OFFICIAL STATEMENT DATED MAY 24, 2022

NEW ISSUE - Book-Entry-Only

Enhanced/Unenhanced Ratings:
S&P: "AAA/AA-"
FITCH: "AAA/AA-"
PSF: "Guaranteed"
(See "OTHER INFORMATION – Ratings" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein)

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

$46,060,000
LAREDO INDEPENDENT SCHOOL DISTRICT
(A Political Subdivision of the State of Texas located in Webb County)
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2022

Dated: May 1, 2022 **Due: August 1 as shown on inside cover**
Interest accrues from the Delivery Date (defined below)

Payment Terms . . . The $46,060,000 Laredo Independent School District Unlimited Tax School Building Bonds, Series 2022 (the "Bonds") are being issued by the Laredo Independent School District (the "District") in denominations of $5,000 or any integral multiple thereof. Interest on the Bonds will accrue from the Delivery Date and will be payable on August 1, 2022 and each February 1 and August 1 thereafter until maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. DTC will act as securities depository. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System" herein). The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "THE BONDS - Paying Agent/Registrar").

Authority For Issuance . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, including particularly Sections 45.001 and 45.003(b)(1) of the Texas Education Code, as amended, Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), an election held within the District on May 5, 2018 (the "Election"), and an Order (the "Bond Order") adopted by the Board of Trustees of the District (the "Board") on March 30, 2022 authorizing the issuance of the Bonds. As permitted by Chapter 1371, in the Bond Order, the Board delegated to certain authorized officials (each a " Pricing Officer") authority to execute a pricing certificate evidencing final sales terms of the Bonds (the "Pricing Certificate" together with the Bond Order, the "Order"). The Pricing Officer executed the Pricing Certificate on May 24, 2022. The Bonds are direct obligations of the District, payable from an ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property located within the District, as provided in the Order (see "THE BONDS – Authority for Issuance"). The District has received conditional approval for the payment of the principal of and interest on the Bonds to be guaranteed by the Permanent School Fund Guarantee Program which will automatically become effective when the Attorney General of Texas approves the Bonds (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM "). See also "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" for a discussion of recent developments in Texas law affecting the financing of school districts in Texas.

Purpose . . . Proceeds from the sale of the Bonds will be used (i) for the purposes of constructing, renovating, acquiring, and equipping school facilities in the District and the acquisition of sites for school facilities and (ii) for the payment of costs of issuance related to the Bonds (see "PLAN OF FINANCE – Use of Proceeds").

See following page for Maturity Schedule, Interest Rates, Yields, CUSIP Numbers, and Redemption Provisions

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Legality . . . The Bonds are offered for delivery when, as and if issued and received by the initial purchasers listed below (the "Underwriters") and subject to the approving opinion of the Attorney General of Texas and the legal opinion of Winstead PC, San Antonio, Texas and J. Cruz & Associates, LLC, Laredo, Texas, "Co-Bond Counsel" (see Appendix C – "Form of Co-Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriters by their counsel McCall, Parkhurst & Horton L.L.P., San Antonio, Texas.

Delivery . . . It is expected that the Bonds will be available for initial delivery through the services of DTC, on or about June 22, 2022 (the "Delivery Date").

SAMCO Capital

BOK Financial Securities, Inc. **Stifel** **D.A. Davidson & Co.**

$46,060,000
LAREDO INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2022

MATURITY SCHEDULE, INTEREST RATES, INITIAL YIELDS(2), AND CUSIP(1) NUMBERS

CUSIP(1) Prefix: 516840

$27,490,000 Serial Bonds

Maturity	Principal Amount	Interest Rate	Initial Yield (2)	CUSIP (1) Suffix
8/1/2023	$ 980,000	5.000%	2.060%	ZK4
8/1/2024	1,025,000	5.000%	2.300%	ZL2
8/1/2025	1,075,000	5.000%	2.510%	ZM0
8/1/2026	1,130,000	5.000%	2.620%	ZN8
8/1/2027	1,190,000	5.000%	2.720%	ZP3
8/1/2028	1,245,000	5.000%	2.800%	ZQ1
8/1/2029	1,310,000	5.000%	2.930%	ZR9
8/1/2030	1,375,000	5.000%	2.990%	ZS7
8/1/2031	1,445,000	5.000%	3.070%	ZT5
8/1/2032	1,515,000	5.000%	3.100% (3)	ZU2
8/1/2033	1,590,000	5.000%	3.200% (3)	ZV0
8/1/2034	1,670,000	5.000%	3.260% (3)	ZW8
8/1/2035	1,755,000	5.000%	3.310% (3)	ZX6
8/1/2036	1,845,000	5.000%	3.350% (3)	ZY4
8/1/2037	1,935,000	5.000%	3.390% (3)	ZZ1
8/1/2038	2,030,000	5.000%	3.420% (3)	A21
8/1/2039	2,135,000	5.000%	3.460% (3)	A39
8/1/2040	2,240,000	5.000%	3.490% (3)	A47

$18,570,000 Term Bonds

$4,795,000 4.00% Term Bond due August 1, 2042 Priced to Yield 3.940% (3) CUSIP Suffix: A62
$13,775,000 4.00% Term Bond due August 1, 2047 Priced to Yield 4.030% CUSIP Suffix: B38

(Interest accrues from the Delivery Date)

REDEMPTION . . . The District reserves the right, at its option, to redeem the Bonds having stated maturities on and after August 1, 2032, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on August 1, 2031, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

MANDATORY REDEMPTION . . . The Bonds maturing on August 1 in the years 2042 and 2047 (the "Term Bonds") are subject to mandatory sinking fund redemption (see "THE BONDS – Mandatory Redemption of the Term Bonds").

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(1) CUSIP numbers are included solely for the convenience of the 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 FactSet Research Systems, Inc. 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. Neither the District, the Financial Advisor, nor the Underwriters are responsible for the selection or correctness of the CUSIP numbers set forth herein.

(2) Initial yield represents the initial offering yield to the public which has been established by the Underwriters for the offers to the public by the Underwriters as their sole responsibility which may be subsequently changed.

(3) Yield calculated based upon the assumption that the Bonds designated and sold at a premium will be redeemed on August 1, 2031, the first optional redemption date for the Bonds, at a redemption price of par plus accrued interest to the redemption date.

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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 representation must not be relied upon as having been authorized by the District or the Underwriters.

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 matters of opinion, 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 will, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein.

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 THESE 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 ISSUE AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Neither the District, the Financial Advisor, nor the Underwriters make any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company (the "DTC") or its Book-Entry-Only System or the affairs of the Texas Education Agency ("TEA") described under "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM," as such information has been provided by DTC and TEA, respectively.

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

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

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 FORWARDLOOKING STATEMENTS (SEE "OTHER INFORMATION - FORWARD LOOKING STATEMENTS" HEREIN).

References to web site addresses presented herein are for informational purposes only and may be in 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, United States Securities and Exchange Commission Rule 15c2-12.

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

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 30-Jun	Estimated Population [1]	Net Taxable Assessed Valuation [2]	Taxable Assessed Valuation Per Capita	Funded Tax Debt[3][4]	Debt to Taxable Assessed Valuation	Tax Debt Per Capita	% of Total Tax Collections
2018	89,211	$ 2,208,601,197	$ 24,757	$ 203,940,449	9.23%	$ 2,286	98.98%
2019 [5]	89,271	2,429,163,119	27,211	293,744,790	12.09%	3,290	99.18%
2020	87,842	2,448,484,517	27,874	275,219,661	11.24%	3,133	97.48%
2021	88,981	2,454,218,785	27,581	254,839,887	10.38%	2,864	100.45%
2022	86,520	2,601,865,158	30,072	280,680,000	10.79%	3,244	[6]

(1) Source: Texas Municipal Advisory Council. Estimates based on School District Factor multiplied by the District's average daily attendance.
(2) The valuations shown are the certified Taxable Assessed Valuations after adjustments for Exemptions and Freeze Loss reported annually in September to the Webb County Appraisal District. The valuations are subject to change during the ensuing year due to the settlement of contested valuation, and other matters.
(3) Includes maintenance & operations limited tax debt and interest & sinking fund unlimited tax debt (including the Bonds).
(4) Approximately 50-70% of the debt service of the District's currently outstanding tax supported debt is supported with funds received by the Existing Debt Allotment Program and the Instructional Facilities Allotment Program. The amount of State aid for debt service may substantially differ from year to year, depending on a number of factors, including amounts, if any, appropriated for that purpose by the Texas Legislature based on changes in ADA and Net Taxable Assessed Values.
(5) The fiscal year end for the District changed from August 31 to June 30 effective in fiscal year 2019.
(6) In the process of collection.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	For Fiscal Year Ended June 30,				
	2021	2020	2019 [1]	2018	2017
Beginning Balance	$ 79,409,063	$ 82,239,046	$ 69,640,446	$ 74,756,972	$ 70,050,855
Total Revenues	233,001,085	234,348,324	226,573,941	229,284,192	226,605,869
Total Expenditures	(221,614,726)	(229,660,695)	(202,258,316)	(230,728,948)	(218,375,669)
Net Other Sources (Uses)	(2,860,905)	(7,517,611)	(11,717,025)	(3,671,770)	(3,524,083)
Net Changes in Fund Balances	8,525,454	(2,829,982)	12,598,600	(5,116,526)	4,706,117
Ending Balance [2]	$ 87,934,517	$ 79,409,063	$ 82,239,046	$ 69,640,446	$ 74,756,972

Source: The District's audited annual financial statements.
(1) The fiscal year end for the District changed from August 31 to June 30 effective in fiscal year 2019.
(2) The District anticipates that its ending General Fund balance as of June 30, 2022 will equal approximately $70,000,000.

For additional information regarding the District, please contact:

Dr. Sylvia Guerra Rios
Superintendent of Schools
Ms. Flor Ayala, CPA
Assistant Superintendent for Finance and Business Services
1702 Houston Street
Laredo, Texas 78040
(956) 795-4112 – Telephone
(956) 795-4117 – Fax

or

Mr. Noe Hinojosa, Jr.
Mr. Donald Gonzales
Estrada Hinojosa & Company, Inc.
600 N. Pearl St. Suite 2100, South Tower
Dallas, Texas 75201
(214) 658-1670 – Telephone
(214) 292-8849 – Fax
14414 Blanco Road, Suite 320
San Antonio, Texas 78216
(210) 223-4888 – Telephone
(210) 941-0501 – Fax
noe@ehmuni.com
don@ehmuni.com

DISTRICT ADMINISTRATION

ELECTED OFFICIALS

Board of Trustees	Term Expires	Occupation
Hector J. Garcia President	November 2022	La Posada Hotel General Manager
Hector Noyola Vice President	November 2022	Executive Director of Boys & Girls Clubs of Laredo
Monica Garcia Secretary	November 2024	Public Information Officer for El Metro Transit
Vacant[1]	November 2024	-
Guadalupe Gomez Member	November 2024	Webb County Deputy Constable
Ricardo Garza Member	November 2024	Owner/Operator of Twins Mechanical, Inc.
Dr. Minita Ramirez Member	November 2022	Vice President for Student Success at Texas A&M International University

[1] Mr. Jose Valdez, the prior trustee, passed away in March 2022 and his seat on the school board is anticipated to be filled after a special election to be held in November 2022.

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service With the District
Dr. Sylvia G. Rios	Superintendent of Schools	4 Years (as Superintendent)[1]
Ms. Flor Ayala, CPA	Assistant Superintendent for Finance and Business Services	12 Years

CONSULTANTS AND ADVISORS

Auditors .... Garza/Gonzales & Associates
Certified Public Accountants

Co-Bond Counsel .... Winstead PC
San Antonio, Texas
and
J. Cruz & Associates, LLC
Laredo, Texas

Financial Advisor .... Estrada Hinojosa & Company, Inc.
Dallas, Texas and San Antonio, Texas

[1] Prior to being named Superintendent, Dr. Rios served for 19 months as the District's Chief Academic Officer.

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OFFICIAL STATEMENT

RELATING TO

LAREDO INDEPENDENT SCHOOL DISTRICT
(A Political Subdivision of the State of Texas located in Webb County)

$46,060,000
UNLIMITED TAX SCHOOL BUILDING BONDS,
SERIES 2022

INTRODUCTION

This Official Statement, which includes all Appendices hereto, provides certain information regarding the issuance of $46,060,000 Laredo Independent School District Unlimited Tax School Building Bonds, Series 2022 (the "Bonds"). Except as otherwise indicated herein, capitalized terms used in this Official Statement not otherwise defined herein have the same meanings assigned to such terms in the Order (defined herein) adopted by the Board of Trustees (the "Board") of the Laredo Independent School District (the "District") on March 30, 2022, which authorized the issuance of the Bonds (see "THE BONDS – Authority for Issuance" herein).

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

There follows in this Official Statement a description of the Bonds and certain information regarding 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 from the District's Financial Advisor, Estrada Hinojosa & Company, Inc., Dallas and San Antonio, Texas at the address appearing on page v hereof, in an electronic format or upon request and payment of reasonable copying, handling and delivery charges.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Final Official Statement will be deposited with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system. See "OTHER INFORMATION - Continuing Disclosure of Information" herein for a description of the District's undertaking to provide certain information on a continuing basis.

DESCRIPTION OF THE DISTRICT . . . The District is a political subdivision of the state of Texas located in Webb County. The District is governed by the seven-member Board who serve staggered four-year terms with elections being held in November of even numbered years. 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 District is approximately 13.83 square miles in area (see Appendix A – "General Information Regarding the District" attached hereto).

PLAN OF FINANCE

PURPOSE . . . Proceeds from the sale of the Bonds will be used (i) for the purposes of constructing, renovating, acquiring, and equipping school facilities in the District and the acquisition of sites for school facilities and (ii) for the payment of costs of issuance related to the Bonds.

