2011 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 was 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.

The constitutional amendments approved on November 8, 2011, also provided authority to the GLO or another entity (described in statute as the SLB) 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, the SBOE or another entity to the extent such entity has the responsibility for the management of revenues derived from such land or other properties. Any amount transferred to the ASF pursuant to this constitutional provision is excluded from the 6% Distribution Rate limitation applicable to SBOE transfers.

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

Annual Distributions to the Available School Fund[1]

Fiscal Year Ending	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
PSF(SBOE) Distribution	$1,021	$1,021	$839	$839	$1,056	$1,056	$1,236	$1,236	$1,102	$1,102
PSF(SLB) Distribution	$0	$300	$0	$0	$0	$0	$0	$300	$600	$600[2]
Per Student Distribution	$221	$281	$175	$173	$215	$212	$247	$306	$347	$341

1 In millions of dollars. Source: PSF Annual Report for year ended August 31, 2021.

2 In September 2020, the SBOE approved a special, one-time transfer of $300 million from the portion of the PSF managed by the SBOE to the portion of the PSF managed by the SLB, which amount is to be transferred to the ASF by the SLB in fiscal year 2021. In approving the special transfer, the SBOE determined that the transfer was in the best interest of the PSF due to the historic nature of the public health and economic circumstances resulting from the COVID-19 pandemic and its impact on the school children of Texas.

In November 2020, the SBOE approved a projected $3.4 billion distribution to the ASF for State fiscal biennium 2022-2023. In making its determination of the 2022-2023 Distribution Rate, the SBOE took into account the announced planned distribution to the ASF by the SLB of $875 million for the biennium.

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

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

[1] *Includes only distributions made to the ASF by the SBOE; see the immediately preceding table for amounts of direct SLB distributions to the ASF.*

See "Management Transition to the PSF Corporation" for a discussion of planned changes in the management of the Fund that may impact distributions to the ASF.

Asset Allocation of Fund Portfolios

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. 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. 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 most recent asset allocation of the PSF(SBOE), approved by the SBOE in July 2020, is set forth below, along with the current asset allocations of the PSF(SLB) and the asset allocation of the Liquid Account (the Liquid Account asset allocation was most recently revised in November 2021). The next scheduled review of the PSF(SBOE) asset allocation is June 2022. See "Management Transition to the PSF Corporation" for a discussion of planned changes in the management of the Fund that could affect the responsibility for review of the asset allocation and the timing of asset allocation review, as well as elimination of the Liquid Account.

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PSF Strategic Asset Allocations

	PSF Total	**PSF(SBOE)**	**PSF(SLB)**	**Liquid Account**
Equity Total	47%	52%	0%	60%
Public Equity Total	34%	37%	0%	60%
Large Cap US Equity	13%	14%	0%	30%
Small/Mid Cap US Equity	5%	6%	0%	7%
International Equities	13%	14%	0%	23%
Emerging Markets Equity	2%	3%	0%	0%
Private Equity	13%	15%	0%	0%
Fixed Income Total	27%	25%	0%	38%
Core Bonds	11%	12%	0%	10%
High Yield	2%	3%	0%	0%
Emerging Markets Debt	6%	7%	0%	0%
Treasuries	2%	3%	0%	0%
TIPS	3%	0%	0%	5%
Short Duration	2%	0%	0%	23%
Alternative Investments Total	25%	22%	100%	0%
Absolute Return	6%	7%	0%	0%
Real Estate	12%	11%	33%	0%
Real Return	1%	4%	0%	0%
Energy	3%	0%	35%	0%
Infrastructure	3%	0%	32%	0%
Emerging Manager Program	0%	1%	0%	0%
Cash	2%	0%	0%	2%

For a variety of reasons, each change in asset allocation for the Fund has been implemented in phases, and that approach is likely to be carried forward when and if the asset allocation policy is again modified.

The table below sets forth the comparative investments of the PSF(SBOE) for the years ending August 31, 2020 and 2021.

Comparative Investment Schedule - PSF(SBOE)[1]

Fair Value (in millions) August 31, 2021 and 2020

ASSET CLASS	August 31, 2021	August 31, 2020	Amount of Increase (Decrease)	Percent Change
EQUITY				
Domestic Small Cap	$ 2,597.3	$ 2,005.8	$ 591.5	29.5%
Domestic Large Cap	6,218.7	5,106.3	1,112.4	21.8%
Total Domestic Equity	8,816.0	7,112.1	1,703.9	24.0%
International Equity	8,062.1	6,380.9	1,681.2	26.3%
TOTAL EQUITY	16,878.1	13,493.0	3,385.1	25.1%
FIXED INCOME				
Domestic Fixed Income	4,853.1	4,232.6	620.5	14.7%
U.S. Treasuries	1,243.3	918.7	324.6	35.3%
Emerging Market Debt	2,683.7	2,450.7	233.0	9.5%
TOTAL FIXED INCOME	8,780.1	7,602.0	1,178.1	15.5%
ALTERNATIVE INVESTMENTS				
Absolute Return	3,546.0	3,517.2	28.8	0.8%
Real Estate	3,706.0	3,102.1	603.9	19.5%
Private Equity	7,724.6	4,761.5	2,963.1	62.2%
Risk Parity	-	1,164.9	(1,164.9)	-100.0%
Real Return	1,675.5	2,047.4	(371.9)	-18.2%
TOT ALT INVESTMENTS	16,652.1	14,593.1	2,059.0	14.1%
UNALLOCATED CASH	262.9	122.9	140.0	113.9%
TOTAL PSF(SBOE) INVESTMENTS	$ 42,573.2	$ 35,811.0	$ 6,762.2	18.9%

Source: PSF Annual Report for year ended August 31, 2021.

[1] *The investments shown in the table above at August 31, 2021 do not fully reflect the changes made to the PSF Strategic Asset Allocation in 2020, as those changes were still being phased in at the end of the fiscal year.*

In accordance with legislation enacted during 2019, the PSF has established the Liquid Account for purposes of investing cash received from the SLB to be invested in liquid assets and managed by the SBOE in the same manner it manages the PSF. That cash was previously 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 Liquid Account and that policy was revised in November 2021 (the current allocation is as shown in the table "PSF Strategic Asset Allocations" above). As so amended, the Liquid Account asset allocation is expected to be fully implemented in the first calendar quarter of calendar year 2022. See "Management Transition to the PSF Corporation" for a discussion of planned changes in the management of the Fund that could result in the dissolution of the Liquid Account and a blending of assets held in the Liquidity Account into the general investment portfolio of the Fund.

The table below sets forth the investments of the Liquid Account for the year ended August 31, 2021.

Liquid Account Fair Value at August 31, 2021[1]

Fair Value (in millions) August 31, 2021 and 2020

ASSET CLASS	August 31, 2021	August 31, 2020	Amount of Increase (Decrease)	Percent Change
Equity				
Domestic Small/Mid Cap	$228.3	-	$228.3	N/A
Domestic Large Cap	578.6	-	578.6	N/A
Total Domestic Equity	806.9	-	806.9	N/A
International Equity	392.6	-	392.6	N/A
TOTAL EQUITY	1,199.5	-	1,199.5	N/A
Fixed Income				
Short-Term Fixed Income	1,074.8	$1,597.3	(522.5)	-32.7%
Core Bonds	413.1	-	413.1	N/A
TIPS	213.9	-	213.9	N/A
TOTAL FIXED INCOME	1,701.8	1,597.3	104.5	6.5%
Unallocated Cash	1,420.5	2,453.3	(1,032.8)	-42.1%
Total Liquid Account Investments	$4,321.8	$4,050.6	$271.2	6.7%

[1] In millions of dollars.
Source: PSF Annual Report for year ended August 31, 2021.

The table below sets forth the comparative investments of the PSF(SLB) for the years ending August 31, 2020 and 2021.

Comparative Investment Schedule - PSF(SLB)

Fair Value (in millions) August 31, 2021 and 2020

Asset Class	As of 8-31-21	As of 8-31-20	Increase (Decrease)	Percent Change
Discretionary Real Assets Investments				
Externally Managed				
Real Assets Investment Funds[1]				
Energy/Minerals	$1,707.5	$1,164.0	$543.5	46.7%
Infrastructure	1,652.3	1,485.4	166.9	11.2%
Real Estate	1,276.8	1,174.8	102.0	8.7%
Internally Managed Direct				
Real Estate Investments	223.9	219.5	4.4	2.0%
Total Discretionary Real Assets Investments	4,860.5	4,043.7	816.8	20.2%
Dom. Equity Rec'd as In-Kind Distribution	1.7	0.9	0.8	88.9%
Sovereign and Other Lands	405.4	408.6	(3.2)	-0.8%
Mineral Interests	2,720.4	2,115.4	605	28.6%
Cash at State Treasury[2]	699.2	333.8	365.4	109.5%
Total PSF(SLB) Investments	$8,687.2	$6,902.4	$1,784.8	25.9%

[1] The fair values of externally managed real assets investment funds, separate accounts, and co-investment vehicles are estimated using the most recent valuations available, adjusted for subsequent contributions and withdrawals.
[2] Cash at State Treasury represents amounts that have been deposited in the State Treasury and temporarily invested in short-term investments until called for investment by the external real assets investment funds, separate accounts, and co-investment vehicles to which PSF(SLB) has made capital commitments. Prior to September 1, 2019, PSF(SLB) was required by statute to deposit cash designated by the SLB for investment in real assets in the State Treasury until it is drawn for investment. After September 1, 2019, that cash was moved to the Liquid Account to be invested by the SBOE.

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. Fund performance may also be affected by factors other than asset allocation, including, without limitation, the general performance of the securities markets and other capital markets in the United States and abroad, which may be affected by different levels of economic activity; decisions of political officeholders; significant adverse weather events and the market impact of domestic and international climate change; development of hostilities in and among nations; cybersecurity threats and events; changes in international trade policies or practices; application of the Prudent Person Standard, which may eliminate certain investment opportunities for the Fund; management fees paid to external managers and embedded management fees for some fund investments; and, PSF operational limitations impacted by Texas law or legislative appropriation. See "Management Transition to the PSF Corporation" for a discussion of planned changes in the management of the Fund that may affect these factors. The Guarantee Program could also be impacted by changes in State or federal law or regulations or the implementation of new accounting standards.

The School District Bond Guarantee Program

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

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

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

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

Generally, the regulations that govern the School District Bond Guarantee Program (the "SDBGP Rules") limit guarantees to certain types of notes and bonds, including, with respect to refunding bonds issued by school districts, a requirement that the bonds produce debt service savings, 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 Education Commissioner for designation as a "charter district" and for a guarantee by the PSF under the Act of bonds issued on behalf of a charter district by a non-profit corporation. If the conditions for the Charter District Bond Guarantee Program are satisfied, the guarantee becomes effective upon approval of the bonds by the Attorney General and remains in effect until the guaranteed bonds are paid or defeased, by a refunding or otherwise.

As of March 2021 (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 6.83%. At February 11, 2022, there were 191 active open-enrollment charter schools in the State and there were 911 charter school campuses active under such charters (though as of such date, 27 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 Education 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 Education Commissioner may not approve the guarantee of refunding or refinanced bonds under the Charter District Bond Guarantee Program in a total amount that exceeds one-half of the total amount available for the guarantee of charter district bonds under the Charter District Bond Guarantee Program.

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

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

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

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

The CDBGP Rules provide that an open-enrollment charter holder applying for charter district designation and a guarantee of its bonds under the Charter District Bond Guarantee Program satisfy various provisions of the regulations, including the following: It must (i) have operated at least one open-enrollment charter school with enrolled students in the State for at least three years; (ii) agree that the bonded indebtedness for which the guarantee is sought will be undertaken as an obligation of all entities under common control of the open-enrollment charter holder, and that all such entities will be liable for the obligation if the open-enrollment charter holder defaults on the bonded indebtedness, provided, however, that an entity that does not operate a charter school in Texas is subject to this provision only to the extent it has received state funds from the open-enrollment charter holder; (iii) have had completed for the past three years an audit for each such year that included unqualified or unmodified audit opinions; and (iv) have received an investment grade credit rating within the last year. Upon receipt of an application for guarantee under the Charter District Bond Guarantee Program, the Education Commissioner is required to conduct an investigation into the financial status of the applicant charter district and of the accreditation status of all open-enrollment charter schools operated under the charter, within the scope set forth in the CDBGP Rules. Such financial investigation must establish that an applying charter district has a historical debt service coverage ratio, based on annual debt service, of at least 1.1 for the most recently completed fiscal year, and a projected debt service coverage ratio, based on projected revenues and expenses and maximum annual debt service, of at least 1.2. The failure of an open-enrollment charter holder to comply with the Act or the applicable regulations, including by making any material misrepresentations in the charter holder's application for charter district designation or guarantee under the Charter District Bond Guarantee Program, constitutes a material violation of the open-enrollment charter holder's charter.

From time to time, TEA has limited new guarantees under the Charter District Bond Guarantee Program to conform to capacity limits specified by the Act. 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 makes available to the Charter District Bond Guarantee Program a greater share of capacity in the Guarantee Program. The CDBGP Capacity is made available from the capacity of the Guarantee Program but is not reserved exclusively for the Charter District Bond Guarantee Program. See "Capacity Limits for the Guarantee Program" 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, changes in State or federal law or regulations related to the Guarantee Program limit, growth in the relative percentage of students enrolled in open-enrollment charter schools to the total State scholastic census, legislative and administrative changes in funding for charter districts, changes in level of school district or charter district participation in the Guarantee Program, or a combination of such circumstances.

Capacity Limits for the Guarantee Program

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

Prior to 2007, various legislation was enacted modifying the calculation of the State Capacity limit; however, in 2007, Senate Bill 389 ("SB 389") was enacted, providing for increases in the capacity of the Guarantee Program, and specifically providing that the SBOE may by rule increase the capacity of the Guarantee Program from two and one-half times the cost value of the PSF to an amount not to exceed five times the cost value of the PSF, provided that the increased limit does not violate federal law and regulations and does not prevent bonds guaranteed by the Guarantee Program from receiving the highest available credit rating, as determined by the SBOE. SB 389 further provided that the SBOE shall at least annually consider whether to change the capacity of the Guarantee Program. Additionally, on May 21, 2010, the SBOE modified the SDBGP Rules, and increased the State Capacity Limit to an amount equal to three times the cost value of the PSF. Such modified regulations, including the revised capacity rule, became effective on July 1, 2010. The SDBGP Rules provide that the Education Commissioner may reduce the multiplier to maintain the AAA credit rating of the Guarantee Program but also provide that any changes to the multiplier made by the Education Commissioner are to be ratified or rejected by the SBOE at the next meeting following the change. See "Valuation of the PSF and Guaranteed Bonds" below.

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

Changes in SBOE-determined multiplier for State Capacity Limit

Date	Multiplier
Prior to May 2010	2.50

May 2010	3.00
September 2015	3.25
February 2017	3.50
September 2017	3.75
February 2018 (current)	3.50

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. On December 16, 2009, the IRS published Notice 2010-5 (the "IRS Notice") stating that the IRS would 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 provided 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 became 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.

In September 2015, the SBOE also approved a new 5% capacity reserve for the Charter District Bond Guarantee Program. The State Capacity Limit increased from $128,247,002,583 on August 31, 2020 to $135,449,634,408 on August 31, 2021 (but at such date the IRS Limit ($117,318,653,038) remained the lower of the two, so it is the current Capacity Limit for the Fund).

Since July 1991, when the SBOE amended the Guarantee Program Rules to broaden the range of bonds that are eligible for guarantee under the Guarantee Program to encompass most Texas school district bonds, the principal amount of bonds guaranteed under the Guarantee Program has increased sharply. In addition, in recent years a number of factors have caused an increase in the amount of bonds issued by school districts in the State. See the table "Permanent School Fund Guaranteed Bonds" below. Effective 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 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 Education 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 Education 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 Fund investment performance, investment objectives of the Fund, an increase in bond issues by school districts in the State or legal restrictions on the Fund, changes in State laws that implement funding decisions for school districts and charter districts, which could adversely affect the credit quality of those districts, the implementation of the Charter District Bond Guarantee Program, or significant changes in distributions to the ASF. The issuance of the IRS Notice and the Final IRS Regulations resulted in a substantial increase in the amount of bonds guaranteed under the Guarantee Program. As the amount of guaranteed bonds approaches the IRS Limit, the SBOE is seeking changes to the existing federal tax law requirements regarding the Guarantee Program with the objective of obtaining an increase in the IRS Limit, but no assurances can be given that the SBOE will be successful in that undertaking. The implementation of the Charter School Bond Guarantee Program has also increased the total amount of guaranteed bonds.

2017 Legislative Changes to the Charter District Bond Guarantee Program

The CDBGP Capacity is established by the Act. During the 85th Texas Legislature, which concluded on May 29, 2017, Senate Bill 1480 ("SB 1480") was enacted. SB 1480 amended the Act to modify how the CDBGP Capacity is established effective as of September 1, 2017 and made other substantive changes to the Charter District Bond Guarantee Program. Prior to the enactment of SB 1480, the CDBGP Capacity was calculated as the Capacity Limit 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. SB 1480 amended the CDBGP Capacity calculation so that the Capacity Limit is multiplied by the percentage of charter district scholastic population relative to the total public school scholastic population prior to the subtraction of the outstanding bond guarantees, thereby increasing the CDBGP Capacity. SB 1480 provided for the implementation of the new method of calculating the CDBGP Capacity to begin with the State fiscal year that commences September 1, 2021 (the State's fiscal year 2022) but authorized the SBOE discretion to increase the CDBGP Capacity incrementally in the intervening four fiscal years, beginning with fiscal year 2018 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, which it has done.

The percentage of the charter district scholastic population to the overall public school scholastic population has grown from 3.53% in September 2012 to 6.83% in March 2021. TEA is unable to predict how the ratio of charter district students to the total State scholastic population will change over time.

In addition to modifying the manner of determining the CDBGP Capacity, SB 1480 provided that the Education Commissioner's investigation of a charter district application for guarantee may include an evaluation of whether the charter district bond security documents provide a security interest in real property pledged as collateral for the bond and the repayment obligation under the proposed guarantee. The Education Commissioner may decline to approve the application if the Education Commissioner determines that sufficient security is not provided. The Act and the CDBGP Rules previously required the Education 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 Education Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 10% of the savings to the charter district that is a result of the lower interest rate on its bonds due to the guarantee by the PSF. SB 1480 modified the Act insofar as it pertains to the Charter District Reserve Fund. Effective September 1, 2017, the Act provides that a charter district that has a bond guaranteed must remit to the Education Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 20% of the savings to the charter district that is a result of the lower interest rate on the bond due to the guarantee by the PSF. The amount due shall be paid on receipt by the charter district of the bond proceeds. However, the deposit requirement will not apply if the balance of the Charter District Reserve Fund is at least equal to 3.00% of the total amount of outstanding guaranteed bonds issued by charter districts. At December 31, 2021, the Charter District Reserve Fund contained $72,968,033, which represented approximately 2.1% of the guaranteed charter district bonds. The Reserve Fund 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. Additionally, the amount of State payments a charter district receives is based on a variety of factors, including the enrollment at the schools operated by a charter district, and may be affected by the State's economic performance and other budgetary considerations and various political considerations.