Use Of Proceeds . . . Proceeds from the sale of the Bonds are expected to be expended as follows:

Sources:		
Par Amount of the Bonds	$	46,060,000.00
[Net] Premium		3,255,327.85
Total Sources	$	49,315,327.85
Uses:		
Project Fund	$	48,795,000.00
Cost of Issuance		240,288.41
Underwriters' Discount		280,039.44
Total Uses	$	49,315,327.85

THE BONDS

Description of the Bonds . . . The Bonds are being issued by the District in denominations of $5,000 or any integral multiple thereof. Interest on the Bonds will accrue from the Delivery Date, as defined on the front cover of this Official Statement, and will be payable on August 1, 2022 and each February 1 and August 1 thereafter until maturity or prior redemption and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will mature on the dates, in the principal amounts, will be subject to redemption, and will bear interest at the rates set forth in page ii of this Official Statement.

Authority for Issuance . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, including particularly Sections 45.001 and 45.003(b)(1) of the Texas Education Code, as amended, Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), an election held within the District on May 5, 2018 (the "Election"), and a Bond Order (the "Bond Order") adopted by the Board of Trustees of the District (the "Board") on March 30, 2022 authorizing the issuance of the Bonds. As permitted by Chapter 1371, in the Bond Order, the Board delegated to certain authorized officials (each a " Pricing Officer") authority to execute a pricing certificate evidencing final sales terms of the Bonds (the "Pricing Certificate" together with the Bond Order, the "Order"). The Pricing Officer executed the Pricing Certificate on May 24, 2022. The Bonds are direct obligations of the District, payable from an ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property located within the District, as provided in the Order. The District has received conditional approval for the payment of the principal of and interest on the Bonds to be guaranteed by the Permanent School Fund Guarantee Program which will automatically become effective when the Attorney General of Texas approves the Bonds (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM "). See also "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" for a discussion of recent developments in Texas law affecting the financing of school districts in Texas.

The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System" herein).

Security and Source of Payment . . . The Bonds are direct obligations of the District, payable from an ad valorem tax levied annually, without legal limitation as to rate or amount, on all taxable property located within the District, as provided in the Order (see "TAX INFORMATION – Tax Rate Limitations"). The District has received conditional approval to be guaranteed under the State of Texas Permanent School Fund Guarantee Program which guarantee will automatically become effective when the Attorney General of Texas (the "Attorney General") approves the Bonds (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein). See also "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" for a discussion of recent developments in Texas law affecting the financing of school districts in Texas.

Redemption . . . The District reserves the right, at its option, to redeem the Bonds having stated maturities on and after August 1, 2032, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on August 1, 2031, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

If less than all of the Bonds are to be redeemed, the District may select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY REDEMPTION OF THE TERM BONDS . . . The Bonds maturing on August 1 in the years 2042 and 2047 (the "Term Bonds") are subject to mandatory redemption in part prior to maturity on August 1, in the years shown below at 100% of the principal amount thereof plus accrued interest to the date of redemption from payments into the Interest and Sinking Fund which are required to be made in amounts sufficient to redeem on August 1 of each year the principal amount of such Term Bonds as follows:

Term Bonds Stated to Mature on August 1, 2042		
Year		Principal Amount
2041		$ 2,350,000
2042	(maturity)	2,445,000

Term Bonds Stated to Mature on August 1, 2047		
Year		Principal Amount
2043		$ 2,545,000
2044		2,645,000
2045		2,750,000
2046		2,860,000
2047	(maturity)	2,975,000

The principal amount of the Term Bonds required to be redeemed pursuant to the operation of such mandatory redemption requirements may be reduced, at the option of the District, by the principal amount of such Term Bonds of each stated maturity which, at least 50 days prior to the date of such mandatory redemption, (1) shall have been acquired by the District and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District, or (3) shall have been redeemed pursuant to the optional redemption provisions described in the preceding paragraph and not therefore credited against a mandatory redemption requirement.

NOTICE OF REDEMPTION . . . 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 the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

With respect to any optional redemption of the Bonds, unless the Paying Agent/Registrar has received funds sufficient to pay the principal and premium, if any, and interest on the Bonds to be redeemed before giving of a notice of redemption, the notice of redemption may state the District may condition redemption on the receipt by the Paying Agent/Registrar of such funds on or before the date fixed for the redemption, or on the satisfaction of any other prerequisites set forth in the notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption and sufficient funds are not received, the notice shall be of no force and effect, the District shall not redeem the Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, that the Bonds have not been redeemed.

DTC REDEMPTION PROVISIONS . . . 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 Direct Participant (defined below) or Indirect Participant (defined below) 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 Direct Participants and Indirect Participants may implement a redemption of such Bonds and such redemption 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 Direct Participants, Indirect Participants, or beneficial owners of the selection of portions of the Bonds for redemption. (see "THE BONDS – Book-Entry-Only System" herein).

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, 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, the Financial Advisor, and the Underwriters cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, 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 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 certificate will be issued for each stated maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest 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, 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 physical 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 an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed
Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Money Market Investment 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).

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 nor its nominee, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to District or Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, physical certificates for each maturity of the Bonds are required to be printed and delivered. The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, physical certificates for each maturity of the Bonds will be printed and delivered.

So long as Cede & Co. is the registered owner of the Bonds, the District will have no obligation or responsibility to the DTC Participants or Indirect Participants, or the persons for which they act as nominees, with respect to payment to or providing of notice to such Participants, or the persons for which they act as nominees.

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

EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM… In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the District, printed Bonds will be issued to the owners and the Bonds will be subject to transfer, exchange, and registration provisions as set forth in the Order and summarized under "THE BONDS – Transfer, Exchange, and Registration" below.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar must be a national or state banking institution organized under the laws of the United States or any state, and be legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice must also give the address of the new Paying Agent/Registrar.

SUCCESSOR PAYING AGENT/REGISTRAR . . . In the Order, the District reserved the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new Paying Agent/Registrar must accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor paying Agent/Registrar selected by the District must be a bank, a trust company, financial institution, or other entity duly qualified and legally authorized to serve and perform the duties of Paying Agent/Registrar for the Bonds.

TRANSFER, EXCHANGE, AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange will be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered 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 will be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "THE BONDS - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

RECORD DATE FOR INTEREST PAYMENT . . . The date for determining the person to whom the interest is payable on the Bonds on any interest payment date means the close of business on the 15th day of the month preceding the interest payment date ("Record Date").

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which must be 15 days after the Special Record Date) will 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 owner of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

MUTILATED, DESTROYED, LOST, OR STOLEN BONDS . . . The District has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent, or receipt of satisfactory evidence of such destruction, loss, or theft, and receipt by the District and Paying Agent of security or indemnity as may be required by either of them to hold them harmless. The District may require payment of taxes, governmental charges, and other expenses in connection with any such replacement.

DEFEASANCE OF BONDS . . . The Order provides for the defeasance of the Bonds when the payment of the principal of the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, or otherwise), is provided by irrevocably depositing with a trust company or commercial bank not a depository of the District (1) cash sufficient to make such payment, or (2) Governmental Obligations (hereinafter defined) certified by an independent public accounting firm of national reputation to be of such maturities and interest payment dates and to bear interest at such rates as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom (likewise to be held in trust and committed, except as hereinafter provided), be sufficient to make such payment, or (3) a combination of money and Governmental Obligations together so certified to be sufficient, provided that all the expenses pertaining to the Bonds with respect to which such deposit is made will have been paid, or the payment thereof provided for, to the satisfaction of the aforementioned depository provided, however, that the sufficiency of deposits shall be certified by an independent public accounting firm, the District's Financial Advisor, or another qualified third party in connection with a defeasance of the Bonds.

The Order provides that "Governmental Obligations" means (a) direct, noncallable obligations of 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 are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (d) any additional securities and obligations hereafter authorized by Texas law as eligible for use to accomplish the discharge of obligations such as the Bonds. There is no assurance that the ratings for United States Treasury securities acquired to defease any Bonds, or those for any other Governmental Obligations, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of those securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Bonds ("Defeasance Proceeds"), though the District has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Order does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the District to use lawfully available Defeasance Proceeds to defease all or any portion of the Bonds, registered owners of Bonds are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities.

The District has additionally reserved the right, subject to satisfying the requirements of (1), (2) and (3) above, to substitute other Governmental Obligations for the Governmental Obligations 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.

Upon such deposit as described above, such Bonds will 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 reserved 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.

After defeasance, the Permanent School Fund Guarantee will cease to apply to the Bonds.

AMENDMENTS . . . The District may amend the Order without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the owners of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Order; except that, without the consent of the registered owners of all of the Bonds affected, no such amendment, addition, or rescission may (1) change the date specified as the date on which the principal of or any installment of interest on any Bond is due and payable, reduce the principal amount thereof, or the rate of interest thereon, change the place or places at or the coin or currency in which any Bond or interest thereon is payable, or in any other way modify the terms of payment of the principal of, or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required for consent to any amendment, addition, or waiver.

BONDHOLDERS' REMEDIES . . . The Order does not specify events of default with respect to the Bonds. If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due or the State fails to honor the Permanent School Fund Guarantee as hereinafter discussed, or the District defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Order, the registered owners may seek a writ of mandamus to compel the District or District officials to carry out the 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 and the District's obligations are not uncertain or disputed, as well as to enforce the rights of payment under the Permanent School Fund Guarantee. The issuance of a writ of mandamus is controlled by equitable principles, so 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. Notwithstanding its reliance upon the provisions of Chapter 1371 in connection with the issuance of the Bonds, the District has not waived the defense of 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 Co-Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and principals of equity which permit the exercise of judicial discretion.

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 and is not guaranteed as to accuracy or completeness by, and should not be construed as a representation by, the District 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 Prior to the Implementation of SB 1232

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 and in April 2022 the Executive Administrator of the Fund was confirmed as the chief executive officer of the PSF Corporation. The 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.

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.

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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.

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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			
	As of 8-31-21	As of 8-31-20	Increase (Decrease)	Percent Change
Asset Class				
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 https://tea.texas.gov/sites/default/files/ch033a.pdf.

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 https://tea.texas.gov/sites/default/files/ch033a.pdf.

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 2022 (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 6.98%. At April 29, 2022, there were 191 active open-enrollment charter schools in the State and there were 908 charter school campuses active under such charters (though as of such date, 25 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 March 31, 2022, the Charter District Reserve Fund contained $75,612,752, 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."

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Ratings of Bonds Guaranteed Under the Guarantee Program

Moody's Investors Service, Inc., S&P Global Ratings, and Fitch Ratings, Inc. rate bonds guaranteed by the PSF "Aaa," "AAA" and "AAA," respectively. Not all districts apply for multiple ratings on their bonds, however. See "OTHER INFORMATION - 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 March 31, 2022, the PSF had a book value of $40,697,026,320 and a market value of $54,743,079,871. March 31, 2022 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	95,259,161,922[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 March 31, 2022, 6.98% of the Guarantee Program's capacity was available to the Charter District Bond Guarantee Program. As of March 31, 2022, the amount of outstanding bond guarantees represented 83.27% of the Capacity Limit (which is currently the IRS Limit). March 31, 2022 values are based on unaudited data, which is subject to adjustment.

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Permanent School Fund Guaranteed Bonds by Category[(1)]

Fiscal Year Ended 8/31	School District Bonds No. of Issues	School District Bonds Principal Amount	Charter District Bonds No. of Issues	Charter District Bonds Principal Amount	Totals No. of Issues	Totals Principal Amount
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 March 31, 2022 (based on unaudited data, which is subject to adjustment), there were $97,691,155,818 of bonds guaranteed under the Guarantee Program, representing 3,341 school district issues, aggregating $94,160,444,818 in principal amount and 91 charter district issues, aggregating $3,530,711,000 in principal amount. At March 31, 2022, the CDBGP Capacity was $7,779,399,883 (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.

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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 https://tea.texas.gov/sites/default/files/ch033a.pdf.

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

Except as stated below, 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. On April 28, 2022 TEA became aware that it had not timely filed its 2021 Annual Report with EMMA due to an administrative oversight. TEA took corrective action and filed the 2021 Annual Report with EMMA on April 28, 2022, followed by a notice of late filing made with EMMA on April 29, 2022. TEA notes that the 2021 Annual Report was timely filed on the TEA website by the required filing date and that website posting has been incorporated by reference into TEA's Bond Guarantee Program disclosures that are included in school district and charter district offering documents.

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

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

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

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

LOCAL FUNDING FOR SCHOOL DISTRICTS . . . 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. Formulas for the State Compression Percentage and Maximum Compressed Tax Rate (each as described below) are designed to compress M&O tax rates in response to year-over-year increases in property values across the State and within a school district, respectively. The discussion in this subcaption "Local Funding For School Districts" is generally intended to describe funding provisions applicable to all school districts; however, there are distinctions in the funding formulas for school districts that generate local M&O tax revenues in excess of the school districts' funding entitlements, as further discussed under the subcaption "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Revenue Level In Excess of Entitlement" herein.

State Compression Percentage. The "State Compression Percentage" is a statutorily-defined percentage of the rate of $1.00 per $100 that is used to determine a school district's maximum compressed tax rate ("MCR"). 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%. For the State fiscal year ending in 2022, the State Compression Percentage is set at 0.9134%.

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. During the 2021 Texas Legislative Session, a provision of the general appropriations act reduced the maximum MCR for the 2021-2022 school year. It established $0.9134 as the maximum rate and $0.8220 as the floor.

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

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

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

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 87th Texas Legislative Session, the State Legislature appropriated funds in the amount of $70,000,000 for each fiscal year of the 2022-2023 State fiscal biennium for NIFA allotments.

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

Furthermore, "property-wealthy" school districts that received additional State funds under the 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. Additionally, school districts (through the fiscal year ending in 2025) and open-enrollment charter schools (through the fiscal year ending in 2024) are entitled to receive an allotment in the form of a formula transition grant meant to ensure a smooth transition into the funding formulas enacted by the 86th State Legislature. Furthermore, beginning with the 2021-2022 school year, if the total amount of allotments to which school districts and open enrollment charter schools are entitled for a year school under the formula transition grant exceeds $400 million, the Commissioner shall proportionately reduce each district's or school's allotment. The reduction in the amount to which a district or school is entitled may not result in an amount that is less than zero.

Local Revenue Level in Excess of Entitlement. . . A school district that has sufficient property wealth 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.

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

2021 Regular and Special Legislative Sessions . . . The State 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"). When the Legislature is not in regular session, the Governor may call one or more special session, at the Governors direction, each lasting no more than thirty (30) days, and for which the Governor sets the agenda. The Governor has so far called three special sessions, with the third special session concluding October 18, 2021.

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. However, during the Third Called Session of the 87th State Legislature, the State Legislature passed Senate Bill 1, ("SB 1"), which, among other things changed the resident homestead exemption from $25,000 to $40,000, as approved by voters at the May 7, 2022 uniform election. As a result of the increased exemption, additional changes to the education finance system will be implemented, including "hold harmless" allotments, to provide funding to school districts who have less revenue (including revenues specifically to serve debt service and maintenance and operations) due to the implementation of the increased homestead exemption. At this time, the District cannot ascertain the financial impact, if any, the change in homestead exemption will have on the District's finances.

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

POSSIBLE EFFECTS OF WEALTH TRANSFER PROVISIONS ON THE DISTRICT'S FINANCIAL CONDITION

For the 2021-2022 school year, the District was not designated as an "excess local revenue" Chapter 49 school district by TEA. Accordingly, the District has not been required to exercise one of the wealth equalization options permitted under applicable State law. As a district with local revenue less than the maximum permitted level, the District may benefit in the future by agreeing to accept taxable property or funding assistance from, or agreeing to consolidate with, a property-rich district to enable such district to reduce its wealth per student to the permitted level.

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

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

AD VALOREM PROPERTY TAXATION

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

VALUATION OF TAXABLE PROPERTY . . . The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the District is the responsibility of the Webb County Appraisal District (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 expenses 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 "TAX INFORMATION – District and Taxpayer Remedies").

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

Senate Joint Resolution 2, passed during the Third Special Session of the 87th Texas Legislature and approved by voters on May 7, 2022 authorized a constitutional amendment increasing the mandatory homestead exemption for school districts from $25,000 to $40,000 beginning January 1, 2022. Senate Bill 1, which was also passed during the Third Special Session of the 87th Texas Legislature 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. See "Table 1–Valuation Exemptions and Tax Supported Debt" for the reduction in taxable valuation attributable to state-mandated homestead exemptions.

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

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.

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

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

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

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

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

TEMPORARY EXEMPTION FOR QUALIFIED PROPERTY DAMAGED BY A DISASTER . . .The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the governor to be a disaster area following a disaster and is at least 15 percent physically 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. For tax years beginning prior to January 1, 2022, 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. For tax years beginning on or after January 1, 2022, 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, as amended.

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* "TAX RATE LIMITATIONS – 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, $59,600,000 for the 2021 tax year, and $52,978,200 for the 2022 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

LEVY AND COLLECTION OF TAXES . . . The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) of the delinquent tax, penalty and interest collected, 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 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. 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. See "AD VALOREM PROPERTY TAXATION – Temporary Exemption of Qualified Property Damaged by a Disaster" for further information related to a discussion of the applicability of this section of the Property Tax Code.

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

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

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

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

TAX RATE LIMITATIONS

M&O TAX RATE LIMITATIONS . . . The District is authorized to levy an M&O tax rate pursuant to the approval of the voters of the District at an election held on February 1, 2003 in accordance with the provisions of Chapter 45, as amended, Texas Education Code.

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

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

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

Section 45.0031 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 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 for school building purposes as new debt and are subject to the $0.50 threshold tax rate test.

The District has not used projected property values or State assistance other than EDA, IFA, and Tier 1 funding to satisfy this threshold test.

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

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

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

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

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

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

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

THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT . . . The District grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $10,000. The disabled are also granted an exemption of $10,000. A person qualifying for both of these exemptions may only claim one.

The District grants an additional exemption of 10% of the market value of residence homesteads; minimum exemption of $5,000.

The District does tax goods in transit.

The District does permit split payments.

The District does tax freeport property.

The District currently has no tax abatements.

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TABLE 1 – VALUATIONS, EXEMPTIONS AND TAX SUPPORTED DEBT

Tax Year 2021 Market Valuation Established by Webb County Appraisal District [1]		$ 2,981,186,043
Less Exemptions/Reductions at 100% Market Value:		
$25K Homestead exemption loss	218,663,254	
$10K over-65 homestead exemption loss	46,071,102	
Mandated Disabled	3,403,711	
Total value lost to 100% disabled or unemployed veterans homestead	8,119,481	
Local optional percentage exemption loss	83,546,679	
Veterans exemption loss	2,834,912	
Disabled Veteran Surviving Spouse	3,218,454	
Other Exemptions	213,100	
Productivity Loss	160,858	
Homestead Cap	13,089,334	
Subtotal Exemptions/Reductions at 100% Market Value		379,320,885
Tax Year 2021 Net Taxable Assessed Valuation		$ 2,601,865,158
District's Debt Payable From Ad Valorem Taxes (as of 06/30/22)		
Interest and Sinking Fund Unlimited Tax [2]		
Unlimited Tax Refunding Bonds, Series 2011	$ 1,065,000	
Unlimited Tax School Building Bonds, Series 2013	28,075,000	
Unlimited Tax School Building Bonds, Series 2014	54,955,000	
Unlimited Tax Refunding Bonds, Series 2014	21,405,000	
Unlimited Tax Refunding Bonds, Series 2015	42,040,000	
Unlimited Tax School Building Bonds, Series 2018	88,310,000	
Unlimited Tax Refunding Bonds, Series 2020	14,085,000	
Unlimited Tax Refunding Bonds, Series 2021	4,515,000	
The Bonds	46,060,000	
Total Unlimited Tax Bonds		$ 300,510,000
Total Debt Payable From Ad Valorem Taxes		$ 300,510,000
Less: Projected IFA and EDA Funding From the State		210,357,000
Net Debt Payable from Ad Valorem Taxes		$ 90,153,000
Interest and Sinking Fund (as of 06/30/21)		$ 34,812,720
Ratio Total Ad Valorem Debt to Assessed Valuation		11.55%

2022 Estimated Population for Laredo ISD	86,520
Per Capita Taxable Assessed Valuation	$ 30,072
Per Capita Ad Valorem Tax Debt before State Assistance	$ 3,473

(1) Information provided by the Texas Comptroller and Webb County Appraisal District. Data subject to change.

(2) Approximately 50-70% of the debt service of the District's currently outstanding tax supported debt is supported with funds received by the Existing Debt Allotment Program and the Instructional Facilities Allotment Program. The amount of State aid for debt service may substantially differ from year to year, depending on a number of factors, including amounts if appropriated for that purpose by the Texas Legislature based on changes in ADA and Net Taxable Assessed Values.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY [1]

	Taxable Appraised Value for the Fiscal Year Ending June 30,					
	2022		2021		2020	
Category	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Real, Residential, Single-Family	$ 1,594,635,193	53.49%	$ 1,510,307,338	52.05%	$ 1,511,818,832	52.00%
Real, Residential, Multi-Family	236,459,174	7.93%	224,907,884	7.75%	222,623,030	7.66%
Real, Vacant Lots/Tracts	42,501,570	1.43%	43,507,065	1.50%	44,078,007	1.52%
Real, Acreage (Land Only)	176,815	0.01%	174,620	0.01%	174,690	0.01%
Real, Farm and Ranch Improvements	77,442	0.00%	72,770	0.00%	72,790	0.00%
Real, Commercial	792,650,592	26.59%	789,782,517	27.22%	811,788,386	27.92%
Real, Industrial	771,636	0.03%	701,700	0.02%	645,960	0.02%
Real, Oil, Gas and Other Mineral Reserves	-	0.00%	-	0.00%	-	0.00%
Real and Tangible Personal, Utilities	105,127,359	3.53%	92,609,500	3.19%	94,480,990	3.25%
Tangible Personal, Commercial	191,571,110	6.43%	223,064,765	7.69%	205,644,208	7.07%
Tangible Personal, Industrial	1,483,280	0.05%	1,847,270	0.06%	1,261,940	0.04%
Tangible Personal, Mobile Homes	8,004,498	0.27%	7,317,410	0.25%	7,389,850	0.25%
Real Property, Inventory	-	0.00%	-	0.00%	103,230	0.00%
Special Inventory	7,727,374	0.26%	7,166,850	0.25%	7,253,730	0.25%
Total Appraised Value Before Exemptions	$ 2,981,186,043	100.00%	$ 2,901,459,689	100.00%	$ 2,907,335,643	100.00%
Less: Total Exemptions/Reductions	379,320,885		447,240,904		458,851,126	
Net Taxable Assessed Valuation	$ 2,601,865,158		$ 2,454,218,785		$ 2,448,484,517	

	Taxable Appraised Value as shown for each Fiscal Year			
	FYE 6-30-2019 [2]		FYE 8-31-2018	
Category	Amount	Percent of Total	Amount	Percent of Total
Real, Residential, Single-Family	$ 1,455,734,816	51.73%	$ 1,372,610,306	51.97%
Real, Residential, Multi-Family	210,175,511	7.47%	189,093,029	7.16%
Real, Vacant Lots/Tracts	41,672,578	1.48%	39,092,921	1.48%
Real, Acreage (Land Only)	184,370	0.01%	195,010	0.01%
Real, Farm and Ranch Improvements	72,250	0.00%	37,840	0.00%
Real, Commercial	782,547,046	27.81%	746,870,877	28.28%
Real, Industrial	1,258,940	0.04%	1,177,190	0.04%
Real, Oil, Gas and Other Mineral Reserves	-	0.00%	11,170	0.00%
Real and Tangible Personal, Utilities	97,448,710	3.46%	82,722,510	3.13%
Tangible Personal, Commercial	204,098,091	7.25%	186,754,074	7.07%
Tangible Personal, Industrial	4,541,900	0.16%	5,084,140	0.19%
Tangible Personal, Mobile Homes	9,174,880	0.33%	9,814,009	0.37%
Real Property, Inventory	103,230	0.00%	176,570	0.01%
Special Inventory	6,833,790	0.24%	7,536,570	0.29%
Total Appraised Value Before Exemptions	$ 2,813,846,112	100.00%	$ 2,641,176,216	100.00%
Less: Total Exemptions/Reductions	384,682,993		432,575,019	
Net Taxable Assessed Valuation	$ 2,429,163,119		$ 2,208,601,197	

Source: Texas Comptroller's Office and Webb County Appraisal District

[1] The above figures reflect the taxable appraised values as stated and certified at the beginning of each tax year to the State Property Tax Board. Any difference between these figures and taxable assessed valuations are due to adjustments and corrections to respective tax rolls.
[2] The fiscal year end for the District changed from August 31 to June 30 effective in fiscal year 2019.

TABLE 3 - VALUATION AND TAX SUPPORTED DEBT HISTORY

Fiscal Year Ended 30-Jun	Estimated Population [(1)]	Net Taxable Assessed Valuation [(2)]	Taxable Assessed Valuation Per Capita	Funded Tax Debt[(3)]	Debt to Taxable Assessed Valuation	Tax Debt Per Capita
2013	92,543	$ 2,137,096,910	$ 23,093	$ 192,969,910	9.03%	$ 2,085
2014	92,446	2,099,407,586	22,710	213,564,002	10.17%	1,907
2015	91,679	2,091,974,885	22,818	266,248,938	12.73%	2,904
2016	90,595	2,032,742,008	22,438	231,483,142	11.39%	2,555
2017	90,052	2,109,645,915	23,427	222,810,764	10.56%	2,474
2018	89,211	2,208,601,197	24,757	203,940,449	9.23%	2,286
2019 [(4)]	89,271	2,429,163,119	27,211	293,744,790	12.09%	3,290
2020	87,842	2,448,484,517	27,874	275,219,661	11.24%	3,133
2021	88,981	2,454,218,785	27,581	254,839,887	10.38%	2,864
2022	86,520	2,601,865,158	30,072	280,680,000 [(5)]	10.79%	3,244

(1) Source: Texas Municipal Advisory Council. Estimations based on School District Factor multiplied by the District's average daily attendance.

(2) The valuations shown are the certified Taxable Assessed Valuations after adjustments for Exemptions and Freeze Loss reported annually in September to the Webb County Appraisal District. The valuations are subject to change during the ensuing year due to the settlement of contested valuation, and other matters.

(3) Includes maintenance & operations limited tax debt and interest & sinking fund unlimited tax debt. Approximately 50-70% of the debt service of the District's currently outstanding tax supported debt is supported with funds received by the Existing Debt Allotment Program and the Instructional Facilities Allotment Program. The amount of State aid for debt service may substantially differ from year to year, depending on a number of factors, including amounts if appropriated for that purpose by the Texas Legislature based on changes in ADA and Net Taxable Assessed Values.

(4) The fiscal year end for the District changed from August 31 to June 30 effective in fiscal year 2019.

(5) Includes the Bonds.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 30-Jun	Tax Rate	Distribution: Maintenance & Operations	Distribution: Interest and Sinking Fund	Tax Levy	Current Collections	Total Collections	% Collections: Current	% Collections: Total
2013	$1.274000	$1.040000	$0.234000	$27,201,496	$26,296,681	$27,077,072	96.67%	99.54%
2014	1.274000	1.040000	0.234000	26,592,843	25,914,276	26,466,195	97.45%	99.52%
2015	1.410800	1.040000	0.370800	29,375,512	28,602,811	29,228,810	97.37%	99.50%
2016	1.395500	1.040000	0.355500	28,364,157	27,555,738	28,214,176	97.15%	99.47%
2017	1.389700	1.040000	0.349700	29,067,815	28,384,510	28,853,531	97.65%	99.26%
2018	1.369700	1.040000	0.329700	30,076,013	29,311,871	29,768,184	97.46%	98.98%
2019 [(1)]	1.466500	1.040000	0.426500	34,232,278	33,323,775	33,953,112	97.35%	99.18%
2020	1.396500	0.970000	0.426500	34,151,585	31,741,171	33,292,481	92.94%	97.48%
2021	1.392900	0.966400	0.426500	34,174,008	32,445,016	34,326,157	94.94%	100.45%
2022	1.389200	0.942700	0.446500	32,277,430 [(2)]	31,553,208 [(3)]	32,639,762 [(3)]	97.76% [(3)]	101.12% [(3)]

Sources: Texas Municipal Report published by the Municipal Advisory Council of Texas and the Laredo Independent School District.