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

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

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

Infectious Disease Outbreak

Since the onset of the COVID-19 pandemic in March 2020, TEA and TEA investment management for the PSF have continued to operate and function pursuant to the TEA continuity of operations plan developed as mandated in accordance with Texas Labor Code Section 412.054. That plan was designed to ensure performance of the Agency's essential missions and functions under such threats and conditions in the event of, among other emergencies, a pandemic event.

Results of the PSF operations through the fiscal year ended August 31, 2021 and at other periodic points in time are set forth herein or incorporated herein by reference. Fund management is of the view that since the onset of the pandemic the Fund has performed generally in accordance with its portfolio benchmarks and with returns generally seen in the national and international investment markets in which the Fund is invested (see "Discussion and Analysis Pertaining to Fiscal Year Ended August 31, 2021").

Circumstances regarding the COVID-19 pandemic continue to evolve; for additional information on these events in the State, reference is made to the website of the Governor, https://gov.texas.gov/, and, with respect to public school events, the website of TEA, https://tea.texas.gov/texas-schools/safe-and-healthy-schools/coronavirus-covid-19-support-and-guidance.

TEA cannot predict whether any school or charter district may experience short- or longer-term cash flow emergencies as a direct or indirect effect of COVID-19 that would require a payment from the PSF to be made to a paying agent for a guaranteed bond. However, through the end of December 2021, no school district or charter district had failed to perform with respect to making required payments on their guaranteed bonds. Information regarding the respective financial operations of the issuer of bonds guaranteed, or to be guaranteed, by the PSF is provided by such issuers in their respective bond offering documents and the TEA takes no responsibility for the respective information, as it is provided by the respective issuers.

For information on the September 2020 special, one-time transfer of $300 million from the portion of the PSF managed by the SBOE to the portion of the PSF managed by the SLB, that was made in light of the public health and economic circumstances resulting from the COVID-19 pandemic and its impact on the school children of Texas, see "The Total Return Constitutional Amendment."

Ratings of Bonds Guaranteed Under the Guarantee Program

Moody's Investors Service, S&P Global Ratings and Fitch Ratings 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)
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	36,642,000,738	46,764,059,745
2021(2)	38,699,045,012	55,581,401,632

(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, 2021, 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, $183.7 million, $4,655.9 million, $4.7 million, and $699.2 million, respectively, and market values of approximately $2,720.4 million, $629.3 million, $4,636.6 million, $1.8 million, and $699.2 million, respectively. At December 31, 2021, the PSF had a book value of $39,841,061,222 and a market value of $56,168,194,806. December 31, 2021 values are based on unaudited data, which is subject to adjustment.

Permanent School Fund Guaranteed Bonds

At 8/31	Principal Amount(1)
2017	$74,266,090,023
2018	79,080,901,069
2019	84,397,900,203
2020	90,336,680,245
2021	92,259,161,922(2)

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

(2) At August 31, 2021 (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 $144,196,223,433, of which $48,937,061,511 represents interest to be paid. As shown in the table above, at August 31, 2021, there were $95,259,161,922 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 Capacity Limit), net of the Capacity Reserve, as of December 31, 2021, 6.49% of the Guarantee Program's capacity was available to the Charter District Bond Guarantee Program. As of December 31, 2021, the amount of outstanding bond guarantees represented 82.68% of the Capacity Limit (which is currently the IRS Limit). December 31, 2021 values are based on unaudited data, which is subject to adjustment.

Permanent School Fund Guaranteed Bonds by Category(1)

	School District Bonds		Charter District Bonds		Totals	
Fiscal Year Ended 8/31	No. of Issues	Principal Amount	No. of Issues	Principal Amount	No. of Issues	Principal Amount
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	3,296	87,800,478,245	64	2,536,202,000	3,360	90,336,680,245
2021(2)	3,346	91,951,175,922	83	3,307,986,000	3,429	95,259,161,922

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

(2) At December 31, 2021 (based on unaudited data, which is subject to adjustment), there were $96,973,094,043 of bonds guaranteed under the Guarantee Program, representing 3,520 school district issues, aggregating $97,006,213,263 in principal amount and 89 charter district issues, aggregating $3,408,646,000 in principal amount. At December 31, 2021, the CDBGP Capacity was $7,612,220,802 (based on unaudited data, which is subject to adjustment).

Discussion and Analysis Pertaining to Fiscal Year Ended August 31, 2021

The following discussion is derived from the Annual Report for the year ended August 31, 2021, 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 Liquid Account, Liquid(SBOE) assets. As of August 31, 2021, 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 2021, the Fund balance was $55.6 billion, an increase of $8.9 billion from the prior year. This increase is primarily due to overall net increases in value of the asset classes in which the Fund is invested. During the year, the SBOE continued implementing the long-term strategic asset allocation, diversifying the PSF(SBOE) to strengthen the Fund. The asset allocation is projected to increase returns over the long run while reducing risk and portfolio return volatility. The PSF(SBOE) annual rates of return for the one-year, five-year, and ten-year periods ending August 31, 2021, net of fees, were 22.97%, 10.49% and 9.05%, respectively, and the Liquid(SBOE) annual rate of return for the one-year period ending August 31, 2021, net of fees, was 4.90% (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 12.81%, 1.56%, and 4.18%, 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. See "Comparative Investment Schedule - PSF(SBOE)" for the PSF(SBOE) holdings as of August 31, 2021.

As of August 31, 2021, 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, 2021, totaled $2.0 billion in real estate investments and $2.4 billion in private equity investments.

PSF Returns Fiscal Year Ended 8-31-2021[1]

Portfolio	Return	Benchmark Return[2]
Total PSF(SBOE) Portfolio	22.97%	20.73%
Domestic Large Cap Equities(SBOE)	31.26	31.17
Domestic Small/Mid Cap Equities(SBOE)	47.88	47.40
International Equities(SBOE)	25.27	24.87
Emerging Market Equity(SBOE)	19.33	21.12
Fixed Income(SBOE)	1.64	-0.08
Treasuries	-7.02	-7.27
Absolute Return(SBOE)	13.84	13.05
Real Estate(SBOE)	12.06	9.34
Private Equity(SBOE)	53.88	43.38
Real Return(SBOE)	16.06	18.08
Emerging Market Debt(SBOE)	5.92	4.14
Liquid Large Cap Equity(SBOE)	43.24	38.19
Liquid Small Cap Equity(SBOE)	61.97	52.07
Liquid International Equity(SBOE)	12.20	12.18
Liquid Short-Term Fixed Income(SBOE)	0.91	0.37
Liquid Core Bonds(SBOE)	-0.07	-0.18
Liquid TIPS(SBOE)	6.09	6.20
Liquid Transition Cash Reserves(SBOE)	0.44	0.08
Liquid Combined(SBOE)	4.90	4.27
PSF(SLB)	12.81	N/A

[1] Time weighted rates of return adjusted for cash flows for the PSF(SBOE) investment assets. Does not include GLO managed real estate or real assets. Returns are net of fees. Source: PSF Annual Report for year ended August 31, 2021.
[2] Benchmarks are as set forth in the PSF Annual Report for year ended August 31, 2021.

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, 2021, the remaining commitments totaled approximately $2.24 billion.

For fiscal year 2021, total revenues, inclusive of unrealized gains and losses and net of security lending rebates and fees, totaled $10.8 billion, an increase of $8.8 billion from fiscal year 2020 earnings of $2.0 billion. This increase reflects the performance of the securities markets in which the Fund was invested in fiscal year 2021. In fiscal year 2021, 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, increased 42.5% for the fiscal year ending August 31, 2021. This increase is primarily attributable to an increase 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 directly supports the public school system in the State by distributing a predetermined percentage of its asset value to the ASF. For fiscal years 2020 and 2021, the distribution from the SBOE to the ASF totaled $1.1 billion and $1.1 billion, respectively. Distributions from the SLB to the ASF for fiscal years 2020 and 2021 totaled $600 and $600 million, respectively.

At the end of the 2021 fiscal year, PSF assets guaranteed $95.3 billion in bonds issued by 880 local school districts and charter districts, the latter of which entered into the Guarantee Program during the 2014 fiscal year. Since its inception in 1983, the Fund has guaranteed 8,203 school district and charter district bond issues totaling $220.2 billion in principal amount. During the 2021 fiscal year, the number of outstanding issues guaranteed under the Guarantee Program totaled 3,429. The dollar amount of guaranteed school and charter bond issues outstanding increased by $4.9 billion or 5.4%. The State Capacity Limit increased by $7.2 billion, or 5.6%, during fiscal year 2021 due to continued growth in the cost basis of the Fund used to calculate that Program capacity limit. The effective capacity of the Guarantee Program did not increase during fiscal year 2021 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 Guarantee Program.

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.

The TEA received an appropriation of $30.4 million for each of the fiscal years 2020, and 2021.

As of August 31, 2021, certain lawsuits were pending against the State and/or the GLO, which challenge the Fund's title to certain real property and/or past or future mineral income from that property, and other litigation arising in the normal course of the investment activities of the PSF. Reference is made to the Annual Report, when filed, for a description of such lawsuits that are pending, which may represent contingent liabilities of the Fund.

PSF Continuing Disclosure Undertaking

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

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

Annual Reports

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

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

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

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

Event Notices

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

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

Compliance with Prior Undertakings

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

SEC Exemptive Relief

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

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Litigation Relating to the Texas Public School Finance System

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

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

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

Possible Effects of Changes in Law on District Bonds

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

During the 2019 Legislative Session, the State Legislature made numerous changes to the current public school finance system, the levy and collection of ad valorem taxes, and the calculation of defined tax rates, including particularly those contained in House Bill 3 ("HB 3") and Senate Bill 2 ("SB 2"). In some instances, the provisions of HB 3 and SB 2 will require further interpretation in connection with their implementation in order to resolve ambiguities contained in the bills. The District is still in the process of (a) analyzing the provisions of HB 3 and SB 2, and (b) monitoring the on-going guidance provided by TEA. The information contained herein under the captions "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" and "TAX RATE LIMITATIONS" is subject to change, and only reflects the District's understanding of HB 3 and SB 2 based on information available to the District as of the date of this Official Statement. Prospective investors are encouraged to review HB 3, SB 2, and the Property Tax Code (as defined herein) 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 to a compression percentage set by legislative appropriation or, in the absence of legislative appropriation, by the Commissioner of Education (the "Commissioner"). This compression percentage was historically set at 66.67%, effectively setting the maximum compressed M&O tax rate for most school districts at $1.00 per $100 of taxable value, since most school districts in the State had a voted maximum M&O tax rate of $1.50 per $100 of taxable value (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.

2021 Regular and Special Legislative Sessions

The Texas Legislature meets in regular session in odd-numbered years, for 140 days. The 87th Texas Legislature convened on January 12, 2021 and concluded on May 31, 2021 ("87th Regular Session"). During the 87th Regular Session, the Legislature did not make significant changes to the school finance system, State funding of school districts, nor ad valorem taxation procedures affecting school districts.

When the regular Legislature is not in session, the Governor of Texas may call one or more special sessions, at the Governor's direction, each lasting no more than 30 days, and for which the Governor sets the agenda. Following the conclusion of the 87th Regular Session, the Texas Governor has called three special sessions of the Legislature. No significant changes were made to the Texas school finance system or property tax systems during the First and Second Special Sessions. Senate Joint Resolution 2, passed during the Third Special Session, proposes a constitutional amendment increasing the mandatory homestead exemption for school districts from $25,000 to $40,000. If approved by the voters at an election to be held on May 7, 2022, the proposed amendment to the Constitution will be effective for one year, being the tax year beginning January 1, 2022. Senate Bill 1, which was also passed during the Third Special Session makes provisions based on the outcome of the constitutional amendment election for additional state aid to hold school districts harmless for tax revenue losses resulting from the increased homestead exemption.

The District can make no representations or predictions regarding any actions the Legislature has taken or may take concerning the substance or the effect of any legislation passed in a previous session or a future session of the Legislature.

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 $0.93 for the 2019-2020 school year, or equal to the school district's MCR for the 2020-2021 and subsequent years. Additionally, a school district's levy of Copper Pennies is subject to compression if the guaranteed yield (i.e., the guaranteed level of local tax revenue and State aid generated for each cent of tax effort) of Copper Pennies is increased from one year to the next (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts – Tier Two").

State Funding for School Districts

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

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

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

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

Tier One

Tier One funding is the basic level of 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.

For the 2021-2022 school year, the fast growth allotment weight is 0.45 for districts in the top 40% of school districts for growth, 0.30 for districts in the middle 30% of school districts for growth and 0.15 for districts in the bottom 30% of school districts for growth. After the 2021-2022 school year, the fast growth allotment weights change to 0.48 for districts in the top 40% of school districts for growth, 0.33 for districts in the middle 30% of school districts for growth and 0.18 for districts in the bottom 30% of school districts for growth. The fast growth allotment is limited to $270 million for the 2021-2022 school year, $310 million for the 2022-2023 school year and $315 million for the 2023-2024 school year.

Tier Two

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

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

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

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

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

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

Tax Rate and Funding Equity

The Commissioner may 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. Notwithstanding the foregoing, beginning with the 2021-2022 school year, if the total amount of allotments to which school districts and open enrollment charter schools are entitled for a school year exceeds $400 million, the Commissioner shall proportionately reduce each district's or school's allotment. The reduction in the amount to which a district or school is entitled may not result in an amount that is less than zero.

Local Revenue Level in Excess of Entitlement

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

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

Options for Local Revenue Levels in Excess of Entitlement

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

taxes. A Chapter 49 school district may also exercise any combination of these remedies. Options (3), (4) and (6) require prior approval by the Chapter 49 school district's voters.

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

For the 2021-2022 school year, the District was not designated as an "excess local revenue" 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 revenues" must be tested for each future school year and, if it exceeds 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 responsibility of the Montgomery Central Appraisal District and Harris County Appraisal District (collectively, the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

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

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

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

State Mandated Homestead Exemptions

State law grants, with respect to each school district in the State, (1) a $25,000 exemption of the appraised value of all homesteads, (2) a $10,000 exemption of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled, and (3) various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty. On November 2, 2021, the Texas Constitution was amended to provide that the surviving spouse of an individual who received a limitation on the school district property taxes on the person's residence homestead on the basis of disability continued to receive that limitation while the property remained the spouse's residence homestead if the spouse was at least 55 years old. 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). 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 is now 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 "THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT" herein.

District and Taxpayer Remedies

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

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at $50 million for the 2020 tax year, $50.6 million for the 2021 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

A school district is authorized to levy maintenance and operation ("M&O") taxes subject to approval of a proposition submitted to district voters. The maximum M&O tax rate that may be levied by a district cannot exceed the voted maximum rate or the maximum rate described in the succeeding paragraphs. The maximum voted M&O tax rate for the District is $1.50 per $100 of assessed valuation as approved by the voters at an election held on March 9, 1974 under Chapter 20, Texas Education Code (now codified as section 45.003, Texas Education Code, as amended).

HB3 established the following maximum M&O tax rate per $100 of taxable value that may be adopted by school districts, such as the District, for the 2019 and subsequent tax years:

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

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

I&S Tax Rate Limitations

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

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

Public Hearing and Voter-Approval Tax Rate

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

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

The Voter-Approval Tax Rate for a school district is the sum of (i) the school district's MCR; (ii) the greater of (a) the school district's Enrichment Tax Rate for the preceding year, less any amount by which the school district is required to reduce its current year Enrichment Tax Rate pursuant to Section 48.202(f), Education Code, as amended, or (b) the rate of $0.05 per $100 of taxable value; and (iii) the school district's current I&S tax rate. However, for only the 2020 tax year, if the governing body of the school district does not adopt by unanimous vote an M&O tax rate at least equal to the sum of the school district's MCR plus $0.05, then $0.04 is substituted for $0.05 in the calculation for such school district's Voter-Approval Tax Rate for the 2020 tax year. For the 2020 tax year, and subsequent years, a school district's M&O tax rate may not exceed the rate equal to the sum of (i) $0.17 and (ii) the school district's MCR (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" herein, for more information regarding the State Compression Percentage, MCR, and the Enrichment Tax Rate).

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

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

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

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

THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT

The Appraisal District has the responsibility for appraising property in the District as well as other taxing units in 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.

EMPLOYEE BENEFIT PLANS 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, 2021, 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, 2021, 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

The Bonds are rated "Aaa" by Moody's Investors Service ("Moody's") and "AAA" Fitch Ratings, Inc. ("Fitch") based upon the guaranteed repayment thereof under the Permanent School Fund Guarantee Program of the Texas Education Agency. The District's current unenhanced, underlying ratings, including the Bonds are "Aa3" by Moody's and "AA-" by Fitch. (See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – Ratings of Bonds Guaranteed Under the Guarantee Program" herein).

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

LEGAL MATTERS

The District will furnish the Underwriters 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 as to the Bonds to the effect that the Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property in the District, and based upon examination of such transcript of proceedings, the approving legal opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel to the District ("Bond Counsel"), to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under section 103(a) of the Internal Revenue Code, subject to the matters described under "TAX MATTERS" herein. The form of Bond Counsel's opinion is attached hereto as Appendix C. The District expects to pay the fee of Bond Counsel for services rendered in connection with the issuance of the Bonds from proceeds of the Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel, Bracewell LLP, Dallas, Texas. The legal fee to be paid to the Underwriters' counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds.

Though it represents the Financial Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the District in the issuance of the Bonds. McCall, Parkhurst & Horton L.L.P. also advises the TEA in connection with its disclosure obligations under the federal securities laws, but such firm has not passed upon any TEA disclosures contained in this Official Statement. Except as noted below, Bond Counsel was not requested to participate, and did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information appearing under the captions or subcaptions "THE BONDS" (except under the subcaptions "Permanent School Fund Guarantee", "Payment Record", and "Sources and Uses of Funds," as to which no opinion will be expressed), "REGISTRATION, TRANSFER AND EXCHANGE", "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS", "CURRENT PUBLIC SCHOOL FINANCE SYSTEM", (except under the subcaption "Possible Effects of Wealth Transfer Provisions on the District's Financial Condition," as to which no opinion will be expressed) "TAX RATE LIMITATIONS" (first paragraph only), "LEGAL MATTERS" (except for the last two sentences of the first paragraph thereunder), "TAX MATTERS", "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS", "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE" and "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance with Prior Undertakings," as to which no opinion will be expressed) and such firm is of the opinion that the information relating to the Bonds and the Order contained under such captions is a fair and accurate summary of the information purported to be shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law.

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

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., 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 Legal Opinion of Bond Counsel.

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

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

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. 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 facilities financed or refinanced with the proceeds of the Bonds. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the District that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

Collateral Federal Income Tax Consequences

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

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

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

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. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

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

INVESTMENT POLICIES

Investments

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

Legal Investments

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

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

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

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

Investment Policies

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

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

Additional Provisions

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

Current Investments

As of November 30, 2021, the District had approximately $56,810,421 (unaudited) invested in TexPool and approximately $6,125,628 (unaudited) invested in Lone Star Investment Pool which are government investment pools that generally have the characteristics of a money-market mutual fund) and approximately $95,896,028 (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 SEC 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 SEC, nor has the SEC passed upon the accuracy or adequacy of the Official Statement. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

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

FINANCIAL ADVISOR

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

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data annually to the MSRB. The information to be updated includes financial information and operating data with respect to the District of the general type included in this Official Statement in Appendix A (such information being the "Annual Operating Report"). The District will additionally provide financial statements of the District (the "Financial Statements"), that will be (i) prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in Appendix D and (ii) audited, if the District commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The District will update and provide the Annual Operating Report within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2022. The District may provide the Financial Statements earlier, including at the time it provides its Annual Operating Report, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the District shall file unaudited Financial Statements within such 12-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

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

The District's current fiscal year end is 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". Neither the Bonds nor the Bond Order make any provision for a bond trustee, debt service reserves, credit enhancement (except for the Permanent School Fund guarantee), or liquidity enhancement. The District will provide each notice described in this paragraph to the MSRB.

For these purposes, any event described in clause (12) of the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District. For the purposes of the above described event notices (15) and (16), the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with Rule 15c2-12.

Availability of Information

All information and documentation filing required to be made by the District in accordance with its undertaking made for the Bonds will be filed with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of certain 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 an 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 or (b) any qualified person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the District 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

The District is of the view that during the past five years it has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

WEATHER EVENTS

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

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

FORWARD LOOKING STATEMENTS

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

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

UNDERWRITING

The Underwriters have agreed, subject to certain customary conditions, to purchase the Bonds at a price equal to the initial offering prices to the public, as shown on the inside cover page hereof, less an Underwriters’ discount of $167,986.68 plus accrued interest from their Dated Date to their date of initial delivery. The Underwriters’ obligations are subject to certain conditions precedent, and the Underwriters will be obligated to purchase all of the Bonds, if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

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

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

Piper Sandler & Co., one of the underwriters of the Bonds, has entered into a distribution agreement ("Distribution Agreement") with Charles Schwab & Co., Inc. ("CS&Co") for the retail distribution of certain securities offerings including the Bonds, at the original issue prices. Pursuant to the Distribution Agreement, CS&Co. will purchase Bonds from Piper at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

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

CONCLUDING STATEMENT

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

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

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

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

/s/ Matt Calvert

Pricing Officer

APPENDIX A

FINANCIAL INFORMATION OF THE DISTRICT

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NEW CANEY INDEPENDENT SCHOOL DISTRICT

Financial Information

ASSESSED VALUATION (1)

2021/22 Total Valuation……		$ 6,828,540,036
Less Exemptions & Deductions (2):		
State Homestead Exemption	$ 351,568,864	
State Over-65 Exemption	43,827,308	
Disabled Homestead Exemption Loss	64,898,720	
Veterans Exemption Loss	4,398,523	
Surviving Spouse 100% Disabled Veteran Loss	2,551,262	
Surviving Spouse Deceased First Responder Loss	128,025	
Prorations & Other Partial Exemptions	4,196,636	
Pollution Control Loss	523,751	
Productivity Loss	115,734,924	
Homestead Cap Loss	120,279,304	
	$ 708,107,317	
2021/22 Net Taxable Valuation ……		$ 6,120,432,719

(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 this Official Statement.
(2) Excludes the values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers which totaled $157,299,459 in 2021/22.

VOTED GENERAL OBLIGATION DEBT

Unlimited Tax Bonds Outstanding (1)		$ 534,155,000
Plus: The Bonds		29,845,000
Total Unlimited Tax Bonds (1)		564,000,000
Less: Interest & Sinking Fund Balance (As of August 31, 2021) (2)		(6,982,869)
Net General Obligation Debt		$ 557,017,131
Ratio of Net G.O. Debt to Net Taxable Valuation (3)	9.10%	
2022 Population Estimate (4)	91,987	
Per Capita Net Taxable Valuation	$66,536	
Per Capita Net G.O. Debt	$6,055	

(1) Excludes interest accreted on outstanding capital appreciation bonds. Includes the Series 2010A Bonds in the principal amount of $2,005,000 and planned to be redeemed on March 30, 2022.
(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 0% 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 2021/22 fiscal year. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the body of this Official Statement and "DEBT SERVICE REQUIREMENTS" in this appendix and see the "Audited Financial Report Fiscal Year Ended August 31, 2021" 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)	% Collections (3) 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	98.28%	99.87%
2021/22	6,120,432,719 (2)	1.4603		

(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 Official Statement.
(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 Official Statement.

TAX RATE DISTRIBUTION [(1)]

	2017/18	2018/19	2019/20 [(2)]	2020/21 [(2)]	2021/22
Maintenance & Operations	$1.1700	$1.1700	$1.0684	$0.9761	$0.9603
Debt Service	$0.5000	$0.5000	$0.5000	$0.5000	$0.5000
Total Tax Rate	$1.6700	$1.6700	$1.5684	$1.4761	$1.4603

(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" in this Official Statement.

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	6,120,432,719	561,995,000 [(3)]	9.18% [(3)]

(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, 2021" in Appendix D for more information.
(3) Includes the Bonds. Excludes the Series 2010A Bonds in the principal amount of $2,005,000 and planned to be redeemed on March 30, 2022.

ESTIMATED OVERLAPPING DEBT STATEMENT

Taxing Body	Amount	Percent Overlapping	Amount Overlapping
E. Montgomery Co MUD #3	$ 26,490,000	100.00%	$ 26,490,000
E. Montgomery Co MUD #6	21,530,000	100.00%	21,530,000
E. Montgomery Co MUD #7	4,815,000	100.00%	4,815,000
Harris County	1,335,237,125	0.01%	133,524
Harris County Department of Education	20,185,000	0.01%	2,019
Harris County Flood Control	584,900,000	0.01%	58,490
Harris County Hospital District	81,540,000	0.01%	8,154
Harris County Toll Road	171,575,000	0.01%	17,158
Houston, City of	3,365,563,540	0.22%	7,404,240
Kings Manor MUD	10,535,000	100.00%	10,535,000
Lone Star College System	675,545,000	2.78%	18,780,151
Montgomery County	485,170,000	8.25%	40,026,525
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	12,670,000	100.00%	12,670,000
Montgomery County MUD #84	27,865,000	100.00%	27,865,000
Montgomery County MUD #96	11,000,000	100.00%	11,000,000
Montgomery County MUD #98	15,095,000	100.00%	15,095,000
New Caney MUD	52,368,524	100.00%	52,368,524
Port of Houston Authority	469,434,397	0.01%	46,943
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	5,470,000	100.00%	5,470,000
Roman Forest PUD #4	765,000	100.00%	765,000
Roman Forest, City of	2,995,000	100.00%	2,995,000
Valley Ranch MUD #1	31,030,000	100.00%	31,030,000
Valley Ranch Town Center District	16,880,000	100.00%	16,880,000
Woodbranch Village, City of	-	98.96%	-
Woodridge MUD	19,685,000	100.00%	19,685,000
Total Overlapping Debt [(1)]			$ 371,900,727
New Caney Independent School District [(2) (3)]			557,017,131
Total Direct & Overlapping Debt [(2) (3)]			$ 928,917,858
Ratio of Net Direct & Overlapping Debt to Net Taxable Valuation		15.18%	
Per Capita Direct & Overlapping Debt		$10,098	

(1) Equals gross-debt less self-supporting debt.
(2) Includes the Bonds and the Series 2010A Bonds in the principal amount of $2,005,000 and planned to be redeemed on March 30, 2022
(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

2021/22 Top Ten Taxpayers [1]

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Wal-Mart Stores Inc.	Retail Store & Distribution Center	$ 145,353,031	2.37%
Kingwood Medical Plaza Ltd	Medical Complex	131,012,430	2.14%
Administaff Services, Inc.	Employment Leasing Company	84,527,662	1.38%
Entergy Texas Inc.	Electric Utility	56,897,920	0.93%
MDC Kings Landing LP	Commercial Building	36,174,240	0.59%
Sir Kingwood Villas LLC	Real Estate Development	34,332,400	0.56%
Stratus Kingwood Place LP	Real Estate Development	32,309,980	0.53%
The Pointe Valley Ranch Town Center LLC	Shopping Center	32,000,000	0.52%
Christian James Properties	Apartment Complex	31,849,290	0.52%
Valley Ranch Town Center Two Ltd	Shopping Center	31,447,150	0.51%
		$ 615,904,103	10.06%

2020/21 Top Ten Taxpayers [2]

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 [2]

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%

(1) Source: Montgomery Central Appraisal District and Harris County Appraisal District
(2) Source: Comptroller of Public Accounts - Property Tax Division.
Note: As shown in the table above, the top ten taxpayers in the District account for in excess of 10% 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		2021/22	% of Total		2020/21	% of Total		2019/20	% of Total
Real, Residential, Single-Family	$	3,887,477,392	56.93%	$	3,608,348,677	58.54%	$	3,199,555,444	58.96%
Real, Residential, Multi-Family		435,786,703	6.38%		379,808,258	6.16%		342,604,105	6.31%
Real, Vacant Lots/Tracts		169,944,354	2.49%		234,413,644	3.80%		150,784,192	2.78%
Real, Qualified Land & Improvements		124,387,310	1.82%		115,779,870	1.88%		84,685,170	1.56%
Real, Non-Qualified Land & Improvements		103,353,001	1.51%		81,009,240	1.31%		62,422,711	1.15%
Real, Commercial & Industrial		1,410,780,033	20.66%		1,085,931,461	17.62%		987,166,394	18.19%
Oil & Gas		-	0.00%		15,340	0.00%		14,890	0.00%
Utilities		112,990,664	1.65%		92,572,330	1.50%		76,948,028	1.42%
Tangible Personal, Commercial		386,078,474	5.65%		379,199,916	6.15%		348,610,531	6.42%
Tangible Personal, Industrial		23,584,274	0.35%		27,369,145	0.44%		21,646,469	0.40%
Tangible Personal, Mobile Homes & Other		92,782,062	1.36%		87,722,497	1.42%		71,359,904	1.31%
Tangible Personal, Residential Inventory		65,808,640	0.96%		57,568,880	0.93%		68,435,310	1.26%
Tangible Personal, Special Inventory		15,567,129	0.23%		14,534,951	0.24%		12,865,678	0.24%
Total Appraised Value	$	6,828,540,036	100.00%	$	6,164,274,209	100.00%	$	5,427,098,826	100.00%
Less:									
Homestead Cap Adjustment	$	120,279,304		$	148,859,339		$	101,047,320	
Productivity Loss		115,734,924			104,387,185			72,826,646	
Exemptions [2]		472,093,089			436,890,540			401,400,459	
Total Exemptions/Deductions [3]	$	708,107,317		$	690,137,064		$	575,274,425	
Net Taxable Assessed Valuation	$	6,120,432,719		$	5,474,137,145		$	4,851,824,401	

Category		2018/19	% of Total		2017/18	% of Total		2016/17	% of Total
Real, Residential, Single-Family	$	2,818,117,402	56.51%	$	2,672,667,474	59.18%	$	2,403,638,448	58.01%
Real, Residential, Multi-Family		327,219,543	6.56%		252,030,736	5.58%		258,888,223	6.25%
Real, Vacant Lots/Tracts		197,914,700	3.97%		140,516,041	3.11%		111,311,012	2.69%
Real, Qualified Land & Improvements		84,399,698	1.69%		82,792,380	1.83%		80,011,190	1.93%
Real, Non-Qualified Land & Improvements		67,764,900	1.36%		71,771,001	1.59%		68,505,841	1.65%
Real, Commercial & Industrial		939,210,186	18.83%		798,501,784	17.68%		712,965,025	17.21%
Oil & Gas		20,990	0.00%		15,570	0.00%		19,160	0.00%
Utilities		71,112,790	1.43%		73,986,016	1.64%		72,290,190	1.74%
Tangible Personal, Commercial		333,107,800	6.68%		296,148,024	6.56%		305,824,742	7.38%
Tangible Personal, Industrial		27,290,688	0.55%		30,489,939	0.68%		35,130,277	0.85%
Tangible Personal, Mobile Homes & Other		65,811,619	1.32%		58,018,007	1.28%		49,477,400	1.19%
Tangible Personal, Residential Inventory		42,919,580	0.86%		29,132,240	0.65%		36,695,869	0.89%
Tangible Personal, Special Inventory		12,187,632	0.24%		10,447,743	0.23%		8,827,904	0.21%
Total Appraised Value	$	4,987,077,528	100.00%	$	4,516,516,955	100.00%	$	4,143,585,281	100.00%
Less:									
Homestead Cap Adjustment	$	74,274,506		$	114,370,669		$	96,503,222	
Productivity Loss		72,826,144			70,351,534			67,131,967	
Exemptions [2]		377,681,376			355,634,992			334,344,210	
Total Exemptions/Deductions [3]	$	524,782,026		$	540,357,195		$	497,979,399	
Net Taxable Assessed Valuation	$	4,462,295,502		$	3,976,159,760		$	3,645,605,882	

(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]	Less: Bonds to be Called [2]	Plus: Bonds Redeemed [2]	Plus: The Bonds	Total [1] [2]	Bonds Unpaid At Year End	Percent of Principal Retired
2022	$ 9,000,000.00	$ -	$ 2,005,000.00	$ -	$ 11,005,000.00	$ 561,995,000.00	1.92%
2023	9,035,000.00	220,000.00		-	8,815,000.00	553,180,000.00	3.46%
2024	11,010,000.00	225,000.00		1,130,000.00	11,915,000.00	541,265,000.00	5.54%
2025	10,895,000.00	235,000.00		385,000.00	11,045,000.00	530,220,000.00	7.47%
2026	11,130,000.00	245,000.00		265,000.00	11,150,000.00	519,070,000.00	9.41%
2027	11,580,000.00	255,000.00		275,000.00	11,600,000.00	507,470,000.00	11.44%
2028	13,375,000.00	265,000.00		285,000.00	13,395,000.00	494,075,000.00	13.77%
2029	13,940,000.00	275,000.00		310,000.00	13,975,000.00	480,100,000.00	16.21%
2030	14,515,000.00	285,000.00		315,000.00	14,545,000.00	465,555,000.00	18.75%
2031	15,060,000.00			40,000.00	15,100,000.00	450,455,000.00	21.39%
2032	15,610,000.00			40,000.00	15,650,000.00	434,805,000.00	24.12%
2033	16,155,000.00			40,000.00	16,195,000.00	418,610,000.00	26.94%
2034	16,725,000.00			40,000.00	16,765,000.00	401,845,000.00	29.87%
2035	17,320,000.00			40,000.00	17,360,000.00	384,485,000.00	32.90%
2036	17,955,000.00			45,000.00	18,000,000.00	366,485,000.00	36.04%
2037	18,640,000.00			40,000.00	18,680,000.00	347,805,000.00	39.30%
2038	19,360,000.00			40,000.00	19,400,000.00	328,405,000.00	42.69%
2039	20,115,000.00			45,000.00	20,160,000.00	308,245,000.00	46.21%
2040	20,670,000.00			295,000.00	20,965,000.00	287,280,000.00	49.86%
2041	21,515,000.00			305,000.00	21,820,000.00	265,460,000.00	53.67%
2042	22,395,000.00			315,000.00	22,710,000.00	242,750,000.00	57.64%
2043	23,340,000.00			325,000.00	23,665,000.00	219,085,000.00	61.77%
2044	24,340,000.00			340,000.00	24,680,000.00	194,405,000.00	66.07%
2045	25,385,000.00			355,000.00	25,740,000.00	168,665,000.00	70.56%
2046	25,700,000.00			1,105,000.00	26,805,000.00	141,860,000.00	75.24%
2047	26,760,000.00			1,115,000.00	27,875,000.00	113,985,000.00	80.11%
2048	25,170,000.00			3,705,000.00	28,875,000.00	85,110,000.00	85.15%
2049	26,005,000.00			3,790,000.00	29,795,000.00	55,315,000.00	90.35%
2050	26,880,000.00			3,865,000.00	30,745,000.00	24,570,000.00	95.71%
2051	13,575,000.00			5,415,000.00	18,990,000.00	5,580,000.00	99.03%
2052				5,580,000.00	5,580,000.00	-	100.00%
Total	$ 543,155,000.00	$ 2,005,000.00	$ 2,005,000.00	$ 29,845,000.00	$ 573,000,000.00		

(1) Excludes the value on outstanding capital appreciation bonds.
(2) Reflects the early redemption of the Series 2010A Bonds in the principal amount of $2,005,000 on March 30, 2022 pursuant to the adoption of a Resolution by the Board of Trustees on January 24, 2022.

DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 8/31	Outstanding Debt Service (1) (2)	Less: Bonds to be Called (3)	Plus: Bonds Redeemed (3)	Plus: The Bonds (4) Principal	Interest	Total	Combined Total (1) (2) (3) (4) (5)
2022	$ 28,550,350.46	$ 40,100.00	$ 2,015,025.00	$ -	$ 406,562.50	$ 406,562.50	$ 30,931,837.96
2023	28,985,631.71	295,800.00		-	975,750.00	975,750.00	29,665,581.71
2024	30,218,960.46	291,900.00		1,130,000.00	953,150.00	2,083,150.00	32,010,210.46
2025	30,996,920.46	292,700.00		385,000.00	920,925.00	1,305,925.00	32,010,145.46
2026	31,132,057.96	293,100.00		265,000.00	904,675.00	1,169,675.00	32,008,632.96
2027	31,135,032.96	293,100.00		275,000.00	891,175.00	1,166,175.00	32,008,107.96
2028	31,138,464.21	292,700.00		285,000.00	877,175.00	1,162,175.00	32,007,939.21
2029	31,129,689.21	291,900.00		310,000.00	862,300.00	1,172,300.00	32,010,089.21
2030	31,137,168.38	290,700.00		315,000.00	846,675.00	1,161,675.00	32,008,143.38
2031	31,133,328.45			40,000.00	838,200.00	878,200.00	32,011,528.45
2032	31,133,113.95			40,000.00	837,000.00	877,000.00	32,010,113.95
2033	31,132,021.65			40,000.00	835,800.00	875,800.00	32,007,821.65
2034	31,136,476.05			40,000.00	834,600.00	874,600.00	32,011,076.05
2035	31,135,272.78			40,000.00	833,400.00	873,400.00	32,008,672.78
2036	31,135,179.06			45,000.00	832,125.00	877,125.00	32,012,304.06
2037	31,137,174.08			40,000.00	830,850.00	870,850.00	32,008,024.08
2038	31,137,946.80			40,000.00	829,650.00	869,650.00	32,007,596.80
2039	31,137,309.20			45,000.00	828,375.00	873,375.00	32,010,684.20
2040	30,891,293.90			295,000.00	823,275.00	1,118,275.00	32,009,568.90
2041	30,892,085.00			305,000.00	814,275.00	1,119,275.00	32,011,360.00
2042	30,888,376.38			315,000.00	804,975.00	1,119,975.00	32,008,351.38
2043	30,891,534.38			325,000.00	793,750.00	1,118,750.00	32,010,284.38
2044	30,889,868.75			340,000.00	780,450.00	1,120,450.00	32,010,318.75
2045	30,888,987.50			355,000.00	766,550.00	1,121,550.00	32,010,537.50
2046	30,168,018.75			1,105,000.00	737,350.00	1,842,350.00	32,010,368.75
2047	30,200,800.00			1,115,000.00	692,950.00	1,807,950.00	32,008,750.00
2048	27,689,137.50			3,705,000.00	615,075.00	4,320,075.00	32,009,212.50
2049	27,717,812.50			3,790,000.00	502,650.00	4,292,650.00	32,010,462.50
2050	27,757,800.00			3,865,000.00	387,825.00	4,252,825.00	32,010,625.00
2051	13,801,481.25			5,415,000.00	248,625.00	5,663,625.00	19,465,106.25
2052				5,580,000.00	83,700.00	5,663,700.00	5,663,700.00
	$ 897,319,293.74	$ 2,382,000.00	$ 2,015,025.00	$ 29,845,000.00	$ 23,189,837.50	$ 53,034,837.50	$ 949,987,156.24

(1) Includes the accreted value of outstanding capital appreciation bonds.
(2) 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%.
(3) Reflects the early redemption of the Series 2010A Bonds in the principal amount of $2,005,000 on March 30, 2022 pursuant to the adoption of a Resolution by the Board of Trustees on January 24, 2022.
(4) Includes accrued interest in the amount of $40,656.25.
(5) Based on its wealth per student, the District does not expect to receive state financial assistance for the payment of debt service for the fiscal year 2021/22. 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 Official Statement.