(1) The fiscal year end for the District changed from August 31 to June 30 effective in fiscal year 2019.

(2) Current year tax levy is calculated using the assessed valuation from Table 1 at an assumed collection rate of 97%.

(3) Collections through March 2022.

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TABLE 5 - TEN LARGEST TAXPAYERS

Name	Nature of Property	2021 Assessed Valuation	% of Net Assessed Valuation
Laredo Texas Hospital Co LP	Hospital	$89,676,279	3.45%
Laredo Outlet Shoppes, LLC	Retail	43,327,696	1.67%
AEP Texas Central Company	Utility	41,633,570	1.60%
Webb Hospital Holdings LLC	Medical	20,280,978	0.78%
Mpt Of Laredo Llc	Import/Export	12,184,418	0.47%
The Laredo National Bank	Bank	10,992,260	0.42%
Union Pacific Railroad Company	Railroad	10,409,430	0.40%
International Bank Of Commerce	Bank	9,580,851	0.37%
H E Butt Grocery Company	Grocery Store	8,802,355	0.34%
EAN Holdings LLC #5204	Auto Sales	7,793,670	0.30%
Total		$254,681,507	9.79%

Source: Webb County Appraisal District.

As shown in the table above, the total combined top ten taxpayers in the District currently account for over 10% of the District's tax base thereby creating a concentration risk for the District. Accordingly, the District makes no representation regarding the continued valuation of any of the property listed in the above table or the generation of future tax revenues therefrom. If any major taxpayer (or a combination of taxpayers) were to default in the payment of taxes due to economic conditions resulting difficulty, the ability of the District to timely pay debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax lien (which, in the event of bankruptcy, certain laws may preclude until the automatic stay is lifted). Such process is time consuming and can only occur annually; in the alternative, see "THE BONDS – Bondholders' Remedies", "AD VALOREM PROPERTY TAXATION" and "TAX RATE LIMITATIONS - The Property Tax Code as Applied to the District".

TABLE 6 - ESTIMATED OVERLAPPING DEBT

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

Governmental Subdivision	Tax Year 2021 Taxable Assessed Valuation(1)(3)	Tax Year 2021 Tax Rate	Total Tax Debt as of 5/24/2022	Estimated % Applicable (3)	District's Overlapping Tax Debt (3)
Laredo ISD	$ 2,601,865,158	$ 1.3892	$ 300,510,000 (2)	100.00%	$ 300,510,000
Webb County	22,336,168,980	0.4100	106,455,000	15.51%	16,511,171
Laredo, City of	16,339,545,660	0.6153	277,700,000	20.72%	57,539,440
Laredo College	16,408,078,533	0.3194	121,776,802	20.72%	25,232,153
Total Direct and Overlapping Tax Debt					$ 399,792,764
Ratio of Direct and Overlapping Tax Debt to Taxable Assessed Valuation					15.37%
Per Capita Overlapping Tax Debt					$ 4,621

(1) Information provided by Texas Comptroller's Office.

(2) Includes the Bonds. Approximately 50-70% of the debt service of the District's currently outstanding unlimited tax supported debt is supported with funds received either by the Existing Debt Allotment Program or the Instructional Facilities Allotment Program from the Texas Education Agency. Both the Existing Debt Allotment Program funds and the Instructional Facilities Allotment Program funds are subject to biennial appropriation by the Texas Legislature.

(3) Data found on the Municipal Advisory Council of Texas website.

DEBT INFORMATION

TABLE 7 – TAX SUPPORTED DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 8/31[1]	Outstanding Debt [2] Principal	Outstanding Debt [2] Interest	Outstanding Debt [2] Total	The Bonds Principal	The Bonds Interest	The Bonds Total	Total Tax Debt Service Requirement [2] Principal	Total Tax Debt Service Requirement [2] Interest	Total Tax Debt Service Requirement [2] Total	% of Principal Retired
2022	$ 20,485,000	$ 12,908,450	$ 33,393,450	$ -	$ 229,374	$ 229,374	$ 20,485,000	$ 13,137,824	$ 33,622,824	
2023	20,295,000	12,166,400	32,461,400	980,000	2,117,300.00	3,097,300	21,275,000	14,283,700	35,558,700	
2024	21,055,000	11,384,650	32,439,650	1,025,000	2,068,300.00	3,093,300	22,080,000	13,452,950	35,532,950	
2025	17,675,000	10,532,950	28,207,950	1,075,000	2,017,050.00	3,092,050	18,750,000	12,550,000	31,300,000	
2026	13,510,000	9,846,300	23,356,300	1,130,000	1,963,300.00	3,093,300	14,640,000	11,809,600	26,449,600	34.64%
2027	14,030,000	9,329,300	23,359,300	1,190,000	1,906,800.00	3,096,800	15,220,000	11,236,100	26,456,100	
2028	17,220,000	6,131,300	23,351,300	1,245,000	1,847,300.00	3,092,300	18,465,000	7,978,600	26,443,600	
2029	18,010,000	5,337,919	23,347,919	1,310,000	1,785,050.00	3,095,050	19,320,000	7,122,969	26,442,969	
2030	11,635,000	4,475,069	16,110,069	1,375,000	1,719,550.00	3,094,550	13,010,000	6,194,619	19,204,619	
2031	8,100,000	3,932,519	12,032,519	1,445,000	1,650,800.00	3,095,800	9,545,000	5,583,319	15,128,319	61.56%
2032	8,440,000	3,593,800	12,033,800	1,515,000	1,578,550.00	3,093,550	9,955,000	5,172,350	15,127,350	
2033	8,825,000	3,208,250	12,033,250	1,590,000	1,502,800.00	3,092,800	10,415,000	4,711,050	15,126,050	
2034	9,265,000	2,767,000	12,032,000	1,670,000	1,423,300.00	3,093,300	10,935,000	4,190,300	15,125,300	
2035	4,180,000	2,303,750	6,483,750	1,755,000	1,339,800.00	3,094,800	5,935,000	3,643,550	9,578,550	
2036	4,385,000	2,094,750	6,479,750	1,845,000	1,252,050.00	3,097,050	6,230,000	3,346,800	9,576,800	77.05%
2037	4,605,000	1,875,500	6,480,500	1,935,000	1,159,800.00	3,094,800	6,540,000	3,035,300	9,575,300	
2038	4,835,000	1,645,250	6,480,250	2,030,000	1,063,050.00	3,093,050	6,865,000	2,708,300	9,573,300	
2039	5,080,000	1,403,500	6,483,500	2,135,000	961,550.00	3,096,550	7,215,000	2,365,050	9,580,050	
2040	5,335,000	1,149,500	6,484,500	2,240,000	854,800.00	3,094,800	7,575,000	2,004,300	9,579,300	
2041	5,600,000	882,750	6,482,750	2,350,000	742,800.00	3,092,800	7,950,000	1,625,550	9,575,550	89.93%
2042	5,880,000	602,750	6,482,750	2,445,000	648,800.00	3,093,800	8,325,000	1,251,550	9,576,550	
2043	6,175,000	308,750	6,483,750	2,545,000	551,000.00	3,096,000	8,720,000	859,750	9,579,750	
2044	-	-	-	2,645,000	449,200.00	3,094,200	2,645,000	449,200	3,094,200	
2045	-	-	-	2,750,000	343,400.00	3,093,400	2,750,000	343,400	3,093,400	
2046	-	-	-	2,860,000	233,400.00	3,093,400	2,860,000	233,400	3,093,400	
2047	-	-	-	2,975,000	119,000.00	3,094,000	2,975,000	119,000	3,094,000	100.00%
	$ 234,620,000	$ 107,880,406	$ 342,500,406	$ 46,060,000	$ 31,528,124	$ 77,588,124	$ 280,680,000	$ 139,408,530	$ 420,088,530	

Source: The Municipal Advisory Council of Texas.

(1) The District's fiscal year end is June 30. However, the District budgets its debt service requirements in accordance with the State's fiscal year end of August 31.

(2) Excludes maintenance and operations limited tax debt. Approximately 50-70% of the District's currently outstanding unlimited tax supported debt is supported with funds received either by the Existing Debt Allotment Program or the Instructional Facilities Allotment Program from the Texas Education Agency. Both the Existing Debt Allotment Program funds and the Instructional Facilities Allotment Program funds are subject to biennial appropriation by the Texas Legislature.

TABLE 8 - ESTIMATED INTEREST AND SINKING FUND BUDGET PROJECTION

Estimated Tax Debt Requirements, Fiscal Year Ending 6/30/22		$ 32,942,528
Interest and Sinking Fund Balance at 6/30/21	$ 34,812,720	
Estimated Interest and Sinking Fund Tax Levy @ 97% Collections	11,268,808	
Estimated Existing Debt Allotment/Estimated Instructional Facilities Allotment State Aid (2)	23,059,769	
Funds Available to Pay Debt Service		69,141,297
Estimated Balance as of 6/30/22		$ 36,198,770

Source: Laredo ISD ACFR.

(1) Includes only debt payable from the District's Interest and Sinking fund tax.

(2) Approximately 50-70% of the debt service of the District's currently outstanding unlimited tax debt is supported with funds received by the Existing Debt Allotment Program and the Instructional Facilities Allotment Program. The amount of State aid for debt service may substantially differ from year to year, depending on a number of factors, including amounts if appropriated for that purpose by the Texas Legislature based on changes in ADA and Net Taxable Assessed Values.

TABLE 9 - AUTHORIZED BUT UNISSUED UNLIMITED TAX BONDS

The District has no unlimited tax bonds authorized by voters.

ANTICIPATED ISSUANCE OF UNLIMITED TAX DEBT . . . The District does not anticipate issuing any other unlimited tax debt for the remaining calendar year.

PENSION FUND . . . Pension funds for employees of Texas school districts, and any employee in public education in Texas, are administered by the Teacher Retirement System of Texas (the "System"). The individual employees contribute a fixed amount of their salary to the System, currently 7.7% of gross earnings, and the State of Texas contributes funds to the System based on statutory required minimum salary for certified personnel, except any District personnel paid by Federally funded programs. (For more detailed information concerning the retirement plan, see Appendix B, "Laredo Independent School District Annual Financial Report for Fiscal Year Ended June 30, 2021" - Note O).

EMPLOYEE BENEFITS …The District contributes to the Texas Public School Retired Employees Group Insurance Program ("TRSCare"), a costsharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. See "Note T - Defined Other Post-Employment Benefit Plans" in the APPENDIX B hereto.

During the fiscal year ended June 30, 2021, employees of the District were covered by a fully-insured health insurance plan (the "Health Care Plan"). The District contributed $525 during calendar year 2021 to the Health Care Plan. Employees, at their option, authorize payroll withholdings to pay premiums for dependents. See "Note P: Health Care Coverage" of 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) which was later amended by GASB Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date (together the "GASB Statement") was issued to improve accounting and financial reporting by state and local governments regarding pensions. The GASB Statement 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, 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. The GASB Statement applies only to pension benefits and does not apply to Other Post-Employment Benefits (OPEB) or TRS-Care related liabilities.

FINANCIAL INFORMATION

TABLE 11 - GENERAL FUND REVENUES AND EXPENDITURES

	Year Ended June 30,			Year Ended August 31,	
	2021	2020	2019 (1)	2018	2017
Revenues:					
Local & Intermediate Sources	$ 26,418,534	$ 27,144,607	$ 27,625,353	$ 26,397,257	$ 25,255,548
State Sources	196,358,560	186,872,874	175,217,394	177,999,678	177,014,493
Local Sources	10,223,991	20,330,843	23,731,194	24,887,257	24,335,828
Total Revenues	233,001,085	234,348,324	226,573,941	229,284,192	226,605,869
Expenditures:					
Instruction	$ 137,440,772	$ 120,815,816	$ 110,323,180	$ 126,254,796	$ 118,590,397
Instruction Related	19,382,440	24,563,287	20,189,959	21,924,793	21,550,147
Pupil Services	27,683,615	40,979,288	36,692,634	41,278,136	38,949,062
General Administration	8,163,863	8,002,121	5,953,466	6,798,256	6,568,612
Debt Service	-	-	-	-	-
Support Services Non-Student Based	27,905,167	33,577,677	27,391,841	32,495,569	31,640,322
Community Service	10,283	235,379	303,786	368,115	308,325
Capital Outlay	1,017,684	1,428,036	1,365,214	1,532,495	663,023
Intergovernmental Charges	10,902	59,091	38,236	76,788	105,781
Total Expenditures	221,614,726	229,660,695	202,258,316	230,728,948	218,375,669
Other Sources (Uses)	$ (2,860,905)	$ (7,517,611)	$ (11,717,025)	$ (3,671,770)	$ (3,524,083)
Net Change in Fund Balances	$ 8,525,454	$ (2,829,982)	$ 12,598,600	$ (5,116,526)	$ 4,706,117
Fund Balance at Beginning of Year	$ 79,409,064	$ 82,239,046	$ 69,640,446	$ 74,756,972	$ 70,050,855
Prior Period Adjustment(s)	-	-	-	-	-
Fund Balance at End of Year (2)	$ 87,934,517	$ 79,409,064	$ 82,239,046	$ 69,640,446	$ 74,756,972

Source: Laredo ISD ACFR.
(1) The fiscal year end for the District changed from August 31 to June 30 effective in fiscal year 2019.
(2) The District anticipates that its ending General Fund balance as of June 30, 2022 will equal approximately $70,000,000.

FINANCIAL POLICIES

Basis of Accounting . . . The accounting policies of the District substantially comply with the rules prescribed in the Financial Accountability Systems Resource Guide, by the Texas Board of Education. These accounting policies conform to generally accepted accounting principles applicable to governments (see Appendix B - "Laredo Independent School District Annual Financial and Compliance Report for the Fiscal Year Ended June 30, 2021").

General Fund Balance . . . The District's current consensus is to build up surplus and unencumbered funds equal to approximately 60 days of expenditures in the General Fund.

Budgetary Procedures . . . The District policy is to begin budget preparations on the individual school level in February of each year. The principals work with the teachers to formulate a working budget, which then moves to the office of the Superintendent. After refinements at this level, the budget goes to the Board where it is further refined and goes through public hearings prior to final adoption in late June of each year. Priorities are based on long-term and annual goals.

INVESTMENTS

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

Legal Investments . . . Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors; (8) certificates of deposit (i) meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) that are issued by or through an institution that either has its main office or a branch in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (7) or in any other manner and amount provided by law for District deposits or, (ii) where the funds are invested by the District through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the District as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the District; (iii) the broker or the depository institution selected by the District arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the District; (iv) 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 (v) the District appoints the depository institution selected under (ii) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3- 3) as custodian for the District with respect to the certificates of deposit issued for the account of the District; (9) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1) require the securities being purchased by the District or cash held by the District to be pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (10) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (7) 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 (7) above, clauses (12) through (14) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less; (11) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "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 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (13) no-load money market funds registered with and regulated by the SEC that provide the District with a prospectus and other information required by SEC Rule 2a-7; and (14) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations described in this paragraph or (ii) have a duration of less than one year and an investment portfolio limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

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 "AAA-m" or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution. The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Governmental bodies in the State are authorized to implement securities lending programs if (i) the securities loaned under the program are collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) of the first paragraph under this subcaption, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm not less than "A" or its equivalent, or (c) cash invested in obligations that are described in clauses (1) through (6) and (10) through (12) of the first paragraph under this subcaption, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the governmental body, held in the name of the governmental body and deposited at the time the investment is made with the Agency or a third party designated by the Agency; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

INVESTMENT POLICIES . . . Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for District funds, maximum allowable stated maturity of any individual investment 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 funds' investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, 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) Texas law. No person may invest District funds without express written authority from the Board of Trustees.

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

ADDITIONAL PROVISIONS . . . Under Texas 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 of Trustees; (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 otherwise allowed by law), 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.

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TABLE 12 – CURRENT INVESTMENTS

The District's investments at June 30, 2021 are shown below:

Investment	
Investment Pools	
Texpool	$ 9,235,618
Texas Daily	131,145,832
Sub Total	140,381,450
Agency Bonds & Discount Notes	
US Treasury Bill	7,490,292
Sub Total	7,490,292
Certificates of Deposit	
BBVA	10,166,380
Sub Total	10,166,380
Total Book Value	$ 158,038,122

Source: Laredo ISD ACFR.

As of such date, the market value of such investments (as determined by the District by reference to published quotations, dealer bids, and comparable information) was approximately 100% of their 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.

TAX MATTERS

TAX EXEMPTION . . . The delivery of the Bonds is subject to the opinion of Co-Bond Counsel Winstead PC, San Antonio, Texas, and J. Cruz & Associates, LLC, Laredo, Texas to the effect that interest on the Bonds for federal income tax purposes (1) will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) is not an item of tax preference for purposes of the alternative minimum tax. A form of Co-Bond Counsel's opinion is reproduced as APPENDIX C. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

In rendering the foregoing opinions, Co-Bond Counsel will rely upon the representations and certifications of the District and the Board made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance with the provisions of the Order subsequent to the issuance of the Bonds. The Order contains covenants by the District and the Board with respect to, among other matters, the use of the proceeds of the Bonds, the manner in which the proceeds of the Bonds are to be invested, the reporting of certain information to the United States Treasury, and rebating any arbitrage profits to the United States Treasury. Failure to comply with any of these covenants would cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Except as described above, Co-Bond Counsel will express no other opinion with respect to any other federal, state, or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, owners of an interest in a financial asset securitization investment trust, individuals otherwise qualifying for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or how have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

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

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

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

TAX ACCOUNTING TREATMENT OF PREMIUM BONDS . . . The initial public offering price of certain Bonds may be greater than the amount payable on such Bonds a t maturity (the "Premium Bonds"). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

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

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

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, certain S corporations with Subchapter C earnings and profits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred expenses allocable to, tax-exempt obligations.

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

Interest on the Bonds will be included in the "adjusted profits tax" imposed by section 884 of the Code on the effectively-connected earnings and profits of a foreign corporation doing business in the United States.

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

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 a t 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" (defined below) to the extent such gain does not exceed the accrued market discount (defined below) 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 owner at a purchase price which is less than the state 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 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.

Changes in Law . . . 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 or otherwise prevent Owners of the Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

OTHER INFORMATION

Infectious Disease Outbreak – COVID-19 . . . The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and 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 full extent of the ongoing impact of COVID-19 on the District's longer-term operational and financial performance will depend on future developments, many of which are outside of its control, including the effectiveness of the mitigation strategies discussed above, the duration and spread of COVID-19, and future governmental actions, all of which are highly uncertain and cannot be predicted. The District continues to monitor the spread of COVID-19 and is working with local, State, and national agencies to address the potential impact of the Pandemic upon the District. While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values within the District. The financial and operating data contained herein are the latest available but are for the dates and the periods stated herein. 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. (See "AD VALOREM PROPERTY TAXATION") The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

Additionally, State funding of the District's 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 uses such revenues to satisfy its public school funding obligations). (See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM").

For a discussion of the impact of the Pandemic on the PSF, see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – Infectious Disease Outbreak."

RATINGS . . . The Bonds have been rated "AAA" by S&P Global Ratings, a division of Standard & Poor's Financial Service LLC business ("S&P") and "AAA" by Fitch Ratings, Inc. ("Fitch") by virtue of the Permanent School Fund Guarantee. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein. The Bonds and the currently outstanding unenhanced, tax supported debt of the District have underlying ratings of "AA-" by S&P and "AA-" by Fitch. The District also has issues outstanding which are rated "Aaa" by Moody's, "AAA" by Fitch, and "AAA" by S&P based upon the guarantee of the Permanent School Fund of Texas. An explanation of the significance of such ratings may be obtained from the companies furnishing the ratings. The ratings reflect only the views of such organizations and the District makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating companies, if in the judgment any of such companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

LITIGATION . . . On the date of delivery of the Bonds to the Underwriters, the District will execute and deliver to the Underwriters a certificate to the effect that, except as disclosed herein, no litigation of any nature has been filed or is pending, as of that date, to restrain or enjoin the issuance or delivery of the Bonds or which would affect the provisions made for their payment or security or in any manner question the validity of the Bonds.

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

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE . . . No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission (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 must 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.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . .Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code), provides that the Bonds constitute negotiable instruments, and are investment securities governed by Chapter 8, Texas Uniform Commercial Code, notwithstanding any provisions of law or court decision to the contrary, and are legal and authorized investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, and the sinking funds of cities, towns, villages, school districts, and other political subdivisions or public agencies of the State of Texas. The Bonds are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with Chapter 2256, Texas Government Code, (the Public Funds Investment Act) the Bonds may have to be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds (see "OTHER INFORMATION - 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 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 Bond 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.

LEGAL MATTERS . . . The District will furnish the Underwriters with a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the approving opinion of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property in the District, and based upon examination of such transcript of proceedings, the opinion of Winstead PC, San Antonio, Texas and J. Cruz & Associates, LLC, Laredo, Texas, Co-Bond Counsel, to the effect that the Bonds are valid and legally binding obligations of the District and, subject to the qualifications set forth herein under "TAX MATTERS," the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under existing statutes, published rulings, regulations, and court decisions. A form of Co-Bond Counsel's opinion appears in Appendix C attached hereto.

Co-Bond Counsel were engaged by, and only represent, the District in connection with the issuance of the Bonds. Except as noted below, Co-Bond Counsel did not take part in the preparation of the Official Statement, and such firms have not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in their capacity as Co-Bond Counsel, such firms have reviewed the information in this Official Statement appearing under the captions and subcaptions "THE BONDS" (excluding the information under the subcaptions "Bondholder's Remedies," and "Book-Entry-Only-System," as to which no opinion is expressed), "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 is expressed), "TAX RATE LIMITATIONS - M&O Tax Rate Limitations", "TAX MATTERS," the subcaptions under the heading "OTHER INFORMATION - Continuing Disclosure of Information" (except under the subcaption "Compliance with Prior Undertakings" as to which no opinion is expressed), "OTHER INFORMATION - Legal Investments and Eligibility to Secure Public Fund in Texas", and "OTHER INFORMATION - Legal Matters" (excluding the last two sentences of the second paragraph thereof), and such firms are of the opinion that the information contained under such captions and subcaptions is an accurate and fair description to legal issues addressed therein and, with respect to the Bonds, such information conforms to the Order. The legal fee to be paid to Co-Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, whose legal fee is contingent upon the sale and delivery of the Bonds. McCall, Parkhurst & Horton L.L.P. also advises the TEA in connection with its disclosure obligations under Federal securities laws, but such firm has not passed upon any TEA disclosures contained in this Official Statement.

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 attorneys do not become an insurer or guarantors 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.

Co-Bond Counsel represent the Underwriters and Financial Advisor from time to time in matters not related to the District or the Bonds.

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

CONTINUING DISCLOSURE OF INFORMATION . . . The District, in the Order, has made the following agreement for the benefit of the owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available to the public at no charge via the MSRB's Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org as described below under "Availability of Information from MSRB".

The District will provide certain updated financial information and operating data to certain information vendors annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in Tables 1 through 5 and 7 through 12 in this Official Statement and in Appendix B to this Official Statement. The District will update and provide this information within six months after the end of each fiscal year ending in and after 2022. The District will provide the updated information to the MSRB. 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 of the SEC (the "Rule"). The updated information will include audited financial statements for the District, if the District commissions an audit and it is completed by the required time. If audited financial statements are not provided by that time, the District will provide unaudited financial statements for the applicable fiscal year to the MSRB, with the financial information and operating data and will file the annual audit report when and if the same becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the District's annual financial statements or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is June 30. Accordingly, it must provide updated information by the last day of December in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

The District will also provide notices of certain events to the MSRB. The District will provide notice in a timely manner not in excess of ten business days after the occurrence of any of the following events, as required by the Rule: (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. Neither the Bonds nor the Order make any provision for debt service reserves, credit enhancement (except with respect to the Permanent School Fund guarantee), or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide annual financial information in accordance with its agreement described above under "Annual Reports".

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

AVAILABILITY OF INFORMATION FROM MSRB . . . 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 is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders or beneficial owners 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 the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein 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 either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also repeal or amend these provisions if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the District also may amend the applicable provisions of the Order in its discretion in any other manner or circumstance, but in either case 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 giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the District amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . The District changed its fiscal year end from August 31 to June 30 during fiscal year 2019. Due to an administrative oversight the District's fiscal year 2019 financial information and audited financial statements were not timely filed with the MSRB. The notice of change in fiscal year end for fiscal year 2019 was filed on February 12, 2020. The fiscal year 2019 financial information, audited financial statements, and notice of late filing related thereto were filed on February 27, 2020. Except as described above, within the past five years, the District has complied in all material respects with all continuing disclosure agreements made in accordance with the Rule.

FINANCIAL ADVISOR . . . Estrada Hinojosa & Company, Inc. is employed as Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Estrada Hinojosa & Company, Inc., in its capacity as Financial Advisor, has relied on the opinion of Co-Bond Counsel and has not verified and does not assume any responsibility for the information, covenants, and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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 their responsibilities 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.

UNDERWRITING . . . The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the District at an underwriting discount of $280,039.44. The Underwriters' obligation is subject to certain conditions precedent. 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 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 federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

One of the Underwriters is BOK Financial Securities, Inc., which is not a bank, and the Bonds are not deposits of any bank and are not insured by the Federal Deposit Insurance Corporation.

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 included 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 will prove to be accurate.

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

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

The Order authorized a Pricing Officer to (i) approve the form and content of this Official Statement and any addenda, supplement or amendment thereto and (ii) authorized its further use in the re-offering of the Bonds by the Underwriters, all of which such pricing officer will approve in the Pricing Certificate. This Official Statement was approved by such pricing officer for distribution in accordance with the provisions of Rule.

LAREDO INDEPENDENT SCHOOL DISTRICT

/s/ Flor Ayala
Pricing Officer
Laredo Independent School District

APPENDIX A

GENERAL INFORMATION REGARDING THE DISTRICT

LOCATION

The District is located in the City of Laredo in the western portion of Webb County, approximately 150 miles southwest of San Antonio. The District boundaries cover the older area of Laredo's city limits and comprises 13.83 square miles.

ADMINISTRATION

Policy making and supervisory functions are the responsibility of and are vested in a seven-member Board of Trustees (the "Board"). Members of the Board serve four-year staggered terms with elections being held in November of even numbered years. The Board delegates administrative responsibilities to the Superintendent of Schools.

ENROLLMENT AND FACILITIES

The school facilities currently provided by the District include 20 elementary schools, four middle schools, five high schools (including the Early College High School and a high school that serves as a safe house for students who are at risk of dropping out due to substance abuse), three magnet schools and one disciplinary alternative school (grades 6 through 12).

AVERAGE DAILY ATTENDANCE

Historical average daily attendance for the District is as follows:

School Year	Average Daily Attendance
2011-2012	22,530
2012-2013	22,451
2013-2014	22,545
2014-2015	22,358
2015-2016	22,094
2016-2017	21,962
2017-2018	21,756
2018-2019	21,422
2019-2020	19,484
2020-2021	21,271
2021-2022 (1)	17,739

Source: Texas Education Agency Regional ADA Report
(1) Source: Municipal Advisory Council of Texas

HISTORICAL ENROLLMENT

Historical enrollment for the District is as follows:

School Year	Enrollment
2010-2011	24,680
2011-2012	24,761
2012-2013	24,797
2013-2014	24,915
2014-2015	24,659
2015-2016	24,166
2016-2017	24,200
2017-2018	24,022
2018-2019	23,645
2019-2020	23,706
2020-2021 (1)	22,041
2021-2022 (1)	19,757

Source: LISD Comprehensive Annual Financial Report
(1) Source: Municipal Advisory Council of Texas

EMPLOYMENT STATISTICS

(Thousands)

	Webb County			Texas		
	December 2021	December 2020	December 2019	December 2021	December 2020	December 2019
Civilian Labor Force	117.4	116.2	118.1	14,398.7	14,139.9	14,228.5
Total Employment	111.8	107.3	113.8	13,786.0	13,191.3	13,758.0
Total Unemployment	5.6	8.9	4.3	612.7	948.6	470.4
Percentage Unemployment	4.8%	7.7%	3.6%	4.3%	6.7%	3.3%

Source: The Laredo Independent School District

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APPENDIX B

LAREDO INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL AND COMPLIANCE REPORT

For the Fiscal Year Ended June 30, 2021

The information contained in this Appendix consists of excerpts from the Laredo Independent School District Annual Financial and Compliance Report for the Fiscal Year Ended June 30, 2021 and is not intended to be a complete statement of the District's financial condition. Reference is made to the complete Report for further information.