TAX ADEQUACY WITH RESPECT TO THE DISTRICT'S BONDS

Projected Maximum Debt Service Requirement (1)	$	32,012,304.06
Projected State Financial Assistance for Debt Service in 2021/22 (2)		-
Projected Net Debt Service Requirement	$	32,012,304.06
$0.52832 Tax Rate @ 99% Collections Produces (3)	$	32,012,304.06
2021/22 Net Taxable Valuation………	$	6,120,432,719

(1) Includes the 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 Official Statement.
(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 Funding for Local School Districts, "DEBT LIMITATIONS" and "TAX RATE LIMITATIONS."

AUTHORIZED BUT UNISSUED BONDS

Following the issuance of the Bonds, the District will have $0 of authorized but unissued ad valorem tax bonds from the May 5, 2018 election. The District may incur other financial obligations payable from its collection of taxes and other sources of revenue, including maintenance tax notes payable from its collection of maintenance taxes, public property finance contractual obligations, delinquent tax notes, and leases for various purposes payable from State appropriations and surplus maintenance taxes.

COMPARATIVE STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES [1]

	Fiscal Year Ended August 31				
	2017	2018	2019	2020	2021
Beginning Fund Balance	**$ 24,226,599**	**$ 23,456,512**	**$ 28,464,319**	**$ 34,555,039**	**$ 38,935,475**
Revenues:					
Local and Intermediate Sources	$ 42,977,335	$ 46,597,239	$ 54,816,127	$ 54,225,534	$ 53,997,795
State Sources	82,434,407	93,946,630	94,800,120	109,176,863	112,054,657
Federal Sources & Other	1,195,137	1,350,165	3,072,806	1,825,277	2,654,582
Total Revenues	**$ 126,606,879**	**$ 141,894,034**	**$ 152,689,053**	**$ 165,227,674**	**$ 168,707,034**
Expenditures:					
Instruction	$ 72,282,641	$ 77,483,725	$ 82,902,383	$ 92,646,312	$ 94,714,173
Instructional Resources & Media Services	1,165,144	1,286,262	1,440,342	1,470,055	1,580,318
Curriculum & Instructional Staff Development	2,799,283	2,420,634	2,507,399	3,105,126	2,277,479
Instructional Leadership	1,318,951	1,390,739	1,750,356	2,131,627	2,069,111
School Leadership	8,382,006	8,652,562	8,870,580	9,562,637	9,605,123
Guidance, Counseling & Evaluation Services	4,327,325	4,747,810	4,796,035	5,386,699	5,592,686
Social Work Services	1,588	-	-	-	-
Health Services	1,231,645	1,346,916	1,558,135	1,889,121	1,847,827
Student (Pupil) Transportation	7,115,152	7,802,699	7,469,469	7,502,889	8,681,758
Cocurricular/Extracurricular Activities	5,207,250	5,747,139	5,807,077	6,044,776	5,688,706
General Administration	5,295,034	5,374,283	5,958,212	6,354,047	5,648,213
Plant Maintenance and Operations	13,044,762	14,417,718	17,782,403	17,249,991	17,621,801
Security and Monitoring Services	1,380,984	1,448,408	1,334,177	2,291,521	2,079,960
Data Processing Services	3,299,887	4,154,452	3,833,944	4,109,086	4,202,884
Community Services	89	13,030	7,893	9,691	32,501
Facilities Acquisition and Construction	-	-	-	217,575	7,417,750
Other Intergovernmental Charges	525,225	599,850	634,467	630,485	620,810
Total Expenditures	**$ 127,376,966**	**$ 136,886,227**	**$ 146,652,872**	**$ 160,601,638**	**$ 169,681,100**
Excess (Deficiency) of Revenues over Expenditures	$ (770,087) [2]	$ 5,007,807	$ 6,036,181	$ 4,626,036	$ (974,066)
Other Resources and (Uses):					
Sale of Real or Personal Property	$ -	$ -	$ 54,539	$ -	$ 4,718,975
Transfers Out	-	-	-	(245,600)	-
Total Other Resources (Uses)	**$ -**	**$ -**	**$ 54,539**	**$ (245,600)**	**$ 4,718,975**
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	$ (770,087) [2]	$ 5,007,807	$ 6,090,720	$ 4,380,436	$ 3,744,909
Ending Fund Balance	**$ 23,456,512**	**$ 28,464,319**	**$ 34,555,039**	**$ 38,935,475**	**$ 42,680,384**

(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 2021/22 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				
	2017	2018	2019	2020	2021
Revenues:					
Program Revenues:					
Charges for Services	$ 4,009,811	$ 4,027,444	$ 4,490,157	$ 3,043,843	$ 2,125,300
Operating Grants and Contributions	26,732,661	211,669	32,823,589	33,426,310	35,960,448
General Revenues:					
Property Taxes Levied for General Purposes	41,507,554	45,063,546	50,403,340	50,282,519	51,969,064
Property Taxes Levied for Debt Service	17,796,195	19,253,710	21,536,958	23,512,637	26,538,548
Grants and Contributions Not Restricted	78,232,506	88,959,633	91,384,217	102,737,693	106,439,841
Investment Earnings	-	-	2,515,739	2,048,914	164,039
Insurance Proceeds	-	-	-	2,459,755	1,245,291
Miscellaneous	920,017	1,640,140	3,172,858	518,332	224,669
Special Item - SSA Assets Transferred in	338,504	166,543	390,509	-	-
	$ 169,537,248	$ 159,322,685	$ 206,717,367	$ 218,030,003	$ 224,667,200
Expenses:					
Instruction	$ 86,466,944	$ 64,335,886	$ 104,887,737	$ 117,737,950	$ 121,640,917
Instruction Resources & Media Services	1,308,095	1,331,328	1,853,192	1,936,691	1,844,095
Curriculum & Staff Development	4,767,661	2,587,103	4,590,629	5,685,292	4,597,120
Instructional Leadership	1,374,059	900,859	1,957,178	2,475,055	2,149,787
School Leadership	8,783,603	6,096,219	9,944,877	10,777,004	10,210,830
Guidance, Counseling & Evaluation Services	4,943,520	3,505,476	6,344,738	7,237,177	7,357,158
Social Work Services	16,562	1,572	13,730	-	-
Health Services	1,252,532	937,139	1,665,398	2,069,314	2,123,779
Student Transportation	6,818,771	6,123,511	8,123,696	7,929,931	7,776,331
Food Service	8,419,371	6,821,256	10,977,902	9,492,276	8,781,178
Cocurricular/Extracurricular Activities	6,861,543	6,152,850	8,360,435	8,726,544	7,836,367
General Administration	5,380,347	4,151,447	6,399,835	6,960,427	6,005,423
Plant Maintenance & Operations	13,101,947	12,683,183	18,111,379	17,756,051	18,258,660
Security and Monitoring Services	1,382,334	1,200,658	1,426,477	2,284,307	2,215,537
Data Processing Services	3,467,260	3,712,150	4,125,286	4,499,756	4,800,822
Community Services	128,597	132,588	178,265	388,825	487,456
Debt Service - Interest on Long-term Debt	16,020,751	16,815,647	18,569,031	19,625,464	22,616,209
Debt Service - Bond Issuance Cost and Fees	738,379	805,895	610,335	250,503	1,461,443
Other Intergovernmental Charges	525,225	599,850	634,467	630,485	620,810
Payments Related to Shared Services Arrangements	154,000	154,000	165,000	743,848	431,976
Facilities Repair and Maintenance	833,671	4,069,353	144,138	518,075	67,065
Total Expenditures	$ 172,745,172	$ 143,117,970	$ 209,083,725	$ 227,724,975	$ 231,282,963
Change in Net Assets	$ (3,207,924)	$ 16,204,715	$ (2,366,358)	$ (9,694,972)	$ (6,615,763)
Beginning Net Assets	$ 4,145,073	$ 937,149	$ (70,103,616)	$ (72,469,974)	$ (82,164,946)
Prior Period Adjustment	$ -	$ (87,245,480) [2]	$ -	$ -	$ -
Ending Net Assets	$ 937,149	$ (70,103,616)	$ (72,469,974)	$ (82,164,946)	$ (88,780,709)

(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

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NEW CANEY INDEPENDENT SCHOOL DISTRICT

General and Economic Information

New Caney ISD is located adjacent to Harris County in the southeastern corner of Montgomery County, 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. The District's current estimated population is approximately 91,987.

Montgomery County, Texas (the "County") a component of the Houston Metropolitan Area where many of the residents work, was created in 1837 from Washington County. The southeast Texas county was named after U.S. Revolutionary General Richard Montgomery and is located on the southern edge of the Big Thicket. 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
2021*	16,287
Current	17,241

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

District Staff

Teachers	1,185
Auxiliary Personnel	554
Teachers' Aides & Secretaries	408
Other	266
Administrators	99
	2,512

Facilities

Campus	Grade Alignment	Enrollment	Capacity	Year Built	Year of Addition/ Renovation
The Learning Center	1-12	96	100	1939	1999
Tavola Elementary	PK-5	769	1,000	2015	NA
Crippen Elementary	PK-5	735	1,000	1997	2013
Kings Manor Elementary	PK-5	770	900	2002	2017
New Caney Elementary	PK-5	619	900	1968	2003
Oakley Elementary	PK-5	774	1,000	2011	NA
Porter Elementary	PK-5	729	800	1965	2003
Bens Branch Elementary	PK-5	675	1,000	2004	2013
Brookwood Forest Elementary	PK-5	843	1,000	2017	2015
Valley Ranch Elementary	PK-5	815	1,000	2006	2013
Sorters Mill Elementary	PK-5	681	1,000	2007	2013
Dogwood Elementary	PK-5	726	1,000	2017	NA
Pine Valley Middle School	6-8	887	1,100	1972	2005, 2017
Keefer Crossing Middle School	6-8	1,129	1,100	1959	2013
White Oak Middle School	6-8	824	1,100	2004	NA
Woodridge Forrest Middle School	6-8	1,226	1,100	2014	NA
Porter High School	9-12	2,323	2,500	2010	2017
New Caney High School*	9-12	2,226	1,900	1986	2014, 2017
Infinity Early College High School	9-12	394	500	2017	2015

**Includes Annex and CRC*

Principal Employers within the District

Name of Company	Type of Business	Number of Employees
New Caney ISD	School District	2,512
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

	December 2019	December 2020[(1)]	December 2021[(1)]
Montgomery County	3.2%	7.0%	4.4%
State of Texas	3.3%	6.7%	4.3%

Source: Texas Workforce Commission.

(1) See "INTRODUCTORY STATEMENT – COVID 19" in the body of the Official Statement.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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March 30, 2022

**NEW CANEY INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2022
DATED AS OF MARCH 15, 2022
IN THE AGGREGATE PRINCIPAL AMOUNT OF $29,845,000**

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

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and general laws of the State of Texas and a transcript of certified proceedings of the District, and other pertinent instruments authorizing and relating to the issuance of the Bonds including (i) the order authorizing the issuance of the Bonds (the *Order*), (ii) one of the executed Bonds (*Bond No. T-1*), and (iii) the District's Federal Tax Certificate of even date herewith.

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

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the *Code*). In expressing the aforementioned opinions, we have relied on and assume continuing compliance with, certain representations contained in the Federal Tax Certificate of the District and covenants set forth in the order adopted by the District to authorize the issuance of the Bonds, relating to, among other matters, the use of the project and the investment and expenditure of the proceeds and certain other amounts used to pay or to secure the payment of debt service on the Bonds, and the certificate with respect to arbitrage by the Commissioner of Education regarding the allocation and investment of certain investments in the Permanent School Fund, the accuracy of which we have not independently verified. We call your attention to the fact that if such representations are determined to be inaccurate or if the District fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

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

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

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

Respectfully,

APPENDIX D

AUDITED FINANCIAL REPORT
FISCAL YEAR ENDED AUGUST 31, 2021

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New Caney Independent School District

Annual Financial Report
For the Fiscal Year Ended August 31, 2021

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New Caney Independent School District
Annual Financial Report
For the Fiscal Year Ended August 31, 2021
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New Caney Independent School District
Annual Financial Report
For the Fiscal Year Ended August 31, 2021
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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 ✓ approved ______ disapproved for the fiscal year ended August 31, 2021 at a meeting of the Board of Trustees of such school district on the ____ day of January, 2022.

Elizabeth R. 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):

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Financial Section

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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, 2021, 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, 2021, 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.
1406 Wilson Road, Suite 100 | Conroe, Texas 77304
Main: 936.756.8127

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, during the year ended August 31, 2021, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Beginning net position for the fiduciary fund has been restated as a result of the implementation of this statement. Our opinions are not modified with respect to this matter.

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, as listed in the table of contents, 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 the audit requirements of Title 2 U.S. Code of Federal Regulations, Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Required Responses to Selected School FIRST Indicators (Other Information) has 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 20, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

Conroe, Texas
January 20, 2022

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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, 2021.

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 $(88,780,709) *(net deficit).*
- The District's total net deficit increased by $6,615,763 from current operations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $133,830,827, a decrease of $6,699,351 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was $42,666,845, or 25 percent of total general fund expenditures.
- The District's total bonded debt increased by $45,586,098 (8 percent) during the current fiscal year. The key factor in this increase was the issuance of capital and refunding bonds.

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/(deficit). Over time, increases or decreases in net position/(deficit) may serve as an indicator of how the financial position of the District is changing.

The Statement of Activities (Exhibit B-1) presents information showing how the District's net position /(deficit) changed during the year. Changes in net position/(deficit) are reported upon occurrence of the underlying event giving rise to the change, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some transactions that will not result in cash flows until 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, 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 forty-eight 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 funds, all of which are considered to be major funds. Data from the other forty-five governmental funds are combined into a single, aggregated presentation titled total nonmajor funds.

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. A statement of fiduciary net position and a statement of changes in fiduciary net position are presented for fiduciary funds, as noted in the table of contents of this report. The District implemented Government Accounting Standards Board Statement No. 84 *Fiduciary Activities*, which resulted in a cumulative effect adjustment as of September 1, 2020 to net position in the fiduciary fund financial statements.

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 $(88,780,709) at the close of the most recent fiscal year.

New Caney Independent School District's Net Position

	Governmental Activities								
	2021			2020			Increase (Decrease)		
		Amount	%		Amount	%		Amount	%
Current and other assets	$	167,552,357	26	$	163,512,899	28	$	4,039,458	2
Capital assets		465,417,308	74		416,601,570	72		48,815,738	12
Total assets		632,969,665	100		580,114,469	100		52,855,196	
Total deferred outflows of resources		43,371,123	100		49,392,303	100		(6,021,180.00)	(12)
Other liabilities		31,151,385	4		20,564,452	3		10,586,933	51
Long-term liabilities outstanding		687,905,254	96		656,073,517	97		31,831,737	5
Total liabilities		719,056,639	100		676,637,969	100		42,418,670	
Total deferred inflows of resources		46,064,858	100		35,033,749	100		11,031,109	31
Net position									
Net investment in capital assets		(28,324,723)	32		(25,266,754)	31		(3,057,969)	12
Restricted		9,155,275	(10)		8,303,507	(10)		851,768	10
Unrestricted		(69,611,261)	78		(65,201,699)	79		(4,409,562)	7
Total net position	$	(88,780,709)	100	$	(82,164,946)	100	$	(6,615,763)	

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 $9,155,275 of total net position.

Unrestricted net position of ($69,611,261) 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 $6,615,763 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					
	2021		2020		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Revenue:						
Program revenues:						
Charges for services	$ 2,125,300	1	$ 3,043,843	1	$ (918,543)	(30)
Operating grants and contributions	35,960,448	16	33,426,310	15	2,534,138	8
General revenues:						
Property taxes, levied for general purpose	51,969,064	23	50,282,519	23	1,686,545	3
Property taxes, levied for debt service	26,538,548	12	23,512,637	12	3,025,911	13
Grants and contributions not restricted to specific programs	106,439,841	47	102,737,693	47	3,702,148	4
Insurance proceeds	1,245,291	1	2,459,755	1	(1,214,464)	(49)
Investment earnings	164,039	-	2,048,914	1	(1,884,875)	(92)
Miscellaneous	224,669	-	518,332	-	(293,663)	(57)
Total revenues	224,667,200	100	218,030,003	100	6,637,197	
Expenses:						
Instruction	121,640,917	53	117,737,950	52	3,902,967	3
Instructional resources and media services	1,844,095	1	1,936,691	1	(92,596)	(5)
Curriculum and instructinonal staff development	4,597,120	2	5,685,292	3	(1,088,172)	(19)
Instructional leadership	2,149,787	1	2,475,055	1	(325,268)	(13)
School leadership	10,210,830	4	10,777,004	5	(566,174)	(5)
Guidance, counseling, and evaluation services	7,357,158	3	7,237,177	3	119,981	2
Health services	2,123,779	1	2,069,314	1	54,465	3
Student transportation	7,776,331	4	7,929,931	3	(153,600)	(2)
Food services	8,781,178	4	9,492,276	4	(711,098)	(7)
Extracurricular activities	7,836,367	3	8,726,544	4	(890,177)	(10)
General administration	6,005,423	3	6,960,427	3	(955,004)	(14)
Plant maintenance and operations	18,258,660	8	17,756,051	8	502,609	3
Security and monitoring services	2,215,537	1	2,284,307	1	(68,770)	(3)
Data processing services	4,800,822	2	4,499,756	2	301,066	7
Community services	487,456	-	388,825	-	98,631	25
Interest on long-term debt	22,616,209	10	19,625,464	9	2,990,745	15
Issuance costs and fees	1,461,443	1	250,503	-	1,210,940	483
Facilities repair and maintenance	67,065	-	518,075	-	(451,010)	(87)
Payments related to shared services arrangements	431,976	-	743,848	-	(311,872)	(42)
Other intergovernmental charges	620,810	-	630,485	-	(9,675)	(2)
Total expenses	231,282,963	101	227,724,975	100	3,557,988	
Change in net position	(6,615,763)		(9,694,972)		3,079,209	
Net position - beginning	(82,164,946)		(72,469,974)		(9,694,972)	
Net position - ending	$ (88,780,709)		$ (82,164,946)		$ (6,615,763)	

Revenues are generated primarily from two sources. Grants and contributions (program and general revenues totaling $142,400,289) represent 63 percent of total revenues and property taxes ($78,507,612) represent 35 percent of total revenues. The remaining 2 percent is generated from investment earnings, charges for services, insurance proceeds, and miscellaneous revenues. The most significant change in revenues is the increase in property taxes due to increases in taxable value and an increase in federal funding for spending related to responding to the COVID-19 pandemic.

The primary functional expense of the District is instruction ($121,640,917) which represents 53 percent of total expenses. The remaining functional categories of expenses are individually 10 percent or less of total expenses. Expenses increased $3,557,988, the most significant increase being related to loss on sale of capital assets, interest on long term debt and issuance costs and fees.

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 $133,830,827, a decrease of $6,699,351 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 $42,666,845 and total fund balance was $42,680,384. 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 25 percent of total general fund expenditures. The fund balance of the District's general fund increased by $3,744,909 during the current fiscal year. The fund balance of the general fund increased primarily due to revenues from a sale of property and an increase in property taxes that offset an increase overall in functional expenditures.

The debt service fund has a total fund balance of $6,982,869, 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 $148,094. 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 $81,500,856, 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 $11,409,466. 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 and current 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 facilities acquisition and construction.

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, 2021, amounts to $465,417,308 (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					
	2021		2020		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Land and improvements	$ 43,135,877	9	$ 38,705,137	9	$ 4,430,740	11
Buildings and improvements	320,821,039	69	337,560,397	81	(16,739,358)	(5)
Furniture and equipment	11,707,493	3	11,227,639	3	479,854	4
Construction in progress	89,752,899	19	29,108,397	7	60,644,502	208
Totals	$ 465,417,308	100	$ 416,601,570	100	$ 48,815,738	

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

- $64,463,752 construction and renovations for various campuses and facilities
- $2,101,803 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 $52,661,667.

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					
	2021		2020		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
General obligation bonds (net)	$ 586,907,593	85	$ 541,321,495	83	$ 45,586,098	8
Net pension liability	52,801,386	8	54,175,721	8	(1,374,335)	(3)
Net OPEB liability	48,196,275	7	60,576,301	9	(12,380,026)	(20)
Totals	$ 687,905,254	100	$ 656,073,517	100	$ 31,831,737	

The District's bonded debt increased by $45,586,098 (8 percent) during the current fiscal year. The key factor in this increase was the issuance of capital and refunding bonds.

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 17,170 students, which is an increase from the prior year.
- District staff totals 2,595 employees, which includes of 1,151 teachers and 397 teachers' aides and secretaries.
- The District maintains 18 campuses for instruction and The Learning Center.
- The unemployment rate for the County is currently 5.1 percent, which is a decrease from a rate of 6.9 percent a year ago. This compares favorably to the state's average unemployment rate of 5.6 percent, which is a decrease from a rate of 7.0 percent a year ago.
- Property values of the District are projected to increase for the 2021-2022 fiscal year.

A maintenance and operations tax rate of $0.9603 and a debt service tax rate of $0.50, a total rate of $1.4603, were adopted for 2021-2022. Preceding year rates were $0.9761, $0.50 and $1.4761, respectively.

All of these factors were considered in preparing the District's budget for the 2021-2022 fiscal year.

During the current fiscal year, fund balance in the general fund increased to $42,680,384, which exceeded three 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.

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Basic Financial Statements

New Caney Independent School District

Exhibit A-1

Statement of Net Position

August 31, 2021

Data Control Codes		1 Primary Government Governmental Activities
	ASSETS	
1110	Cash and cash equivalents	$ 101,057,216
1120	Current investments	53,370,451
1220	Property taxes receivable	3,513,687
1230	Allowance for uncollectible taxes	(71,000)
1240	Due from other governments	9,428,809
1290	Other receivables	2,959
1300	Inventories	250,235
	Capital assets:	
1510	Land and improvements	43,135,877
1520	Buildings and improvements (net)	320,821,039
1530	Furniture and equipment (net)	11,707,493
1580	Construction in progress	89,752,899
1000	Total assets	632,969,665
	DEFERRED OUTFLOWS OF RESOURCES	
1705	Deferred outflows - pension	22,341,542
1706	Deferred outflows - OPEB	12,414,977
1710	Deferred charge on refunding	8,614,604
1700	Total deferred outflows of resources	43,371,123
	LIABILITIES	
2110	Accounts payable	13,650,087
2140	Interest payable	872,542
2150	Payroll deductions and withholdings	5,950
2160	Accrued wages payable	13,497,224
2180	Due to other governments	1,455,087
2190	Due to student groups	25,791
2300	Unearned revenue	1,644,704
	Noncurrent liabilities:	
2501	Due within one year	9,000,000
	Due in more than one year:	
2502	Bonds payable	577,907,593
2540	Net pension liability	52,801,386
2545	Net OPEB liability	48,196,275
2000	Total liabilities	719,056,639
	DEFERRED INFLOWS OF RESOURCES	
2605	Deferred inflows - pension	8,746,007
2606	Deferred inflows - OPEB	36,024,096
2610	Deferred gain on refunding	1,294,755
2600	Total deferred inflows of resources	46,064,858
	NET POSITION (DEFICIT)	
3200	Net investment in capital assets	(28,324,723)
3820	Restricted for grants	1,939,997
3850	Restricted for debt service	7,215,278
3900	Unrestricted	(69,611,261)
3000	**TOTAL NET POSITION (DEFICIT)**	$ (88,780,709)

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, 2021

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	$ 121,640,917	$ 61,654	$ 15,592,651	$ (105,986,612)
0012	Instructional resources and media services	1,844,095	32,583	89,102	(1,722,410)
0013	Curriculum and instructional staff development	4,597,120	443	2,255,696	(2,340,981)
0021	Instructional leadership	2,149,787	-	140,769	(2,009,018)
0023	School leadership	10,210,830	160,046	572,908	(9,477,876)
0031	Guidance, counseling, and evaluation services	7,357,158	484	1,849,763	(5,506,911)
0033	Health services	2,123,779	-	309,452	(1,814,327)
0034	Student transportation	7,776,331	28,670	453,468	(7,294,193)
0035	Food services	8,781,178	750,893	8,880,760	850,475
0036	Extracurricular activities	7,836,367	741,019	351,584	(6,743,764)
0041	General administration	6,005,423	131,242	294,465	(5,579,716)
0051	Plant maintenance and operations	18,258,660	-	1,085,501	(17,173,159)
0052	Security and monitoring services	2,215,537	2,840	275,620	(1,937,077)
0053	Data processing services	4,800,822	-	480,693	(4,320,129)
0061	Community services	487,456	-	438,852	(48,604)
0072	Interest on long-term debt	22,616,209	-	2,643,268	(19,972,941)
0073	Issuance costs and fees	1,461,443	-	-	(1,461,443)
0081	Facilities repair and maintenance	67,065	-	45,896	(21,169)
0093	Payments related to shared services arrangements	431,976	215,426	200,000	(16,550)
0099	Other intergovernmental charges	620,810	-	-	(620,810)
TG	Total governmental activities	231,282,963	2,125,300	35,960,448	(193,197,215)
TP	**TOTAL PRIMARY GOVERNMENT**	$ 231,282,963	$ 2,125,300	$ 35,960,448	(193,197,215)
	General revenues:				
MT	Property taxes, levied for general purpose				51,969,064
DT	Property taxes, levied for debt service				26,538,548
GC	Grants and contributions not restricted to specific programs				106,439,841
IN	Insurance proceeds				1,245,291
IE	Investment earnings				164,039
MI	Miscellaneous				224,669
TR	Total general revenues				186,581,452
CN	Change in net position				(6,615,763)
NB	Net position (deficit) - beginning				(82,164,946)
NE	**NET POSITION (DEFICIT) - ENDING**				$ (88,780,709)

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

New Caney Independent School District
Balance Sheet
Governmental Funds
August 31, 2021

Data Control Codes		199 General Fund	599 Debt Service Fund
	ASSETS		
1110	Cash and cash equivalents	$ 28,216,054	$ 7,058,174
1120	Current investments	20,761,560	1,187,150
1220	Property taxes receivable	2,385,736	1,127,951
1230	Allowance for uncollectible taxes	(48,000)	(23,000)
1240	Due from other governments	6,617,563	-
1260	Due from other funds	1,242,725	192,632
1290	Other receivables	665	-
1300	Inventories	13,539	-
1000	Total assets	59,189,842	9,542,907
1000a	**TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**	$ 59,189,842	$ 9,542,907
	LIABILITIES		
2110	Accounts payable	$ 1,173,235	$ -
2150	Payroll deductions and withholdings	5,950	-
2160	Accrued wages payable	12,172,824	-
2170	Due to other funds	793,922	-
2180	Due to other governments	-	1,455,087
2190	Due to student groups	25,791	-
2300	Unearned revenue	-	-
2000	Total liabilities	14,171,722	1,455,087
	DEFERRED INFLOWS OF RESOURCES		
2600	Unavailable revenue - property taxes	2,337,736	1,104,951
	Total deferred inflows of resources	2,337,736	1,104,951
	FUND BALANCES		
3410	Nonspendable - inventories	13,539	-
3450	Restricted - grant funds	-	-
3470	Restricted - capital acquisitions and contractual obligations	-	-
3480	Restricted - debt service	-	6,982,869
3545	Committed - other	-	-
3600	Unassigned	42,666,845	-
3000	Total fund balances	42,680,384	6,982,869
4000	**TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES**	$ 59,189,842	$ 9,542,907

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

Exhibit C-1

699 Capital Projects Funds	Total Nonmajor Funds	98 Total Governmental Funds
$ 62,636,893	$ 3,146,095	$ 101,057,216
31,287,091	134,650	53,370,451
-	-	3,513,687
-	-	(71,000)
-	2,811,246	9,428,809
-	601,290	2,036,647
-	2,294	2,959
-	236,696	250,235
93,923,984	6,932,271	169,589,004
$ 93,923,984	$ 6,932,271	$ 169,589,004
$ 12,388,067	$ 88,785	$ 13,650,087
-	-	5,950
33,652	1,290,748	13,497,224
1,409	1,241,316	2,036,647
-	-	1,455,087
-	-	25,791
-	1,644,704	1,644,704
12,423,128	4,265,553	32,315,490
-	-	3,442,687
-	-	3,442,687
-	236,696	250,235
-	1,939,997	1,939,997
81,500,856	-	81,500,856
-	-	6,982,869
-	490,025	490,025
-	-	42,666,845
81,500,856	2,666,718	133,830,827
$ 93,923,984	$ 6,932,271	$ 169,589,004

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New Caney Independent School District **Exhibit C-1R**

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
August 31, 2021

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-1)		$ 133,830,827
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	$ 622,207,588	
Accumulated depreciation of governmental capital assets	(156,790,280)	465,417,308
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.		3,442,687
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	$ (543,155,000)	
Premium on bonds payable	(39,407,736)	
Accreted interest	(4,344,857)	
Accrued interest on the bonds	(872,542)	
Net pension liability	(52,801,386)	
Net OPEB liability	(48,196,275)	(688,777,796)
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.		8,614,604
Deferred gain on refunding is reported as deferred inflow in the statement of net position that applies to a future period(s) and will not be recognized as an inflow of resouces (revenue) until that time.		(1,294,755)
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.		22,341,542
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.		(8,746,007)
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.		12,414,977
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.		(36,024,096)
TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES (EXHIBIT A-1)		$ (88,780,709)

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, 2021

Data Control Codes		199 General Fund	599 Debt Service Fund
	REVENUES		
5700	Local and intermediate sources	$ 53,997,795	$ 26,529,887
5800	State program revenues	112,054,657	2,643,268
5900	Federal program revenues	2,654,582	-
5020	Total revenues	168,707,034	29,173,155
	EXPENDITURES		
	Current:		
0011	Instruction	94,714,173	-
0012	Instructional resources and media services	1,580,318	-
0013	Curriculum and instructional staff development	2,277,479	-
0021	Instructional leadership	2,069,111	-
0023	School leadership	9,605,123	-
0031	Guidance, counseling, and evaluation services	5,592,686	-
0033	Health services	1,847,827	-
0034	Student transportation	8,681,758	-
0035	Food services	-	-
0036	Extracurricular activities	5,688,706	-
0041	General administration	5,648,213	-
0051	Plant maintenance and operations	17,621,801	-
0052	Security and monitoring services	2,079,960	-
0053	Data processing services	4,202,884	-
0061	Community services	32,501	-
	Debt service:		
0071	Principal on long-term debt	-	9,230,000
0072	Interest on long-term debt	-	20,084,468
0073	Issuance costs and fees	-	966,767
	Capital outlay:		
0081	Facilities acquisition and construction	7,417,750	-
	Intergovernmental:		
0093	Payments related to shared services arrangements	-	-
0099	Other intergovernmental charges	620,810	-
6030	Total expenditures	169,681,100	30,281,235
1100	Excess (deficiency) of revenues over (under) expenditures	(974,066)	(1,108,080)
	OTHER FINANCING SOURCES (USES)		
7901	Issuance of refunding bonds	-	120,150,000
7911	Issuance of capital-related bonds	-	-
7912	Sale of real and personal property	4,718,975	-
7916	Premium on issuance of bonds	-	6,553,692
8940	Payment to bond refunding escrow agent	-	(125,743,706)
7080	Total other financing sources (uses)	4,718,975	959,986
1200	Net change in fund balances	3,744,909	(148,094)
0100	Fund balances - beginning	38,935,475	7,130,963
3000	**FUND BALANCES - ENDING**	$ 42,680,384	$ 6,982,869

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

699		98
Capital Projects Funds	Total Nonmajor Funds	Total Governmental Funds
$ 74,155	$ 1,568,260	$ 82,170,097
43,221	1,939,897	116,681,043
-	22,064,540	24,719,122
117,376	25,572,697	223,570,262
-	9,166,394	103,880,567
-	38,705	1,619,023
-	1,962,762	4,240,241
-	10,157	2,079,268
-	204,442	9,809,565
-	1,396,779	6,989,465
-	207,252	2,055,079
-	225,857	8,907,615
-	8,579,332	8,579,332
-	290,900	5,979,606
-	207,454	5,855,667
-	759,876	18,381,677
-	220,341	2,300,301
-	354,026	4,556,910
-	403,144	435,645
-	-	9,230,000
-	-	20,084,468
494,676	-	1,461,443
61,526,843	-	68,944,593
-	431,976	431,976
-	-	620,810
62,021,519	24,459,397	286,443,251
(61,904,143)	1,113,300	(62,872,989)
-	-	120,150,000
49,170,000	-	49,170,000
-	-	4,718,975
1,324,677	-	7,878,369
-	-	(125,743,706)
50,494,677	-	56,173,638
(11,409,466)	1,113,300	(6,699,351)
92,910,322	1,553,418	140,530,178
$ 81,500,856	$ 2,666,718	$ 133,830,827

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, 2021

TOTAL NET CHANGES IN FUND BALANCES - GOVERNMENTAL (EXHIBIT C-2)		$ (6,699,351)
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	$ 71,621,074	
Depreciation expense	(15,145,058)	56,476,016
The net effect of miscellaneous transactions involving capital assets (transfers, adjustments and dispositions) is an increase (decrease) to net position.		(4,718,975)
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.		99,182
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	$ (169,320,000)	
(Premium) discount	(7,878,369)	(177,198,369)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		9,230,000
Payment to escrow agent to refund bonds from refunding proceeds.		125,743,706
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	$ 52,694	
Interest accreted on the capital appreciation bonds (increased) decreased	(4,344,857)	
Amortization of bond premium and discount	2,318,165	
Amortization of deferred charge and deferred gain on refunding	(557,743)	(2,531,741)
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)	$ (6,337,812)	
Deferred inflows (increased) decreased	81,535	
Net pension liability (increased) decreased	1,374,335	(4,881,942)
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)	$ (1,755,123)	
Deferred inflows (increased) decreased	(9,817,889)	
Net OPEB liability (increased) decreased	12,380,026	807,014
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT B-1)		$ (3,674,460)

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

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

Statement of Fiduciary Net Position
Fiduciary Fund
August 31, 2021

		865
		Custodial Fund
		Student Activity
ASSETS		
Cash and cash equivalents	$	462,876
Other receivables		2,059
Total assets		464,935
NET POSITION		
Restricted for:		
Student activities		464,935
TOTAL NET POSITION	$	464,935

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

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

Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended August 31, 2021

	865 Custodial Fund
	Student Activity
ADDITIONS	
Dues and fees	$ 256,916
Fundraisers	29,198
Donations	55,988
Other	64,374
Total additions	406,476
DEDUCTIONS	
Student activity	316,616
Administrative	26,333
Fundraiser expense	12,072
Scholarships	9,100
Other	21,828
Total deductions	385,949
Net change in fiduciary net position	20,527
Net position - beginning	-
Cummulative effect of adoption of GASB 84	444,408
Net position - beginning, as restated	444,408
NET POSITION - END OF YEAR	$ 464,935

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

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.

Additionally, the District reports the following fiduciary fund types:

The *custodial fund* accounts for assets held by the District for student organizations. Custodial funds report fiduciary activities that are not held in a trust.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as 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.

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. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Property tax receivables include unpaid property taxes at year-end and are shown net of an allowance for uncollectibles. Net property tax receivables are stated at the amount estimated to be collectible based on the District's collection experience. Revenues from property taxes are recognized when levied to the extent they are available (collected within 60 days after the close of the fiscal year). However, not all outstanding property taxes are expected to be collected within one year of the date of the financial statements.

4. 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.

5. 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

6. *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.

7. *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.

8. *Long-term Obligations*

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. 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.

10. 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.

11. 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.

12. 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.

13. 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.

I. Implementation of New Accounting Standards

GASB Statement No. 84, *Fiduciary Activities* (GASB 84), establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on 1) whether a government is controlling the assets of the fiduciary activity and 2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this statement were originally effective for reporting periods beginning after December 15, 2018; however, issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (GASB 95), extended the effective date of GASB 84 to reporting periods beginning after December 15, 2019, with earlier application encouraged. GASB 84 was implemented in the District's 2021 financial statements, resulting in a cumulative effect adjustment as of $444,408 as of September 1, 2020 to net position in the fiduciary financial statements due to reclassification of certain fiduciary activities to conform to the new standard.