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Garza/Gonzalez & Associates
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of School Trustees
Laredo Independent School District
Laredo, 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 Laredo Independent School District (the District), as of and for the year ended June 30, 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

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 *Governmental 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.

207 Arden Grove
San Antonio, TX 78215
210/227-1389
Fax 227-0716

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 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 Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

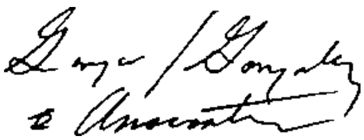
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and other statements, required Texas Education Agency (TEA) schedules, capital assets section, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.



November 8, 2021

LAREDO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

In this section of the Annual Financial and Compliance Report, we, the managers of Laredo Independent School District, discuss and analyze the District's financial performance for the period ended June 30, 2021. Please read it in conjunction with the independent auditor's report on page 1, and the District's Basic Financial Statements that begin on page 18.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and inflows by $116,648,628 (*net position*). Of this amount, the unrestricted net position is a negative $108,826,110, affected primarily by a past adjustment as part of a new accounting rule change to improve the accounting and financial reporting by state and local governments for other post-employment benefits (OPEB) under GASB No. 75.
- During the twelve-month period, the District had expenses that were $11,780,835 less than the $318,289,200 generated in tax and other revenues for governmental programs.
- The total cost of the District's programs decreased by $19,829,768 due to the District switching to remote instruction and suspending extra/co-curricular activities and services due to the COVID-19 pandemic.
- The District's governmental funds reported combined fund balances of $228,911,585, a decrease of $23,807,587 compared to last year. Approximately $62,710,744 or 27% of the total is available for spending at the government's discretion (*unassigned fund balance*).
- The District received hold harmless adjustments for attendance counts of 21,334 compared to actual attendance counts of 20,657. The portion of the hold harmless adjustment was funded with Elementary and Secondary School Emergency Relief II (ESSER II) funds for $6,573,138.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, *and required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statement*s.*
- *The governmental funds* statements show how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

Figure A-1, Required Components of the District's Annual Financial Report

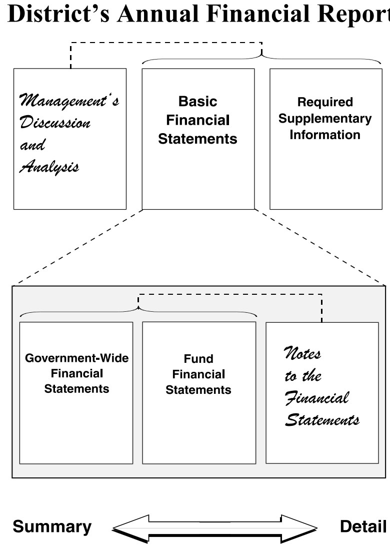


Figure A-1 above shows how the required parts of this annual report are arranged and related to one another. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

Figure A-1 shows how the required parts of this annual report are arranged and related to one another. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

Figure A-2 Major Features of the District's Government-wide and Fund Financial Statements

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government covered and the types of information contained. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2

Type of Statements	District-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district, except fiduciary activities	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities of the district that operate like a business, such a self-insurance funds	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities money
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balance	• Statement of Net Position • Statement of Revenues, Expenses & Changes in Fund Balance • Statement of Cash Flows	• Statement of Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long term; the district's funds do not currently contain nonfinancial assets, though they can	All assets and liabilities, both short-term and long-term; the district's funds do not currently contain nonfinancial assets, though they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid.

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net Position, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional non-financial factors such as changes in the District's tax base and the average daily attendance.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services and general administration. State aid, property taxes and federal grants finance most of these activities.

Fund Financial Statements

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

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

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

  As presented, the District maintains 34 individual governmental funds. The following are considered major funds for the year ended June 30, 2021: General Fund, CRRSA ESSER II, Debt Service Fund, and EDA 2018 Bond Series. Data from the other 34 governmental funds is combined into a single aggregated presentation. Individual fund data for each of these non-major funds is provided in the form of combining statements elsewhere in this report.

- *Proprietary funds*—When a District charges other District funds for the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and Statement of Activities. In fact, the District's Internal Service Fund is included within the governmental activities reported in the district-wide statements, but provides more detail and additional information, such as cash flows. The District uses the Internal Service Fund to report activities that relate to the District's self-insured health plan. The District implemented the self-insured plan on September 1, 2013.

- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

Notes to the Financial Statements

The notes provide additional information that are essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information and Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain Required Supplementary Information concerning budget to actual presentations for the General Fund in accordance with State Board of Education rules. The Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of District Contributions related to the Teacher Retirement System of Texas are also included as Required

Supplementary Information. In addition, budget to actual presentations for the Food Service Fund and Debt Service Fund are included in the TEA Required Schedules section.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the Required Supplementary Information.

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

The net position over time serves as a useful indicator of the District's financial position. The District's net position was $116,648,628 for the fiscal year ended June 30, 2021 (See Table A-1). Compared to the prior year, the net position increased by $11,780,835.

Table A-1

Laredo Independent School District's Net Position

	Governmental Activities		
	2021	2020	Percentage Change
Current assets and other assets	$ 286,225,337	$ 313,834,465	-9%
Capital assets, net	391,619,635	375,128,312	4%
Total assets	677,844,972	688,962,777	-2%
Total deferred outflows of resources	45,325,306	56,184,804	-19%
Current liabilities	60,072,294	64,940,201	-7%
Non-Current liabilities	470,831,214	515,414,047	-9%
Total liabilities	530,903,508	580,354,248	-9%
Total deferred inflows of resources	75,618,142	59,925,540	26%
Net position:			
Net investment in capital assets	182,367,898	169,839,144	7%
Restricted	43,106,840	44,616,379	-3%
Unrestricted	(108,826,110)	(109,587,730)	-1%
Total net position	$ 116,648,628	$ 104,867,793	11%

The District's current assets of $286,225,337 were sufficient to cover current liabilities (to include debt due within one year) of $91,956,212. When applying liquidity ratios, the current ratio was at 3.10:1, which means the district can meet its current short-term debt obligations 3.10 times over. This current measure exceeds the 3.0 times metric established in the Financial Integrity Rating System of Texas. By using the same formula and reducing current assets by the inventory amount, the quick ratio (acid test – a more conservative version of the current ratio) calculated at 3.10:1, which indicated the existence of liquid assets to pay immediate bills. Another financial metric representing operating liquidity, known as working capital, was $192,268,831, which means cash is available to pay the district's obligations when they become due.

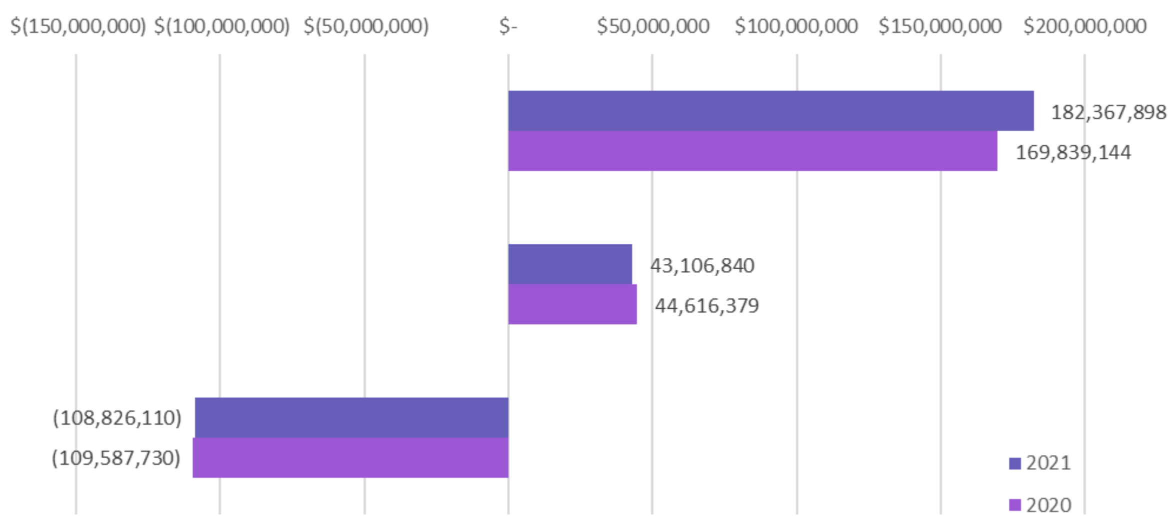
Capital assets, which consisted of the District's land, buildings and improvements, construction-in-progress and equipment, represented 58% of total assets. The increase in the capital assets was mainly due to the construction in progress for various bond projects and the purchase of land.

The District's largest liabilities were for the repayment of general obligation bonds, the pension liabilities and other post-employment benefits liabilities. Other liabilities, representing about 8% of the District's total liabilities, consist almost entirely of payables on accounts, salaries, and for the reimbursement due to the State for the reduction in foundation aid due to the pandemic, but reimbursed with federal funds (ESSER). The debt to worth ratio, also called the leverage ratio, was at 520%. This represented high debt financing which adds a level of risk, especially by creditors. However, this level of risk mitigated with the state aid the District continues to qualify at an average rate of 73% of the annual general obligation debt payment.

As illustrated, Chart A-2 depicted the District's net position at fiscal year-end. The largest portion in the District's net position was investments in capital assets (e.g., land, buildings, machinery, equipment, and vehicles). All related outstanding debt used to acquire these assets was reduced from the calculation (net of unspent bond proceeds). The District acquired these assets to provide public education services to the public. Accordingly, these assets are not available for future spending. Although investment in capital assets was reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the associated liabilities.

An additional portion of the net position in the amount of $43,106,840 represented resources subject to external restrictions on how they may be used. The remaining negative balance of $108,826,110 reflected the impact of a major past adjustment as a result of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The District reported positive balances in two of the three categories of net position.

Chart A-2
Laredo Independent School District Net Position



Governmental Activities

Governmental activities increased the District's net position by 11,780,835 (See Table A-3). For the 2020-2021 school year, the district received hold harmless adjustments for student attendance. Nonetheless, total revenues for the District's governmental activities decreased by $13,025,210 or 4% compared to the prior year. The decrease was a combination of reductions in the Child Nutrition Program and in the Instructional Materials Allotment compared to the amount expended in the prior year. In addition, due to the pandemic, the after school program and athletic events were cancelled. Interest rates on investments dropped significantly because of the pandemic.

In response to the COVID-19 pandemic, the district switched to remote learning. Classes went online, school meal distribution became grab-and-go, and extracurricular activities and transportation services were paused. Therefore, total expenses decreased by $19,829,768 from $326,338,133 to $306,208,365.

Table A-3

Laredo Independent School District's Changes in Net Position

	Governmental Activities 2021	Governmental Activities 2020	Percentage Change
Revenues:			
Program revenues:			
Charges for services	$ 696,885	$ 1,273,678	-45%
Operating grants and contributions	72,376,510	86,919,687	-17%
General revenues:			
Property taxes	34,208,191	33,348,571	3%
State aid	205,197,126	197,563,344	4%
Grants and contributions - unrestricted	2,955,399	5,644,011	-48%
Investment earnings	597,030	4,297,751	-86%
Miscellaneous	2,258,059	2,267,368	0%
Total Revenues	318,289,200	331,314,410	-4%
Expenses			
Instruction	167,135,151	175,226,247	-5%
Instructional resources and media services	5,027,155	5,640,957	-11%
Curriculum and staff development	3,884,321	3,935,336	-1%
Instructional leadership	5,047,832	4,992,571	1%
School leadership	16,588,446	17,356,691	-4%
Guidance, counseling, and evaluation services	10,046,135	10,272,349	-2%
Social work services	2,299,437	2,322,490	-1%
Health services	3,906,930	4,165,625	-6%
Student transportation	3,861,906	7,944,882	-51%
Food services	17,222,211	21,207,874	-19%
Extracurricular activities	7,240,553	12,311,970	-41%
General administration	8,559,643	9,079,236	-6%
Plant maintenance and operations	26,948,533	26,306,593	2%
Security and monitoring services	9,578,708	7,241,364	32%
Data processing services	6,766,713	5,325,885	27%
Community service	1,439,759	1,760,562	-18%
Interest on long-term debt	10,630,344	11,176,910	-5%
Bond Issuance Cost and Fees	307,686	5,500	5494%
Payments related to shared services arrangements	6,000	6,000	0%
Payments to Juvenile Justice Alt. Education Program	10,902	59,091	-82%
Total Expenses	306,508,365	326,338,133	-6%
Increase in net position	11,780,835	4,976,277	137%
Net position at beginning of year	104,867,793	99,891,516	5%
Net position at end of year	$ 116,648,628	$ 104,867,793	11%

Figure A-1 highlights the District's revenues by funding classification for the governmental activities. Total revenues were $318,289,200. As illustrated, State Aid comprised the majority of the total revenues by 64.5%, followed by 22.7% in operating grants and 10.7% in property taxes. Overall, total revenues were $11,780,835 greater than total expenses for the year.