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	$ 52,661,667
Total encumbrances	$ 52,661,667

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 Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity, allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

The District is authorized to invest in the following instruments provided that they meet the guidelines of the investment policy:

1) Obligations of, or guaranteed by governmental entities as permitted by Government Code 2256.009
2) Certificates of deposit and share certificates as permitted by Government Code 2256.010
3) Fully collateralized repurchase agreements permitted by Government Code 2256.011
4) A securities lending program as permitted by Government Code 2256.0115
5) Banker's acceptances as permitted by Government Code 2256.012
6) Commercial paper as permitted by Government Code 2256.013
7) No-load money market mutual funds and no-load mutual funds as permitted by Government Code 2256.014
8) A guaranteed investment contract as an investment vehicle for bond proceeds, provided it meet the criteria and eligibility requirements established by Government Code 2256.015
9) Public funds investment pools as permitted by Government Code 2256.016.

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, 2021	Percent of Total Investments	Weighted Average Maturity (Days)	Moody's / S&P Rating
Investments measured at amortized cost:				
Investment pools				
Texpool - LGIP	$ 52,206,479	98%	31	AAAm
Lone Star Government Overnight	1,163,972	2%	45	AAAm
Total investments	$ 53,370,451	100%		
Portfolio weighted average maturity			31	

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

The TexPool and Lone Star Government 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 2021, the District invested in 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 on the previous page.

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, 2021, 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	$	(1,000)
Change in uncollectibles related to Debt Service property taxes		(2,000)
Total change in uncollectibles of the current fiscal year	$	(3,000)

Approximately 64% 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, 2021, was as follows:

Fund		Interfund Receivables		Interfund Payables
General fund	$	1,242,725	$	793,922
Debt service fund		192,632		-
Capital projects fund		-		1,409
Other governmental funds - nonmajor		601,290		1,241,316
Totals	$	2,036,647	$	2,036,647

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. There were no interfund transfers between the various funds at August 31, 2021.

D. Capital Assets

Capital asset activity for the fiscal year ended August 31, 2021 was as follows:

	Beginning Balance	Additions	Reductions and Adjustments	Transfers and Reclassifications	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land and improvements	$ 38,705,137	$ 4,436,241	$ (5,501)	$ -	$ 43,135,877
Construction in progress	29,108,397	64,463,752	-	(3,819,250)	89,752,899
Total capital assets, not being depreciated	67,813,534	68,899,993	(5,501)	(3,819,250)	132,888,776
Capital assets, being depreciated:					
Buildings and improvements	468,928,475	-	(13,213,790)	3,819,250	459,533,935
Furniture and equipment	28,628,413	2,721,081	(1,564,617)	-	29,784,877
Total capital assets, being depreciated	497,556,888	2,721,081	(14,778,407)	3,819,250	489,318,812
Less accumulated depreciation for:					
Buildings and improvements	(131,368,078)	(13,127,654)	5,782,836	-	(138,712,896)
Furniture and equipment	(17,400,774)	(2,017,404)	1,340,794	-	(18,077,384)
Total accumulated depreciation	(148,768,852)	(15,145,058)	7,123,630	-	(156,790,280)
Total capital assets, being depreciated, net	348,788,036	(12,423,977)	(7,654,777)	3,819,250	332,528,532
Governmental activities capital assets, net	$ 416,601,570	$ 56,476,016	$ (7,660,278)	$ -	$ 465,417,308

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

Governmental Activities:	
11 Instruction	$ 11,089,579
12 Instructional resources and media services	182,139
13 Curriculum and instructional staff development	39,309
21 Instructional leadership	520
23 School leadership	153,035
31 Guidance, counseling, and evaluation services	25,175
33 Health services	25,175
34 Student transportation	989,471
35 Food services	232,021
36 Extracurricular activities	1,900,209
41 General administration	82,214
51 Plant maintenance and operations	134,727
52 Security and monitoring services	62,895
53 Data processing	228,589
Total depreciation expense-governmental activities	$ 15,145,058

Construction Commitments

The District had active construction projects as of August 31, 2021. 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	107,078
New Caney High School #3	52,531,640
New Caney Technology Building	22,949
Totals	$ 52,661,667

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, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	$ 504,345,000	$ 169,320,000	$(130,510,000)	$ 543,155,000	$ 9,000,000
Issuance premiums	36,976,495	7,878,369	(5,447,128)	39,407,736	-
Accreted interest (CAB's)	-	4,344,857	-	4,344,857	-
Total bonds payable, net	541,321,495	181,543,226	(135,957,128)	586,907,593	9,000,000
Net pension liability	54,175,721	5,369,197	(6,743,532)	52,801,386	-
Net OPEB liability	60,576,301	2,626,216	(15,006,242)	48,196,275	-
Governmental activities long-term liabilities	$ 656,073,517	$ 189,538,639	$(157,706,902)	$ 687,905,254	$ 9,000,000

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 7-32 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
2010A REF	2.0-4.0%	$ 4,080,000	2/15/2030	$ 2,420,000	$ -	$ (200,000)	$ 2,220,000.00
2011 REF	2.0-4.0%	9,255,000	2/15/2033	6,925,000	-	(405,000)	6,520,000
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	13,565,000	-	(12,780,000)	785,000
2013 REF	3.25-6.25%	13,985,000	2/15/2035	11,535,000	-	(505,000)	11,030,000
2013 BLDG	3.00-5.00%	31,850,000	2/15/2042	27,275,000	-	(825,000)	26,450,000
2014 REF	2.00-4.00%	7,680,000	2/15/2033	5,590,000	-	(355,000)	5,235,000
2014 BLDG	2-4.25%	9,240,000	2/15/2042	5,360,000	-	(230,000)	5,130,000
2015 REF	2.00-5.00%	51,500,000	2/15/2037	46,025,000	-	(1,850,000)	44,175,000
2015 BLDG	2.00-5.00%	86,315,000	2/15/2045	83,765,000	-	(580,000)	83,185,000
2015A REF	2.00-5.00%	10,610,000	2/15/2030	10,435,000	-	(865,000)	9,570,000
2016 REF	2.00-4.00%	8,605,000	8/15/2038	8,290,000	-	(135,000)	8,155,000
2017 BLDG	2.00-5.00%	73,895,000	2/15/2047	70,880,000	-	(320,000)	70,560,000
2017 REF	2.00-5.00%	28,550,000	2/15/2039	26,925,000	-	(1,095,000)	25,830,000
2018 BLDG	1.25%	59,015,000	2/15/2050	59,015,000	57,885,000	(59,015,000)	57,885,000
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
2020 REF	1.519-5.00%	61,210,000	9/1/2020	-	61,210,000	(1,115,000)	60,095,000
2020 REF CABS	3.00-5.00%	1,055,000	9/1/2020	-	1,055,000	-	1,055,000
2021 BLDG	2.00-5.00%	49,170,000	4/1/2021	-	49,170,000	-	49,170,000
Totals				$ 504,345,000	$ 169,320,000	$ (130,510,000)	$ 543,155,000

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

Year Ending August 31,	Principal Value	Interest	Total Requirements
2022	$ 9,000,000	$ 19,550,350	$ 28,550,350
2023	9,035,000	19,950,632	28,985,632
2024	11,010,000	19,208,960	30,218,960
2025	10,895,000	20,101,920	30,996,920
2026	11,130,000	20,002,058	31,132,058
2027	11,580,000	19,555,033	31,135,033
2028	13,375,000	17,763,464	31,138,464
2029	13,940,000	17,189,689	31,129,689
2030	14,515,000	16,622,168	31,137,168
2031	15,060,000	16,073,328	31,133,328
2032	15,610,000	15,523,114	31,133,114
2033	16,155,000	14,977,022	31,132,022
2034	16,725,000	14,411,476	31,136,476
2035	17,320,000	13,815,273	31,135,273
2036	17,955,000	13,180,179	31,135,179
2037	18,640,000	12,497,174	31,137,174
2038	19,360,000	11,777,947	31,137,947
2039	20,115,000	11,022,309	31,137,309
2040	20,670,000	10,221,294	30,891,294
2041	21,515,000	9,377,085	30,892,085
2042	22,395,000	8,493,376	30,888,376
2043	23,340,000	7,551,534	30,891,534
2044	24,340,000	6,549,869	30,889,869
2045	25,385,000	5,503,988	30,888,988
2046	25,700,000	4,468,019	30,168,019
2047	26,760,000	3,440,800	30,200,800
2048	25,170,000	2,519,138	27,689,138
2049	26,005,000	1,712,813	27,717,813
2050	26,880,000	877,800	27,757,800
2051	13,575,000	226,481	13,801,481
Totals	$ 543,155,000	$ 354,164,293	$ 897,319,293

As of August 31, 2021, the District had approximately $30,000,000 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. Accordingly, the trust account securities and the liability for the defeased bonds are not included in the Districts basic financial statements.

As of August 31, 2021, the following outstanding bonds are considered defeased:

Series 2012 Unlimited Tax School Building Bonds (maturing 2032-2042, callable August 15, 2022)	$ 50,235,000
Series 2012 Unlimited Tax Refunding Bonds (maturing 2032-2033, callable August 15, 2022)	12,030,000
Total	$ 62,265,000

In September 2020, the District issued $62,265,000 of unlimited tax refunding bonds. The proceeds of the refunding bonds were used to legally defease $62,265,000 of previously issued District bonds in order to lower its overall debt services requirements. The net carrying value of the old debt is less than the reacquisition price by $2,685,508. 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 $9,512,105 and to obtain an economic gain (difference between present values of the old and new debt service payments) of approximately $7,945,014.

In August 2020, the District remarketed $57,885,000 in variable rate unlimited tax schoolhouse bonds (Series 2014B-1) at a rate of 1.25%. The remarketing was a two year par remarketing with a mandatory tender date of August 15, 2024. The net carrying value of the old debt exceeded the reacquisition price by $1,296,651. The amount is netted against the new debt and amortized over the life of the new debt.

F. Fund Balance

Other committed fund balance includes the following commitments of funds:

Other governmental funds:		
Campus activity	$	481,348
Education foundation grant		8,668
Local funds		9
Total other committed fund balance	$	490,025

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	$ 51,934,404	$ 26,474,026	$ -	$ -	$ 78,408,430
Investment income	33,425	55,861	74,155	598	164,039
Food sales	-	-	-	750,893	750,893
Other	2,029,966	-	-	816,769	2,846,735
Total	$ 53,997,795	$ 26,529,887	$ 74,155	$ 1,568,260	$ 82,170,097

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, 2021, 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, 2021, 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	
	2021	2020
Member	7.7%	7.7%
Non-employer contributing entity (State)	7.5%	7.5%
Employers (District)	7.5%	7.5%

The contribution amounts for the District's fiscal year 2021 are as follows:

District contributions	$	4,187,799
Member contributions		9,339,077
NECE On-behalf contributions (State)		6,401,117

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.
- Public education employer contribution - all public schools, charter schools and regional education service centers must contribute 1.5% of the member's salary beginning in September 1, 2019, gradually increasing to 2.0% on September 1, 2024.

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

At August 31, 2021, the District reported a liability of $52,801,386 for its proportionate share of the TRS's net pension liability. 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	$ 52,801,386
State's proportionate share of the net pension liability associated with the District	77,448,604
Total	$ 130,249,990

The net pension liability was measured as of August 31, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as August 31, 2019 rolled forward to August 31, 2020. 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, 2019 through August 31, 2020.

At the measurement date of August 31, 2020, the District's proportion of the collective net pension liability was 0.09859% which was a decrease 0.00563% from its proportion measured as of August 31, 2019.

For the fiscal year ended August 31, 2021, the District recognized pension expense of $18,385,088 and revenue of $9,315,347 for support provided by the State.

At August 31, 2021, 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	$ 96,411	$ 1,473,547
Changes of assumptions	12,251,800	5,209,380
Difference between projected and actual earnings on pension plan investments	1,068,919	-
Changes in proportion and difference between District's contributions and the proportionate share of contributions	4,736,613	2,063,080
District contributions paid subsequent to the measurement date	4,187,799	-
Totals	$ 22,341,542	$ 8,746,007

$4,187,799 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, 2022. 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,	
2022	$ 2,855,361
2023	3,432,301
2024	3,093,248
2025	963,963
2026	(809,208)
Thereafter	(127,929)
Total	$ 9,407,736

Actuarial Methods and Assumptions

The actuarial valuation of the total pension liability was performed as of August 31, 2019. Update procedures were used to roll forward the total pension liability to August 31, 2020 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 2020	2.33%. 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)	2119
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 Employee 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, 2017 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, 2020 are summarized below:

Asset Class	Target Allocation*	Long-term Expected Geometric Real Rate of Return**	Expected Contribution to Long-Term Portfolio Returns
Global equity:			
U.S.	18.00%	3.90%	0.99%
Non-U.S. developed	13.00%	5.10%	0.92%
Emerging markets	9.00%	5.60%	0.83%
Private equity	14.00%	6.70%	1.41%
Stable value:			
Government bonds	16.00%	-0.70%	-0.05%
Absolute return	-	1.80%	-
Stable value hedge funds	5.00%	1.90%	0.11%
Real return:			
Real estate	15.00%	4.60%	1.02%
Energy, natural resources and infrastructure	6.00%	6.00%	0.42%
Commodities	-	0.80%	-
Risk parity:			
Risk parity	8.00%	3.00%	0.30%
Asset allocation leverage:			
Cash	2.00%	-1.50%	-0.03%
Asset allocation leverage cash	-6.00%	-1.30%	0.08%
Inflation expectation			2.00%
Volatility drag***			-0.67%
Total	100.00%		7.33%

* Target allocations are based on the FY 2020 policy model.

** Capital market assumptionss come from Aon Hewitt (as of 8/31/2020).

*** The volatility drag results from the conversion between arithmetic and geometric mean returns.

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	$ 81,418,793	$ 52,801,386	$ 29,550,371

Change of Assumptions Since the Prior Measurement Date
There were no changes of assumptions that affected measurement of the total pension liability during the measurement period.

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	
	2021	2020
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 2021 are as follows:

District contributions	$ 974,292
Member contributions	788,356
NECE on-behalf contributions (State)	1,471,118

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.

The State of Texas also contributed $549,462, $548,937 and $399,732 in 2021, 2020, and 2019, respectively, for on-behalf payments for Medicare Part D.

TRS-Care received a supplemental appropriation from the State of Texas as the Non-Employer Contributing Entity in the amount of $230.8 million in fiscal year 2020.

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

At August 31, 2021, the District reported a liability of $48,196,275 for its proportionate share of the TRS's net OPEB liability. 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	$ 48,196,275
State's proportionate share of the net OPEB liability associated with the District	64,764,240
Total	$ 112,960,515

The net OPEB liability was measured as of August 31, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as August 31, 2019 rolled forward to August 31, 2020. 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, 2019 through August 31, 2020.

At the measurement date of August 31, 2020, the employer's proportion of the collective net OPEB liability was 0.12678% which was a decrease of 0.00131% from its proportion measured as of August 31, 2019.

GASB 75 requires the District to record OPEB expense for the amount of the State's proportionate share of collective OPEB expense that is associated with the District, and record revenue in the same amount for the support provided by the State. For the measurement period ended August 31, 2020, the State's proportionate share of the collective OPEB expense was a negative expense of $151,336,663 and the portion of that amount that is associated with the District is a negative expense of $449,698. This amount is recorded as a negative revenue and negative expense for the year ended August 31, 2021.

For the year ended August 31, 2021, the District recognized negative total OPEB expense of $282,420, which includes both the District's proportionate share of collective OPEB expense and the portion of the State's proportionate share of collective OPEB expense that is associated with the District, as described above.

At August 31, 2021, 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	$ 2,523,538	$ 22,057,080
Changes of assumptions	2,972,708	13,234,946
Difference between projected and actual earnings on OPEB plan investments	15,661	-
Changes in proportion and difference between District's contributions and the proportionate share of contributions	5,928,778	732,070
District contributions paid subsequent to the measurement date	974,292	-
Totals	$ 12,414,977	$ 36,024,096

$974,292 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, 2022. 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,		
2022	$	(4,117,782)
2023		(4,119,876)
2024		(4,121,073)
2025		(4,120,745)
2026		(2,833,406)
Thereafter		(5,270,529)
Total	$	(24,583,411)

Actuarial Methods and Assumptions

The actuarial valuation of the total OPEB liability was performed as of August 31, 2019. Update procedures were used to roll forward the total OPEB liability to August 31, 2020.

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, 2020 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 9.00% for Medicare retirees and 7.30% for non-Medicare retirees. There was an initial prescription drug trend rate of 9.00% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% 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	2.33%
Aging factors	Based on plan specific experience
Election rates	Normal retirement: 65% participation prior to age 65 and 40% 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

Discount Rate

A single discount rate of 2.33% was used to measure the total OPEB liability at August 31, 2020. This was a decrease of 0.3% in the discount rate since the August 31, 2019 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 (2.33%) in measuring the net OPEB liability.

	1% Decrease (1.33%)	Current Discount Rate (2.33%)	1% Increase (3.33%)
District's proportionate share of the net OPEB liability	$ 57,835,419	$ 48,196,275	$ 40,582,734

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	$ 39,370,181	$ 48,196,275	$ 59,951,383

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 2.63% as of August 31, 2019 to 2.33% as of August 31, 2020. This change increased the total OPEB liability.
- The participation rate for pre-65 retirees was lowered from 50% to 40%. This change decreased the total OPEB liability.
- The ultimate health care trend assumption was lowered from 4.50% to 4.25% as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change 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 $373,887 for the year ended August 31, 2021.

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 $88,780,709 at August 31, 2021 due to the implementation of Governmental Accounting Standards Board Statement No. 75 in fiscal year 2018 and the implementation of Governmental Accounting Standards Board Statement No. 68 in fiscal year 2015 significantly reducing the unrestricted net position which resulted in an overall deficit.

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Required Supplementary Information

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, 2021

Data Control Codes		199 Budgeted Amounts Original	199 Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
	REVENUES:				
5700	Local and intermediate sources	$ 51,508,623	$ 55,783,800	$ 53,997,795	$ (1,786,005)
5800	State program revenues	109,410,643	114,796,015	112,054,657	(2,741,358)
5900	Federal program revenues	1,300,000	1,649,994	2,654,582	1,004,588
5020	Total revenues	162,219,266	172,229,809	168,707,034	(3,522,775)
	EXPENDITURES:				
	Current:				
0011	Instruction	92,477,042	95,325,818	94,714,173	611,645
0012	Instructional resources and media services	1,569,019	1,586,732	1,580,318	6,414
0013	Curriculum and instructional staff development	2,817,130	2,390,843	2,277,479	113,364
0021	Instructional leadership	2,026,918	2,096,580	2,069,111	27,469
0023	School leadership	9,238,546	9,770,871	9,605,123	165,748
0031	Guidance, counseling, and evaluation services	5,950,318	5,988,235	5,592,686	395,549
0033	Health services	1,904,717	1,932,812	1,847,827	84,985
0034	Student transportation	9,298,756	9,439,764	8,681,758	758,006
0036	Extracurricular activities	6,588,957	6,576,682	5,688,706	887,976
0041	General administration	6,520,403	6,145,095	5,648,213	496,882
0051	Plant maintenance and operations	16,597,900	18,256,550	17,621,801	634,749
0052	Security and monitoring services	2,233,127	2,310,750	2,079,960	230,790
0053	Data processing services	4,149,163	4,289,751	4,202,884	86,867
0061	Community services	1,270	35,189	32,501	2,688
	Capital outlay:				
0081	Facilities acquisition and construction	-	7,848,427	7,417,750	430,677
	Intergovernmental charges:				
0095	Payments to juvenile justice alternative education programs	45,000	45,000	-	45,000
0099	Other intergovernmental charges	660,000	660,000	620,810	39,190
6030	Total expenditures	162,078,266	174,699,099	169,681,100	5,017,999
1100	Excess (deficiency) of revenues over (under) expenditures	141,000	(2,469,290)	(974,066)	1,495,224
	OTHER FINANCING SOURCES (USES):				
7912	Sale of real and personal property	-	4,700,000	4,718,975	18,975
8911	Transfers out	(141,000)	(141,000)	-	141,000
7080	Total other financing sources (uses)	(141,000)	4,559,000	4,718,975	159,975
1200	Net change in fund balance	-	2,089,710	3,744,909	1,655,199
0100	Fund balance - beginning	38,935,475	38,935,475	38,935,475	-
3000	**FUND BALANCE - ENDING**	$ 38,935,475	$ 41,025,185	$ 42,680,384	$ 1,655,199

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

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

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 Seven Fiscal Years*

Year	District's Proportion of Net Pension Liability	District's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with the District	Total	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.0985874%	$ 52,801,386	$ 77,448,604	$ 130,249,990	$ 115,981,853	45.53%	75.54%
2020	0.1042179%	$ 54,175,721	$ 72,459,837	$ 126,635,558	$ 108,854,866	49.77%	75.24%
2019	0.0999142%	$ 54,995,174	$ 78,083,072	$ 133,078,246	$ 103,297,323	53.24%	73.74%
2018	0.0927553%	$ 29,658,134	$ 45,319,803	$ 74,977,937	$ 95,872,906	30.93%	82.17%
2017	0.0866803%	$ 32,755,201	$ 52,456,045	$ 85,211,246	$ 88,748,492	36.91%	78.00%
2016	0.0866180%	$ 30,618,310	$ 48,009,456	$ 78,627,766	$ 82,049,484	37.32%	78.43%
2015	0.0567278%	$ 15,152,779	$ 38,947,704	$ 54,100,483	$ 74,214,555	20.42%	83.25%

* 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-3**

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

Year	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2021	$ 4,187,799	$ (4,187,799)	$ -	$ 121,277,371	3.45%
2020	$ 4,066,939	$ (4,066,939)	$ -	$ 115,981,853	3.51%
2019	$ 3,646,779	$ (3,646,779)	$ -	$ 108,854,866	3.35%
2018	$ 3,512,303	$ (3,512,303)	$ -	$ 103,297,323	3.40%
2017	$ 3,039,976	$ (3,039,976)	$ -	$ 95,872,906	3.17%
2016	$ 2,753,835	$ (2,753,835)	$ -	$ 88,748,492	3.10%
2015	$ 2,564,563	$ (2,564,563)	$ -	$ 82,049,484	3.13%

* 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.

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 Four Fiscal Years*

Year	District's Proportion of Net OPEB Liability	District's Proportionate Share of the Net OPEB Liability	State's Proportionate Share of the Net OPEB Liability Associated with the District	Total	District's Covered Payroll	District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2021	0.1267839%	$ 48,196,275	$ 64,764,240	$ 112,960,515	$ 115,981,853	41.56%	4.99%
2020	0.1280920%	$ 60,576,301	$ 80,492,354	$ 141,068,655	$ 108,854,866	55.65%	2.66%
2019	0.1240100%	$ 61,919,274	$ 89,157,122	$ 151,076,396	$ 103,297,323	59.94%	1.57%
2018	0.1144160%	$ 49,755,221	$ 75,560,484	$ 125,315,705	$ 95,872,906	51.90%	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 Four Fiscal Years*

Year	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2021	$ 974,292	$ (974,292)	$ -	$ 121,277,371	0.80%
2020	$ 963,005	$ (963,005)	$ -	$ 115,981,853	0.83%
2019	$ 908,968	$ (908,968)	$ -	$ 108,854,866	0.84%
2018	$ 768,007	$ (768,007)	$ -	$ 103,297,323	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.

Note 1. Budget

A. 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.

B. Variance Between Original and Final Budget

The District's general fund final budget differs from the original budget due to budget revisions that were made during the fiscal period. The most significant change was an increase in expenditures of $7,848,427 for construction projects.

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
2020	7.250%	7.250%	2.330%
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 measurement date August 31, 2020 – Net OPEB Liability:

- The participation rate for pre-65 retirees was lowered from 50% to 40%. This change decreased the total OPEB liability.
- The ultimate health care trend assumption was lowered from 4.50% to 4.25% as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change decreased the total OPEB liability.

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.

Changes in benefit terms

For measurement date August 31, 2018 – Net OPEB Liability:

- Changes of benefit terms were made effective September 1, 2017 by the 85th Texas Legislature.

Other changes

For measurement date August 31, 2019 – Net Pension Liability:

- With the enactment of SB3 by the 2019 Texas Legislature, as assumption was 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.

For measurement date August 31, 2019 – Net 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.
- The trend rates were reset to better reflect the plan's anticipated experience.
- 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%.

For measurement date August 31, 2018 – Net OPEB Liability:

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020.

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Supplementary Information

New Caney Independent School District
Combining Balance Sheet
Nonmajor Government Funds
Special Revenue Funds
August 31, 2021

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	$ 4,311	$ -	$ -
1120	Current investments	-	-	-
1240	Due from other governments	12,834	15,385	412,831
1260	Due from other funds	-	-	-
1290	Other receivables	-	-	-
1300	Inventories	-	-	-
1000	**TOTAL ASSETS**	$ 17,145	$ 15,385	$ 412,831
	LIABILITIES			
2110	Accounts payable	$ -	$ -	$ -
2160	Accrued wages payable	17,145	-	133,148
2170	Due to other funds	-	15,385	279,683
2300	Unearned revenue	-	-	-
2000	Total liabilities	17,145	15,385	412,831
	FUND BALANCES			
3410	Nonspendable - inventories	-	-	-
3450	Restricted - grant funds	-	-	-
3545	Committed - other	-	-	-
3000	Total fund balances	-	-	-
4000	**TOTAL LIABILITIES AND FUND BALANCES**	$ 17,145	$ 15,385	$ 412,831

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**	
$	-	$	-	$	143,822	$	-	$	-	$	-
	-		-		128,945		-		-		-
	522,099		6,735		1,054,436		1,149		62,079		96,141
	-		-		601,290		-		-		-
	-		-		-		-		2,020		-
	-		-		236,696		-		-		-
$	522,099	$	6,735	$	2,165,189	$	1,149	$	64,099	$	96,141
$	-	$	-	$	88,785	$	-	$	-	$	-
	199,919		2,880		320,356		-		-		47,856
	322,180		3,855		268		1,149		64,099		48,285
	-		-		-		-		-		-
	522,099		6,735		409,409		1,149		64,099		96,141
	-		-		236,696		-		-		-
	-		-		1,519,084		-		-		-
	-		-		-		-		-		-
	-		-		1,755,780		-		-		-
$	522,099	$	6,735	$	2,165,189	$	1,149	$	64,099	$	96,141

New Caney Independent School District
Combining Balance Sheet
Nonmajor Government Funds
Special Revenue Funds – Continued
August 31, 2021

Data Control Codes		266 Elementary and Secondary School Emergency Relief Funds	276 Instructional Continuity Grant	277 Coronavirus Relief Funds
	ASSETS			
1110	Cash and cash equivalents	$ -	$ -	$ 1,982,208
1120	Current investments	-	-	-
1240	Due from other governments	137,809	8,764	-
1260	Due from other funds	-	-	-
1290	Other receivables	-	-	-
1300	Inventories	-	-	-
1000	**TOTAL ASSETS**	$ 137,809	$ 8,764	$ 1,982,208
	LIABILITIES			
2110	Accounts payable	$ -	$ -	$ -
2160	Accrued wages payable	87,698	-	470,333
2170	Due to other funds	50,111	8,764	-
2300	Unearned revenue	-	-	1,511,875
2000	Total liabilities	137,809	8,764	1,982,208
	FUND BALANCES			
3410	Nonspendable - inventories	-	-	-
3450	Restricted - grant funds	-	-	-
3545	Committed - other	-	-	-
3000	Total fund balances	-	-	-
4000	**TOTAL LIABILITIES AND FUND BALANCES**	$ 137,809	$ 8,764	$ 1,982,208

	281	289	385	397	410	427
	Operation Connectivity	**Other Federally Funded Grants**	**Supplemental Visually Impaired**	**Advanced Placement Incentives**	**State Textbook Fund**	**Special Education Fiscal Support**
	$ -	$ -	$ -	$ 11,591	$ 58,135	$ 6,116
	-	-	-	-	-	-
	-	449,408	-	-	-	-
	-	-	-	-	-	-
	-	274	-	-	-	-
	-	-	-	-	-	-
	$ -	$ 449,682	$ -	$ 11,591	$ 58,135	$ 6,116
	$ -	$ -	$ -	$ -	$ -	$ -
	-	-	-	-	-	-
	-	447,415	-	-	-	-
	-	2,267	-	5,184	58,135	6,116
	-	449,682	-	5,184	58,135	6,116
	-	-	-	-	-	-
	-	-	-	6,407	-	-
	-	-	-	-	-	-
	-	-	-	6,407	-	-
	$ -	$ 449,682	$ -	$ 11,591	$ 58,135	$ 6,116

New Caney Independent School District
Combining Balance Sheet
Nonmajor Government Funds
Special Revenue Funds – Continued
August 31, 2021

Data Control Codes		429 Other State Funded Grants	458 SSA - Purchasing Alliance Co-op	460 New Caney High School Campus Activity
	ASSETS			
1110	Cash and cash equivalents	$ 40,964	$ 414,506	$ 41,583
1120	Current investments	-	-	5,705
1240	Due from other governments	31,576	-	-
1260	Due from other funds	-	-	-
1290	Other receivables	-	-	-
1300	Inventories	-	-	-
1000	**TOTAL ASSETS**	$ 72,540	$ 414,506	$ 47,288
	LIABILITIES			
2110	Accounts payable	$ -	$ -	$ -
2160	Accrued wages payable	11,413	-	-
2170	Due to other funds	-	-	-
2300	Unearned revenue	61,127	-	-
2000	Total liabilities	72,540	-	-
	FUND BALANCES			
3410	Nonspendable - inventories	-	-	-
3450	Restricted - grant funds	-	414,506	-
3545	Committed - other	-	-	47,288
3000	Total fund balances	-	414,506	47,288
4000	**TOTAL LIABILITIES AND FUND BALANCES**	$ 72,540	$ 414,506	$ 47,288

461	462	463	464	465	466
White Oak M.S. Campus Activity	**Keefer Crossing M.S. Campus Activity**	**Porter Elementary Campus Activity**	**New Caney Elementary Campus Activity**	**Tavola Elementary Campus Activity**	**Robert Crippen Elementary Campus Activity**
$ 24,566	$ 34,262	$ 1,754	$ 2,624	$ 7,346	$ 6,935
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ 24,566	$ 34,262	$ 1,754	$ 2,624	$ 7,346	$ 6,935
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
24,566	34,262	1,754	2,624	7,346	6,935
24,566	34,262	1,754	2,624	7,346	6,935
$ 24,566	$ 34,262	$ 1,754	$ 2,624	$ 7,346	$ 6,935

New Caney Independent School District
Combining Balance Sheet
Nonmajor Government Funds
Special Revenue Funds – Continued
August 31, 2021

Data Control Codes		467 Kings Manor Elementary Campus Activity	468 Infinity Early College High School Campus Activity	469 Special Education Campus Activity
	ASSETS			
1110	Cash and cash equivalents	$ 2,777	$ 2,389	$ 126
1120	Current investments	-	-	-
1240	Due from other governments	-	-	-
1260	Due from other funds	-	-	-
1290	Other receivables	-	-	-
1300	Inventories	-	-	-
1000	**TOTAL ASSETS**	$ 2,777	$ 2,389	$ 126
	LIABILITIES			
2110	Accounts payable	$ -	$ -	$ -
2160	Accrued wages payable	-	-	-
2170	Due to other funds	-	-	-
2300	Unearned revenue	-	-	-
2000	Total liabilities	-	-	-
	FUND BALANCES			
3410	Nonspendable - inventories	-	-	-
3450	Restricted - grant funds	-	-	-
3545	Committed - other	2,777	2,389	126
3000	Total fund balances	2,777	2,389	126
4000	**TOTAL LIABILITIES AND FUND BALANCES**	$ 2,777	$ 2,389	$ 126

470	471	472	473	474	475
Bens Branch Elementary Campus Activity	Valley Ranch Elementary Campus Activity	Sorters Mill Elementary Campus Activity	New Caney Middle School Campus Activity	District Wide Activity	New Caney High School Athletic Activity
$ 27,802	$ 6,367	$ 2,459	$ 17,272	$ 7,608	$ 150,317
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ 27,802	$ 6,367	$ 2,459	$ 17,272	$ 7,608	$ 150,317
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
27,802	6,367	2,459	17,272	7,608	150,317
27,802	6,367	2,459	17,272	7,608	150,317
$ 27,802	$ 6,367	$ 2,459	$ 17,272	$ 7,608	$ 150,317

New Caney Independent School District

Combining Balance Sheet
Nonmajor Government Funds
Special Revenue Funds – Continued
August 31, 2021

Data Control Codes		476 Porter High School Campus Activity	477 Oakley Elementary Campus Activity	478 Porter High School Athletic Activity
	ASSETS			
1110	Cash and cash equivalents	$ 36,459	$ 28,724	$ 50,371
1120	Current investments	-	-	-
1240	Due from other governments	-	-	-
1260	Due from other funds	-	-	-
1290	Other receivables	-	-	-
1300	Inventories	-	-	-
1000	**TOTAL ASSETS**	$ 36,459	$ 28,724	$ 50,371
	LIABILITIES			
2110	Accounts payable	$ -	$ -	$ -
2160	Accrued wages payable	-	-	-
2170	Due to other funds	122	-	-
2300	Unearned revenue	-	-	-
2000	Total liabilities	122	-	-
	FUND BALANCES			
3410	Nonspendable - inventories	-	-	-
3450	Restricted - grant funds	-	-	-
3545	Committed - other	36,337	28,724	50,371
3000	Total fund balances	36,337	28,724	50,371
4000	**TOTAL LIABILITIES AND FUND BALANCES**	$ 36,459	$ 28,724	$ 50,371

479	480	481	482	495	499	
Woodridge Forest M.S. Campus Activity	Dogwood Elementary Campus Activity	Brookwood Forest Elementary Campus Activity	West Fork High School Campus Activity	Education Foundation Grant	Locally Funded Special Revenue Fund	Total Nonmajor Funds (See Exhibit C-1)
$ 5,962	$ 2,632	$ 5,430	$ 10,000	$ 8,668	$ 9	$ 3,146,095
-	-	-	-	-	-	134,650
-	-	-	-	-	-	2,811,246
-	-	-	-	-	-	601,290
-	-	-	-	-	-	2,294
-	-	-	-	-	-	236,696
$ 5,962	$ 2,632	$ 5,430	$ 10,000	$ 8,668	$ 9	$ 6,932,271
$ -	$ -	$ -	$ -	$ -	$ -	$ 88,785
-	-	-	-	-	-	1,290,748
-	-	-	-	-	-	1,241,316
-	-	-	-	-	-	1,644,704
-	-	-	-	-	-	4,265,553
-	-	-	-	-	-	236,696
-	-	-	-	-	-	1,939,997
5,962	2,632	5,430	10,000	8,668	9	490,025
5,962	2,632	5,430	10,000	8,668	9	2,666,718
$ 5,962	$ 2,632	$ 5,430	$ 10,000	$ 8,668	$ 9	$ 6,932,271

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, 2021

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	44,405	231,352	2,566,513
5020	Total revenues	44,405	231,352	2,566,513
	EXPENDITURES			
	Current:			
0011	Instruction	11,346	164,580	1,562,334
0012	Instructional resources and media services	-	-	-
0013	Curriculum and instructional staff development	-	65,682	731,281
0021	Instructional leadership	-	-	-
0023	School leadership	-	1,090	7,632
0031	Guidance, counseling, and evaluation services	-	-	7,278
0033	Health services	-	-	-
0034	Student transportation	-	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	-	-	-
0041	General administration	-	-	61,043
0051	Plant maintenance and operations	-	-	-
0052	Security and monitoring services	-	-	-
0053	Data processing services	-	-	38,618
0061	Community services	33,059	-	158,327
	Intergovernmental:			
0093	Payments related to shared services arrangements	-	-	-
6030	Total expenditures	44,405	231,352	2,566,513
1200	Net change in fund balances	-	-	-
0100	Fund balances (deficit) - beginning	-	-	-
3000	**FUND BALANCES - ENDING**	$ -	$ -	$ -

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
$ -	$ -	$ 750,944	$ -	$ -	$ -
-	-	290,873	-	-	-
2,703,046	35,964	8,683,531	132,851	315,944	608,624
2,703,046	35,964	9,725,348	132,851	315,944	608,624
1,610,211	35,964	-	132,851	-	411,956
-	-	-	-	-	-
7,040	-	-	-	313,985	129,679
-	-	-	-	-	5,671
-	-	-	-	1,959	-
884,805	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	8,579,332	-	-	-
-	-	-	-	-	482
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
990	-	-	-	-	60,836
200,000	-	-	-	-	-
2,703,046	35,964	8,579,332	132,851	315,944	608,624
-	-	1,146,016	-	-	-
-	-	609,764	-	-	-
$ -	$ -	$ 1,755,780	$ -	$ -	$ -

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, 2021

Data Control Codes		266 Elementary and Secondary School Emergency Relief Funds	276 Instructional Continuity Grant	277 Coronavirus Relief Funds
	REVENUES			
5700	Local and intermediate sources	$ -	$ -	$ -
5800	State program revenues	-	-	-
5900	Federal program revenues	1,461,908	39,981	3,328,025
5020	Total revenues	1,461,908	39,981	3,328,025
	EXPENDITURES			
	Current:			
0011	Instruction	869,448	29,956	2,296,112
0012	Instructional resources and media services	-	-	-
0013	Curriculum and instructional staff development	592,460	10,025	-
0021	Instructional leadership	-	-	-
0023	School leadership	-	-	-
0031	Guidance, counseling, and evaluation services	-	-	-
0033	Health services	-	-	207,252
0034	Student transportation	-	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	-	-	22,877
0041	General administration	-	-	4,500
0051	Plant maintenance and operations	-	-	759,876
0052	Security and monitoring services	-	-	-
0053	Data processing services	-	-	37,408
0061	Community services	-	-	-
	Intergovernmental:			
0093	Payments related to shared services arrangements	-	-	-
6030	Total expenditures	1,461,908	39,981	3,328,025
1200	Net change in fund balances	-	-	-
0100	Fund balances (deficit) - beginning	-	-	-
3000	**FUND BALANCES - ENDING**	$ -	$ -	$ -