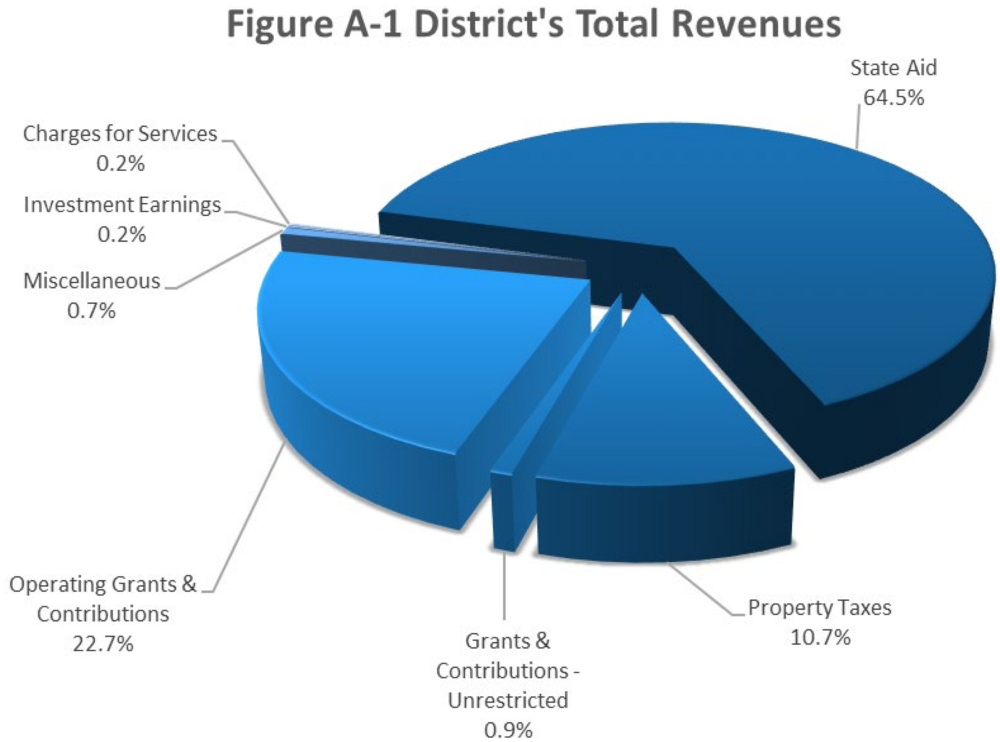
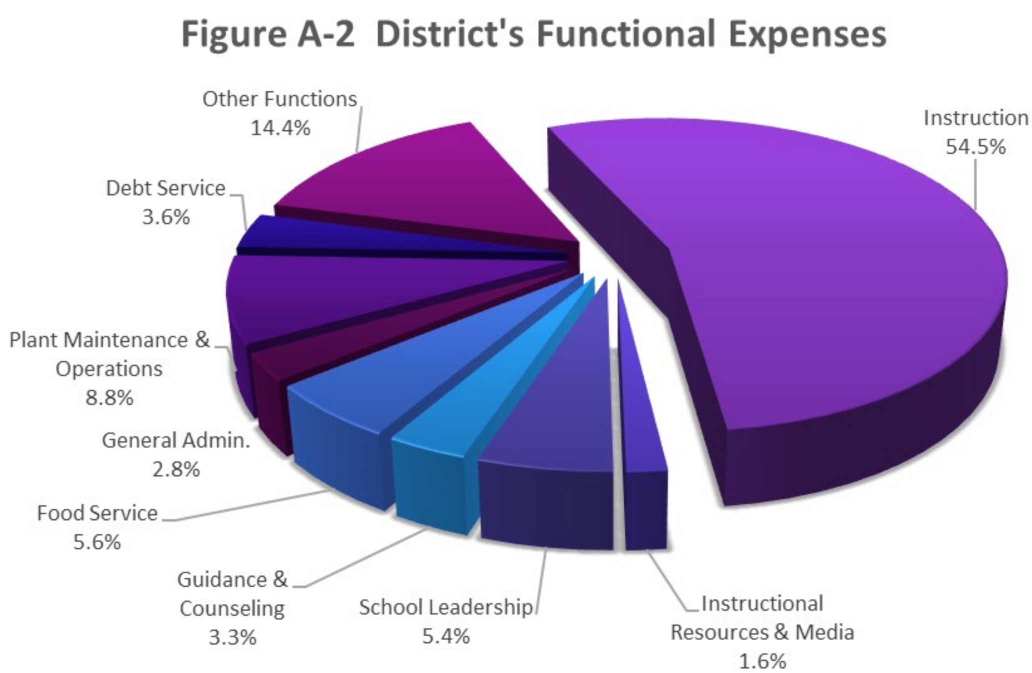


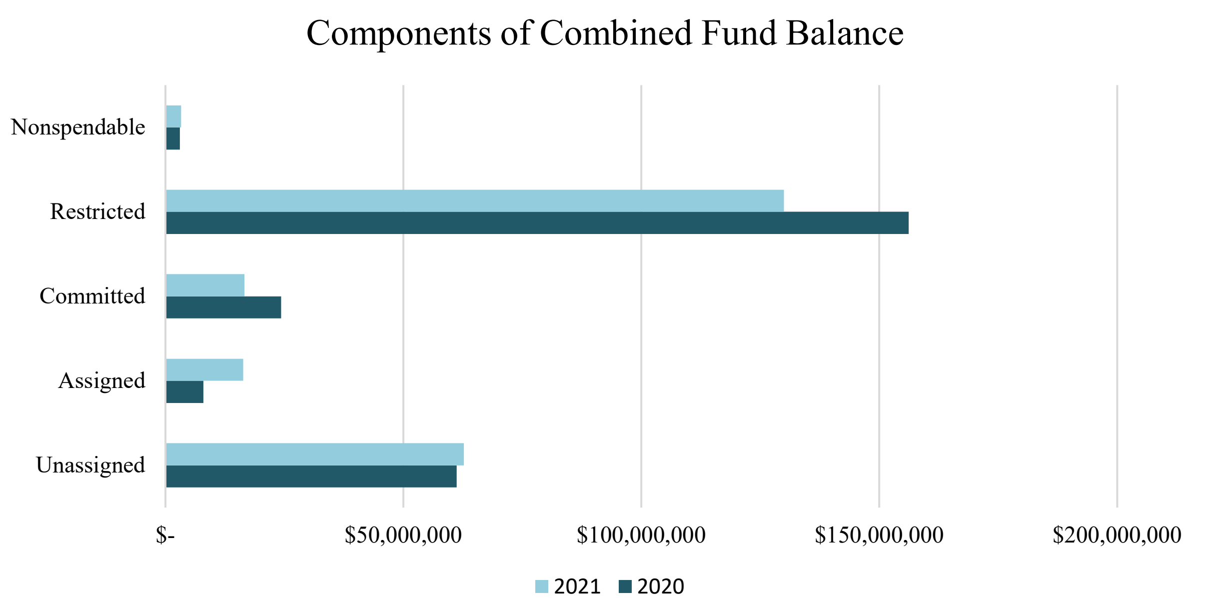
Figure A-2 presents the cost of each of the District's largest functions. Of the total expenses, instructional services represented the largest dollar expense at $167,135,151 or 54.5%, followed by plant maintenance & operations at $26,948,533 or 8.8% and food service at $17,222,211 or 5.6%. Due to the nature of our public service, these three functions historically have been the highest costs to the District.



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 government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose.

Below is a chart with the components of the combined Fund Balance compared to the prior year. At the end of the current fiscal year, the District's governmental funds reported combined ending fund balance of $228,911,585, a decrease of $23,807,587 in comparison with the prior year. The decrease was primarily due to the completion of committed projects. Of the combined fund balance, $62,710,744 constituted unassigned fund balance, which has been fully restored because of a temporary decrease of $4,246,107 from a one-time draw, as an alternative to a bank loan, to refresh the secondary schools technology devices. The remainder of fund balance was either nonspendable, restricted, committed or assigned to indicate that it was 1) not in spendable form such as inventories $2,280,693 and as prepaid items $997,550; 2) legally required to be maintained intact such as Federal and State Grants $1,536,776, capital acquisition and contractual obligations $89,412,452, from the Webb County Permanent School Fund for the administration building $4,227,868 and for the retirement of long term debt $34,812,720; 3) committed for construction projects $13,908,849, other local projects $2,717,848; and, 4) assigned balance for other projects $16,306,085 (See Note S).



General Fund. 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 increased by $1,506,111 to $62,710,744 finally restoring it in full from the temporary loan, while total fund balance increased to $87,934,517 due to the assignments to fund needed projects and equipment (See Note S). As a measure of the district's financial wealth, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represented 28% of total general fund expenditures while total fund balance represented 40% of total general fund expenditures.

The unassigned fund balance provided the District a balance that was the equivalent of 103 days of operating expenditures based on 365 days of operations. This fund balance was adequate to minimize the likelihood of the District entering the short-term debt market to pay for current operating expenditures. The District continued to maintain the two month minimum expenditures required by the District's policy in the amount of $40,000,000. The unassigned fund balance was also useful in supporting supplemental programs without interruption while the District waited for state and federal reimbursements.

Food Service Fund. As illustrated in Table A-4, the Food Service Fund had a total fund balance of $2,532,930, a decrease of $1,127,324 compared to the prior year. The program cannot carry a negative fund balance into the next school year or maintain an excessive fund balance (no more than three months of operating expenditures) on hand. At the end of the current fiscal year, there was no excess cash balance in the fund; therefore, the program was compliant.

The decrease in revenues was due to the pandemic. The program applied for various waivers such as the No Child Present in vehicle (parent pick up), meal service time flexibility, as well as, served meals. In addition, the district opted-in to the summer food service program waiver and joined the Seamless Summer Option (SSO), since it was a higher reimbursement rate for breakfast and lunch.

The program went from serving an average of 23,000 students breakfast, lunch, and supper through School Breakfast (SBP), National School Lunch Program (NSLP) and at-risk supper program under the Child and Adult Care Food Program (CACFP), to serving less than half of those students breakfast, lunch, and supper through Summer Food Service Program (SFSP) and CACFP.

Table A-4 reflected only the programs accounted for in the General Fund, which are the SBP, NSLP and CACFP. The SFSP was accounted for in the Special Revenue Fund, Fund 242, found in the Combining Financial Statements. We operated SBP and NSLP the majority of the 2019-2020 School Year (August thru March) and operated SFSP the full 2020-2021 School Year. The reason for such decrease in revenue was due to the form in which the different programs were operated and accounted for. The majority of regular operating expenses remained on the Food Service Fund account. The increase in expenses was attributed to the increase in labor needed to operate all programs in the 2020-2021 School Year, along with the need for new grab and go supplies and equipment.

Table A-4
Laredo Independent School District's Food Service Fund

	2021	2020	Percent Change
Local sources	$ 23,802	$ 130,427	-81.8%
State program revenues	85,002	85,719	-0.8%
Federal program revenues	5,605,400	15,430,998	-63.7%
Total revenues	5,714,204	15,647,144	-63.5%
Expenditures by function			
Food service	6,681,132	16,337,276	-59.1%
Facilities maintenance and operations	142,352	257,249	-44.7%
Facilities acquisition and construction	18,044	9,119	100.0%
Total expenditures	6,841,528	16,603,644	-58.8%
Net change in fund balance	(1,127,324)	(956,500)	17.9%
Fund balance, beginning	3,660,254	4,616,754	-20.7%
Fund balance, ending	$ 2,532,930	$ 3,660,254	-30.8%

Debt Service Fund. As illustrated in Table A-5, the Debt Service Fund ended with a fund balance of $34,812,720, some of which was reserved for the payment of an outstanding $8,000,000 Qualified Zone Academy Limited Maintenance Tax Note (QZAB) due to mature on October 3, 2021, and the principal and interest payment due in August 2021. The increase in fund balance during the current year in the fund was $136,839. The increase was due to the transfer in of additional funds to pay off the QZAB note.

The District received funding and will continue to receive funding under the Instructional Facilities Allotment (IFA) and Existing Debt Allotment (EDA) programs to assist with the debt service payments on qualifying bonds. The State provided a guaranteed yield of $35 (IFA) and $39.05 (EDA) per penny of tax effort per unweighted average daily attendance, which translated to about 73% in state aid for the annual debt payments. Since not all of our debt qualified, we used maintenance and operations (M&O) to pay for the QZAB.

Table A-5
Laredo Independent School District's Debt Service Fund

	2021	2020	Percent Change
Revenues			
Property taxes	$ 10,871,303	$10,783,048	0.82%
State program revenues	21,425,288	22,624,166	-5.30%
Total revenues	32,296,591	33,407,214	-3.32%
Expenditures by function			
Principal long term debt	19,380,000	16,545,000	100.00%
Interest on long term debt	13,582,706	14,448,731	-5.99%
Other fees	307,686	5,500	5494.29%
Total expenditures	33,270,392	30,999,231	7.33%
Other financing sources (uses)	1,110,640	409,888	170.96%
	1,110,640	409,888	170.96%
Net change in fund balance	136,839	2,817,871	-95.14%
Fund balance, beginning	34,675,881	31,858,010	8.85%
Fund balance, ending	$ 34,812,720	$34,675,881	0.39%

Capital Project Funds. The District's Capital Projects Funds are used to account for costs incurred in acquiring and improving sites, constructing and remodeling of facilities, and procuring necessary equipment to provide educational programs for all District students. Also, these funds were used to account for projects funded by bonds approved by the voters and other locally funded capital projects. The $16,864,940 decrease in the EDA 2018 Series fund, a major capital project fund, was attributed to the on-going construction of the Martin High School Multipurpose Building, Nixon High School Vocational and ROTC Buildings, Cigarroa High School – Phase I, Cigarroa Middle School, Kawas Elementary School and Dovalina Elementary School projects. The $7,893,360 decrease in the EDA 2014 Series was due to the ongoing construction of the Performing Arts Complex and purchase of properties for the Heights Elementary Addition and Rehabilitation Project. The decrease of $7,597,792 in the 616 Locally Funded Fund was mainly attributed to costs of the New Administration Building. The decrease of $32,356,092 in the combined capital project fund balance over last year was attributed to these on-going construction projects, mentioned above.