281	289	385	397	410	427
Operation Connectivity	Other Federally Funded Grants	Supplemental Visually Impaired	Advanced Placement Incentives	State Textbook Fund	Special Education Fiscal Support
$ -	$ -	$ -	$ -	$ -	$ -
-	-	8,640	-	1,202,532	64,691
527,656	1,384,740	-	-	-	-
527,656	1,384,740	8,640	-	1,202,532	64,691
527,656	273,526	8,441	-	1,130,148	-
-	-	-	-	-	-
-	39,425	199	-	72,384	-
-	-	-	-	-	-
-	11,350	-	-	-	-
-	325,904	-	-	-	64,691
-	-	-	-	-	-
-	225,857	-	-	-	-
-	-	-	-	-	-
-	87,000	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	136,528	-	-	-	-
-	278,000	-	-	-	-
-	7,150	-	-	-	-
-	-	-	-	-	-
527,656	1,384,740	8,640	-	1,202,532	64,691
-	-	-	-	-	-
-	-	-	6,407	-	-
$ -	$ -	$ -	$ 6,407	$ -	$ -

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, 2021

Data Control Codes		429 Other State Funded Grants	458 SSA - Purchasing Alliance Co-op	460 New Caney High School Campus Activity
	REVENUES			
5700	Local and intermediate sources	$ -	$ 347,213	$ 36,049
5800	State program revenues	373,161	-	-
5900	Federal program revenues	-	-	-
5020	Total revenues	373,161	347,213	36,049
	EXPENDITURES			
	Current:			
0011	Instruction	32,208	-	10,710
0012	Instructional resources and media services	-	-	11
0013	Curriculum and instructional staff development	160	-	80
0021	Instructional leadership	4,486	-	-
0023	School leadership	-	-	29,737
0031	Guidance, counseling, and evaluation services	113,506	-	595
0033	Health services	-	-	-
0034	Student transportation	-	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	-	-	3,206
0041	General administration	-	141,911	-
0051	Plant maintenance and operations	-	-	-
0052	Security and monitoring services	80,019	-	-
0053	Data processing services	-	-	-
0061	Community services	142,782	-	-
	Intergovernmental:			
0093	Payments related to shared services arrangements	-	231,976	-
6030	Total expenditures	373,161	373,887	44,339
1200	Net change in fund balances	-	(26,674)	(8,290)
0100	Fund balances (deficit) - beginning	-	441,180	55,578
3000	**FUND BALANCES - ENDING**	$ -	$ 414,506	$ 47,288

	461	462	463	464	465	466
	White Oak M.S. Campus Activity	Keefer Crossing M.S. Campus Activity	Porter Elementary Campus Activity	New Caney Elementary Campus Activity	Tavola Elementary Campus Activity	Robert Crippen Elementary Campus Activity
	$ 25,071	$ 23,272	$ 11,609	$ 9,548	$ 17,486	$ 5,972
	-	-	-	-	-	-
	-	-	-	-	-	-
	25,071	23,272	11,609	9,548	17,486	5,972
	20,605	3,412	3,556	1,893	2,806	1,873
	943	-	5,857	5,220	2,145	-
	-	-	-	70	292	-
	-	-	-	-	-	-
	7,555	15,504	8,100	6,387	5,300	2,630
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	600	4,143	2,732	817	4,850	334
	-	-	-	-	-	-
	-	-	-	-	-	-
	3,794	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	33,497	23,059	20,245	14,387	15,393	4,837
	(8,426)	213	(8,636)	(4,839)	2,093	1,135
	32,992	34,049	10,390	7,463	5,253	5,800
	$ 24,566	$ 34,262	$ 1,754	$ 2,624	$ 7,346	$ 6,935

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, 2021

Data Control Codes		467 Kings Manor Elementary Campus Activity	468 Infinity Early College High School Campus Activity	469 Special Education Campus Activity
	REVENUES			
5700	Local and intermediate sources	$ 10,787	$ 378	$ -
5800	State program revenues	-	-	-
5900	Federal program revenues	-	-	-
5020	Total revenues	10,787	378	-
	EXPENDITURES			
	Current:			
0011	Instruction	1,413	-	-
0012	Instructional resources and media services	7,085	-	-
0013	Curriculum and instructional staff development	-	-	-
0021	Instructional leadership	-	-	-
0023	School leadership	8,049	8,464	-
0031	Guidance, counseling, and evaluation services	-	-	-
0033	Health services	-	-	-
0034	Student transportation	-	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	3,151	-	-
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	19,698	8,464	-
1200	Net change in fund balances	(8,911)	(8,086)	-
0100	Fund balances (deficit) - beginning	11,688	10,475	126
3000	**FUND BALANCES - ENDING**	$ 2,777	$ 2,389	$ 126

470	471	472	473	474	475
Bens Branch Elementary Campus Activity	Valley Ranch Elementary Campus Activity	Sorters Mill Elementary Campus Activity	New Caney Middle School Campus Activity	District Wide Activity	New Caney High School Athletic Activity
$ 5,761	$ 20,165	$ 6,757	$ 14,450	$ -	$ 73,776
-	-	-	-	-	-
-	-	-	-	-	-
5,761	20,165	6,757	14,450	-	73,776
7,142	1,435	80	-	-	-
1,089	9,804	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
4,477	2,204	10,647	11,181	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,211	5,047	2,642	2,620	659	66,442
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
13,919	18,490	13,369	13,801	659	66,442
(8,158)	1,675	(6,612)	649	(659)	7,334
35,960	4,692	9,071	16,623	8,267	142,983
$ 27,802	$ 6,367	$ 2,459	$ 17,272	$ 7,608	$ 150,317

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, 2021

Data Control Codes		476 Porter High School Campus Activity	477 Oakley Elementary Campus Activity	478 Porter High School Athletic Activity
	REVENUES			
5700	Local and intermediate sources	$ 47,870	$ 4,366	$ 98,833
5800	State program revenues	-	-	-
5900	Federal program revenues	-	-	-
5020	Total revenues	47,870	4,366	98,833
	EXPENDITURES			
	Current:			
0011	Instruction	-	658	-
0012	Instructional resources and media services	-	19	-
0013	Curriculum and instructional staff development	-	-	-
0021	Instructional leadership	-	-	-
0023	School leadership	32,440	1,913	-
0031	Guidance, counseling, and evaluation services	-	-	-
0033	Health services	-	-	-
0034	Student transportation	-	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	1,155	1,655	68,128
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	33,595	4,245	68,128
1200	Net change in fund balances	14,275	121	30,705
0100	Fund balances (deficit) - beginning	22,062	28,603	19,666
3000	**FUND BALANCES - ENDING**	$ 36,337	$ 28,724	$ 50,371

479 Woodridge Forest M.S. Campus Activity	480 Dogwood Elementary Campus Activity	481 Brookwood Forest Elementary Campus Activity	482 West Fork High School Campus Activity	495 Education Foundation Grant	499 Locally Funded Special Revenue Fund	Total Nonmajor Funds (See Exhibit C-2)
$ 19,564	$ 19,553	$ 8,836	$ 10,000	$ -	$ -	$ 1,568,260
-	-	-	-	-	-	1,939,897
-	-	-	-	-	-	22,064,540
19,564	19,553	8,836	10,000	-	-	25,572,697
6,719	-	7,355	-	-	-	9,166,394
-	6,532	-	-	-	-	38,705
-	-	-	-	-	-	1,962,762
-	-	-	-	-	-	10,157
14,218	7,254	6,351	-	-	-	204,442
-	-	-	-	-	-	1,396,779
-	-	-	-	-	-	207,252
-	-	-	-	-	-	225,857
-	-	-	-	-	-	8,579,332
8,052	3,097	-	-	-	-	290,900
-	-	-	-	-	-	207,454
-	-	-	-	-	-	759,876
-	-	-	-	-	-	220,341
-	-	-	-	-	-	354,026
-	-	-	-	-	-	403,144
-	-	-	-	-	-	431,976
28,989	16,883	13,706	-	-	-	24,459,397
(9,425)	2,670	(4,870)	10,000	-	-	1,113,300
15,387	(38)	10,300	-	8,668	9	1,553,418
$ 5,962	$ 2,632	$ 5,430	$ 10,000	$ 8,668	$ 9	$ 2,666,718

New Caney Independent School District
Schedule of Delinquent Taxes Receivable
For the Fiscal Year Ended August 31, 2021

	1	2	3
Year Ended August 31,	**Tax Rates**		**Assessed/Appraised Value For School Tax Purposes**
	Maintenance	**Debt Service**	
2012 and prior years	$ Various	$ Various	$ Various
2013	1.0400	0.5000	2,310,948,896
2014	1.1700	0.5000	2,488,663,413
2015	1.1700	0.5000	2,733,588,922
2016	1.1700	0.5000	3,141,603,593
2017	1.1700	0.5000	3,528,444,491
2018	1.1700	0.5000	3,851,748,623
2019	1.1700	0.5000	4,308,636,048
2020	1.1700	0.5000	4,680,992,923
2021	0.9761	0.5000	5,255,477,881
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 9/1/20	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/21
$ 455,774	$ -	$ 40,764	$ 19,600	$ (68,391)	$ 327,019
103,139	-	5,257	2,528	(1,592)	93,762
112,984	-	6,961	2,975	(3,825)	99,223
101,842	-	9,684	4,138	(2,896)	85,124
135,970	-	27,381	11,701	5,061	101,949
208,359	-	49,369	21,098	23,440	161,332
364,581	-	80,134	34,246	29,569	279,770
593,753	-	157,534	67,322	836	369,733
1,335,103	-	382,039	178,790	(113,183)	661,091
-	77,576,109	50,416,134	25,825,291	-	1,334,684
$ 3,411,505	$ 77,576,109	$ 51,175,257	$ 26,167,689	$ (130,981)	$ 3,513,687
		$ -	$ -		

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, 2021

Data Control Codes		Budgeted Amounts 240 Original	240 Final	Actual	Variance with Final Budget Positive (Negative)
	REVENUES				
5700	Local and intermediate sources	$ 1,898,635	$ 1,898,635	$ 750,944	$ (1,147,691)
5800	State program revenues	363,000	363,000	290,873	(72,127)
5900	Federal program revenues	6,925,000	6,925,000	8,683,531	1,758,531
5020	Total revenues	9,186,635	9,186,635	9,725,348	538,713
	EXPENDITURES				
	Current:				
0035	Food services	9,327,635	9,327,635	8,579,332	748,303
6030	Total expenditures	9,327,635	9,327,635	8,579,332	748,303
1100	Excess (deficiency) of revenues over (under) expenditures	(141,000)	(141,000)	1,146,016	1,287,016
	OTHER FINANCING SOURCES (USES)				
7915	Transfers in	141,000	141,000	-	(141,000)
7080	Total other financing sources (uses)	141,000	141,000	-	(141,000)
1200	Net change in fund balance	-	-	1,146,016	1,146,016
0100	Fund balance - beginning	609,764	609,764	609,764	-
3000	**FUND BALANCE - ENDING**	$ 609,764	$ 609,764	$ 1,755,780	$ 1,146,016

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, 2021

Data Control Codes		599 Budgeted Amounts Original	599 Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
	REVENUES				
5700	Local and intermediate sources	$ 25,735,902	$ 25,735,902	$ 26,529,887	$ 793,985
5800	State program revenues	1,844,686	2,291,686	2,643,268	351,582
5020	Total revenues	27,580,588	28,027,588	29,173,155	1,145,567
	EXPENDITURES				
	Debt service:				
0071	Principal on long-term debt	9,230,000	9,230,000	9,230,000	-
0072	Interest on long-term debt	19,644,262	20,084,468	20,084,468	-
0073	Issuance costs and fees	-	966,767	966,767	-
6030	Total expenditures	28,874,262	30,281,235	30,281,235	-
1100	Excess (deficiency) of revenues over (under) expenditures	(1,293,674)	(2,253,647)	(1,108,080)	1,145,567
	OTHER FINANCING SOURCES (USES)				
7901	Issuance of refunding bonds	-	120,150,000	120,150,000	-
7916	Premium on issuance of bonds	-	6,553,692	6,553,692	-
8940	Payment to bond refunding escrow agent	-	(125,743,719)	(125,743,706)	13
7080	Total other financing sources (uses)	-	959,973	959,986	13
1200	Net change in fund balance	(1,293,674)	(1,293,674)	(148,094)	1,145,580
0100	Fund balance - beginning	7,130,963	7,130,963	7,130,963	-
3000	**FUND BALANCE - ENDING**	$ 5,837,289	$ 5,837,289	$ 6,982,869	$ 1,145,580

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Overall Compliance, Internal Control Section and Federal Awards

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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, 2021, 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 20, 2022.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 determination of 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.
1406 Wilson Road, Suite 100 | Conroe, Texas 77304
Main: 936.756.8127

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.

Conroe, Texas
January 20, 2022

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, 2021. 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, 2021.

Weaver and Tidwell, L.L.P.
1406 Wilson Road, Suite 100 | Conroe, Texas 77304
Main: 936.756.8127

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.

Conroe, Texas
January 20, 2022

New Caney Independent School District
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended August 31, 2021

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 ESSA Title I, Part A-Improving Basic Programs - 84.010A COVID-19 – Elementary and Secondary - School Emergency Relief Fund - 84.425D COVID-19 – Coronavirus Relief Fund - 21.019 Restart Hurricane – 84.938
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, 2021

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, 2021

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal Assitance Listing 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	$ 349,611
ESEA Title I, Part A - Improving Basic Programs	84.010A	21610101170908	2,216,902
Title I 1003 School Improvement	84.010A	21610141170908	231,352
Total Assistance Listing Number 84.010A			2,797,865
Special Education Cluster (IDEA):			
IDEA - Part B, Formula	84.027A	206600011709086600	305,602
IDEA - Part B, Formula	84.027A	216600011709086600	2,397,444
Total Assistance Listing Number 84.027A			2,703,046
IDEA - Part B, Preschool	84.173A	206610011709086610	5,665
IDEA - Part B, Preschool	84.173A	216610011709086610	30,299
Total Assistance Listing Number 84.173A			35,964
Total Special Education Cluster (IDEA)			2,739,010
Career and Technical - Basic Grant	84.048A	21420006170908	125,331
Career and Technical - Reserve Grant	84.048A	204200287110064	7,520
Total Assistance Listing Number 84.048A			132,851
ESEA, Title X, Part C - Texas Education for Homeless Children & Youth	84.196A	214600057110050	44,405
Title III, Part A - English Language Acquisition and Language Enhancement	84.365A	20671001170908	162,476
Title III, Part A - English Language Acquisition and Language Enhancement	84.365A	21671001170908	446,148
Total Assistance Listing Number 84.365A			608,624
ESEA Title II, Part A - Teacher and Principal Training and Recruiting	84.367A	20694501170908	26,864
ESEA Title II, Part A - Teacher and Principal Training and Recruiting	84.367A	21694501170908	289,080
Total Assistance Listing Number 84.367A			315,944
Instructional Continuity	84.377A	17610740170908	39,981
Lone Star STEM	84.411B	203929017110008	3,161
Title IV, Part A, Subpart 1	84.424A	20680101170908	71,282
Title IV, Part A, Subpart 1	84.424A	21680101170908	149,266
Total Assistance Listing Number 84.424A			220,548
COVID-19 - CARES Act, Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	20521001170908	1,461,908
COVID-19 - Operation Connectivity Prior Purchase Reimbursement Program (PPRP)	84.425D	52102135	527,656
Total Assistance Listing Number 84.425D			1,989,564
Restart Hurricane Recovery	84.938A	18511701170908	3,864
Restart 2 for 2019 Flooding	84.938A	20511703170908	1,156,421
Texas Hurricane Homeless Youth	84.938B	19513701170908	746
Total Assistance Listing Number 84.938			1,161,031
TOTAL U.S. DEPARTMENT OF EDUCATION			10,052,984

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

New Caney Independent School District

Exhibit K-1

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2021

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal Assitance Listing Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Child Nutrition Cluster:			
Passed Through State Department of Education - Cash Assistance:			
COVID-19 - School Breakfast Program	10.553	71402101	1,838,552
Passed Through State Department of Agriculture - Non-Cash Assistance:			
National School Lunch Program	10.555	806780706	613,528
Passed Through State Department of Agriculture - Cash Assistance:			
COVID-19 - School Programs Emergency Operational Cost Reimbursement Program	10.555	806780706	605,058
Passed Through State Department of Education - Cash Assistance:			
National School Lunch Program	10.555	71302101	15,200
COVID-19 - National School Lunch Program	10.555	71302101	5,610,839
Total Assistance Listing Number 10.555			6,844,625
Total Child Nutrition Cluster			8,683,177
Passed Through Texas Department of Agriculture:			
Commodity Storage and Delivery	10.560	806780706	354
Passed Through Montgomery County, Texas:			
Forest Service Schools and Roads Cluter:			
Schools and Roads - Grants to Counties	10.666	N/A	1,706
TOTAL U.S. DEPARTMENT OF AGRICULTURE			8,685,237
U.S. DEPARTMENT OF THE TREASURY			
Passed Through Texas Division of Emergency Management:			
COVID-19 - Coronavirus Relief Funds	21.019	2020-CF-21019	147,680
Passed Through Montgomery County, Texas:			
COVID-19 - Coronavirus Relief Fund Reimbursement Program	21.019	N/A	3,328,025
Total Assistance Listing Number 21.019			3,475,705
TOTAL U.S. DEPARTMENT OF THE TREASURY			3,475,705
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through Texas Health and Human Services Commission			
Medicaid Cluster:			
Medicaid Administrative Claiming Program (MAC)	93.778	529-16-0072-00034	71,529
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			71,529
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 22,285,455

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

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. COVID-19 - Coronavirus Relief Fund

In March of 2020, The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law by the President and established the Coronavirus Relief Fund (CRF) (Assistance Listing 21.019). The CARES Act requires that payments from the CRF be used to cover expenses that: (1) are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019; (2) were not accounted for in the budget most recently approved as of March 27, 2020 for the State or government; and (3) were incurred during the period that begins on March 1, 2020, and ends on December 31, 2021. As of August 31, 2021, $147,680 of eligible expenditures were incurred in the prior year and are included in the schedule of expenditures of federal awards.

Note 4. 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	$	22,285,455
General Fund - federal revenue		
SHARS		1,478,355
ROTC		141,334
E-rate		813,978
Total federal revenues per exhibit C-2	$	24,719,122

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, 2021

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	$ 4,344,857

Financial Advisory Services
Provided By:

SAMCO Capital