Business-type Activities

The District uses the Internal Service Fund to report activities that relate to the District's self-insured health plan. The District's self-funded plan is designed to provide quality, cost-effective health benefits to eligible employees. In its eighth year of implementation, the plan ended with $2,579,878 in fund balance.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Variances – Original and Final Budget

In general, the variances between the original and final budget were attributable to the timing and length of the budget preparation process. The original budget was prepared approximately nine months prior to the final budget approved in June 2021. The final budget reflects all budget revisions made throughout the fiscal year to adjust for known facts. Consequently, when the original budget was compared to the final budget, it would be expected that significant variances could occur.

The most significant fund for the District is the General Fund, funded primarily through state aid and property tax revenue. Over the course of the year, the District revised its budget several times and the original appropriations had a change of $18,135,581, as of the final amended budget. The activities are listed below.

Revenues appropriations increased due to additional state revenues from the Texas Education Agency for personal protective equipment (PPE) in the amount of $272,290, additional state revenues for the Mentor Program Allotment (MPA) cycle 1 $99,000, and ERATE Round 23 $253,910. Revenues appropriations decreased by $13,526,449 in the Food Service Fund operating as COVID-19 Summer Feeding Program operated since September 14, 2020. There was also a reduction in revenues appropriations in the amount of $761,334 due to mid-year review. Revenue appropriations had a net decrease of $13,662,583.

Expenditures appropriations increased to fund the Chromebook setup services for Elementary Schools and the purchase of supplies and materials due to COVID19 in the amount of $1,216,470; the wrought iron fence at Martin High School, roof replacement at Martin High School, and the JROTC obstacle course in the amount of $645,985; the purchase of learning devices and reliable internet connection in the amount of $1,041,624; the roof repair at Cigarroa High School in the amount of $139,022; two new college, career, and military readiness (CCMR) coordinators in the amount of $160,000; the personal protective equipment (PPE) from the Texas Education Agency in the amount of $272,290; the FY 2019-2020 outstanding purchase orders in the amount of $3,354,116; the Property and Casualty deductible for $400,000; the COVID-19 rapid tests for $100,000; the one-Time COVID-19 Supplemental Pay for $3,549,098; the Emergency Funds - Capital Repairs for $100,000; the Martin High School Flores Gym roof for $384,000; the Information Technology Department roof repair for $64,600, the Nixon High School Montes Field chain link fence for $65,000, the Information Technology COM account for $100,000; the architect engineer fees for Cigarroa Middle School in the amount of $713,866; the security camera replacements and roof repairs on Cedar Technology Department for $1,241,925; the Mentor Program Allotment (MPA) cycle 1 in the amount of $99,000; and ERATE Round 23 for $75,996. Expenditure appropriations decreased in payroll in the amount of $928,000. In addition, expenditure appropriations decreased to fund the Debt Service Fund final Qualified Zone Academy Bond (QZAB) payment in the amount of $389,888; the Capital Projects Fund for the Ligarde Elementary School land acquisition $236,233, the Cigarroa Middle School partial Guaranteed Maximum Price for $809,299, and the new technology training center in the amount of $840,000. Expenditure appropriations decreased by $13,526,449 in the Food Service Fund as COVID-19 Summer Feeding Program operated since September 14, 2020. Expenditure appropriations had a net decrease of $2,197,578.

Other Sources and Uses appropriations increased to fund the Debt Service Fund final Qualified Zone Academy Bond (QZAB) payment in the amount of $389,888; the Capital Projects Fund for the Ligarde Elementary School land acquisition $236,233, the Cigarroa Middle School partial Guaranteed Maximum Price for $809,299, and the new technology training center in the amount of $840,000. Other Sources and Uses appropriations had a net increase of $2,275,420.

Variances – Final Budget and Actual Results
The significant budgetary variances between the final amended budget and the actual results are listed below.

An unfavorable variance in revenue was primarily due to higher local property tax collections of $968,866, lower interest income of $103,663, lower miscellaneous income of $831,693, lower foundation school program payments of $3,289,994, higher food service state match of 10,002, higher state indirect cost of 6,642, higher TRS on behalf payments of $12,895, higher federal and grant indirect cost earnings of $383,587, lower food service revenues for breakfast, lunch, USDA commodities, fresh fruits and vegetables of $2,994,967, lower school health and related services payments of $1,248,870, and higher Medicaid administrative claiming payments of 17,109.

A favorable variance in expenditures was primarily due to having payroll, payroll taxes and benefits savings of $13,840,508, spending $3,072,779 less for the purchase of professional and contracted services than budgeted, spending $$8,803,215 less for supplies and materials than budgeted, spending $1,302,665 less for miscellaneous operating expenditures than budgeted, spending $2,541,958 less for capital outlay for building and equipment than budgeted.

A favorable variance in other sources and uses was primarily due to the district requiring $572,484 less funds transferred to Athletics and $127,598 less funds transferred to Jesus Martinez Performing Arts Center.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the District had invested a total of $391,619,635 in a broad range of capital assets which included: equipment, buildings, and improvements as shown in Table A-6. This amount represented a net increase (additions and deductions) of $16,491,323 over the previous year.

The increase in the land was due to the purchase of land for the Heights Elementary Additions and Renovations Project. Construction projects continued to make progress and new constructions contracts were awarded.

More information about the District's capital assets is presented in the notes to the financial statements (Note G).

Table A-6
Laredo Independent School District's Capital Assets

	2021	2020	Percentage Change
Land	$ 22,871,938	$ 22,501,975	1.6%
Buildings and improvements	535,200,922	534,479,946	0.1%
Equipment	43,907,648	42,910,565	2.3%
Construction in progress	50,179,514	16,442,722	205.2%
Totals at historical cost	652,160,022	616,335,208	5.8%
Total accumulated depreciation	260,540,387	241,206,896	8.0%
Net capital assets	$ 391,619,635	$ 375,128,312	4.4%

Long Term Debt

At the end of the fiscal year, the District had loans, bonds, and compensated absences outstanding as shown in Table A-7. The table indicates a decrease of $22,180,331 or 6.7% compared to the previous year. The decrease was attributed to the payment of bond principal and interest. More information about the District's debt is presented in the notes to the financial statements (Note K).

Table A-7
Laredo Independent School District's Long-Term Debt

	2021	2020	Percentage Change
Loans payable	$ 8,000,000	$ 8,000,000	0.0%
Bonds payable	299,714,980	321,907,367	-6.9%
Compensated absences	2,781,140	2,769,084	0.4%
Total long term debt payable	$ 310,496,120	$ 332,676,451	-6.7%

Credit Ratings: The District's bonds carry AAA rating with underlying ratings as follows: Moody's Investor Services A1, Fitch's AA- and Standard & Poor's AA-.

The District continues to maintain it credit ratings. A credit rating is a score that shows the capacity of the District to meet its financial payments to the investors. It is a financial indicator to potential investors that help us achieve lower interest rate costs. The bonds issued by the District are fully guaranteed by the Permanent School Fund (PSF) Bond Guarantee Program for the timely payment of the principal and interest in the event the school district is unable to meet debt service requirements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's board members considered many factors when setting the fiscal year 2021-2022 budget and tax rates. Some of these factors were the district needs, the campus needs, appraised values, potential declines to student enrollment counts due to the pandemic, and Laredo's economy to include the closure of the international bridges. The following factors listed below are highlights of the budget.

- The District experienced property value growth by 10.23% from $2,360,330,864 to $2,601,865,158. The increase in valuation triggered local tax compression from .9164 to .8537.
- The interest and sinking tax rate increased from $0.4265 to $0.4465 per $100 property value, while the total tax rate decreased from $1.3929 to $1.3892 per $100 property value.
- The District's refined average daily attendance (ADA) was estimated at 21,400, compared to last year's actual of 21,334 (hold harmless). The district will use the Elementary and Secondary School Emergency Relief Funds (ESSER) to relieve the fiscal burdens incurred by the district in preventing, preparing for, and responding to the coronavirus. The district has the discretion to supplant all ESSER funding locally.
- The basic allotment, which is the amount every school district is guaranteed to receive in state and local funds for each student in ADA, remained the same at $6,160.

The Board of Trustees approved a balanced budget for the fiscal year ending June 30, 2021. The health benefit plan coverage remained the same and the employer monthly contribution remained the same at $525. Due to the pandemic, the Board of Trustees approved $5,000 performance pay to all employees upon completion of safety instructional videos to avoid disruptions or closures related to COVID-19. The funding source for the performance payment is the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act, Elementary and Secondary School Emergency Relief Fund II (ESSER II).

CONTACTING THE DISTRICT'S DIVISION OF FINANCE

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability and transparency for the money it receives. If you have questions about this report or need additional financial information, please contact the District's Division of Finance, Business Services and Accountability at (956) 273-1043.

BASIC FINANCIAL STATEMENTS

LAREDO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021

Data Control Codes		Primary Government Governmental Activities
	ASSETS	
1110	Cash and Cash Equivalents	$ 228,837,839
1120	Current Investments	17,656,672
1220	Property Taxes - Delinquent	3,473,506
1230	Allowance for Uncollectible Taxes	(2,115,231)
1240	Due from Other Governments	34,824,677
1250	Accrued Interest	63,938
1290	Other Receivables, Net	205,693
1300	Inventories	2,280,693
1410	Prepayments	997,550
	Capital Assets:	
1510	Land	22,871,938
1520	Buildings, Net	307,680,790
1530	Furniture and Equipment, Net	10,887,393
1580	Construction in Progress	50,179,514
1000	Total Assets	677,844,972
	DEFERRED OUTFLOWS OF RESOURCES	
1701	Deferred Charge for Refunding	4,321,282
1705	Deferred Outflow Related to TRS Pension	29,160,528
1706	Deferred Outflow Related to TRS OPEB	11,843,496
1700	Total Deferred Outflows of Resources	45,325,306
	LIABILITIES	
2110	Accounts Payable	10,584,160
2140	Interest Payable	6,344,419
2150	Payroll Deductions and Withholdings	1,878,099
2160	Accrued Wages Payable	26,583,370
2180	Due to Other Governments	9,437,824
2200	Accrued Expenses	1,720,639
2300	Unearned Revenue	3,523,783
	Noncurrent Liabilities:	
2501	Due Within One Year: Loans, Note, Leases, etc.	31,884,212
	Due in More than One Year:	
2502	Bonds, Notes, Leases, etc.	278,611,908
2540	Net Pension Liability (District's Share)	81,186,995
2545	Net OPEB Liability (District's Share)	79,148,099
2000	Total Liabilities	530,903,508
	DEFERRED INFLOWS OF RESOURCES	
2602	Deferred Gain on Refunding	402,237
2605	Deferred Inflow Related to TRS Pension	13,759,036
2606	Deferred Inflow Related to TRS OPEB	61,456,869
2600	Total Deferred Inflows of Resources	75,618,142
	NET POSITION	
3200	Net Investment in Capital Assets	182,367,898
	Restricted:	
3820	Restricted for Federal and State Programs	2,810,313
3850	Restricted for Debt Service	34,812,720
3860	Restricted for Capital Projects	5,483,807
3900	Unrestricted	(108,826,110)
3000	Total Net Position	$ 116,648,628

The notes to the financial statements are an integral part of this statement.

EXHIBIT B-1

LAREDO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes		1	3	4	6
			Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
	Primary Government:				
	GOVERNMENTAL ACTIVITIES:				
11	Instruction	$ 167,135,151	$ 625,708	$ 34,522,637	$ (131,986,806)
12	Instructional Resources and Media Services	5,027,155	-	606,740	(4,420,415)
13	Curriculum and Instructional Staff Development	3,884,321	-	2,511,639	(1,372,682)
21	Instructional Leadership	5,047,832	-	1,294,161	(3,753,671)
23	School Leadership	16,588,446	-	1,316,543	(15,271,903)
31	Guidance, Counseling, and Evaluation Services	10,046,135	-	2,786,773	(7,259,362)
32	Social Work Services	2,299,437	-	401,146	(1,898,291)
33	Health Services	3,906,930	-	1,463,360	(2,443,570)
34	Student (Pupil) Transportation	3,861,906	-	298,601	(3,563,305)
35	Food Services	17,222,211	7,549	15,420,519	(1,794,143)
36	Extracurricular Activities	7,240,553	1,057	185,814	(7,053,682)
41	General Administration	8,559,643	-	530,989	(8,028,654)
51	Facilities Maintenance and Operations	26,948,533	62,571	8,499,252	(18,386,710)
52	Security and Monitoring Services	9,578,708	-	975,964	(8,602,744)
53	Data Processing Services	6,766,713	-	330,420	(6,436,293)
61	Community Services	1,439,759	-	1,162,727	(277,032)
72	Debt Service - Interest on Long-Term Debt	10,630,344	-	-	(10,630,344)
73	Debt Service - Bond Issuance Cost and Fees	307,686	-	-	(307,686)
81	Capital Outlay	-	-	63,225	63,225
93	Payments Related to Shared Services Arrangements	6,000	-	6,000	-
95	Payments to Juvenile Justice Alternative Ed. Prg.	10,902	-	-	(10,902)
[TP]	TOTAL PRIMARY GOVERNMENT:	$ 306,508,365	$ 696,885	$ 72,376,510	(233,434,970)

Data Control Codes		
	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	24,140,392
DT	Property Taxes, Levied for Debt Service	10,067,799
SF	State Aid - Formula Grants	205,197,126
GC	Grants and Contributions not Restricted	2,955,399
IE	Investment Earnings	597,030
MI	Miscellaneous Local and Intermediate Revenue	2,258,059
TR	Total General Revenues	245,215,805
CN	Change in Net Position	11,780,835
NB	Net Position - Beginning	104,867,793
NE	Net Position - Ending	$ 116,648,628

The notes to the financial statements are an integral part of this statement.

LAREDO INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

Data Control Codes		10 General Fund	20 ESSER II CRRSA Act	50 Debt Service Fund
	ASSETS			
1110	Cash and Cash Equivalents	$ 83,048,648	$ -	$ 26,351,990
1120	Investments - Current	10,166,380	-	7,490,292
1220	Property Taxes - Delinquent	2,573,552	-	899,954
1230	Allowance for Uncollectible Taxes	(1,567,194)	-	(548,037)
1240	Due from Other Governments	18,318,069	8,096,060	278,766
1250	Accrued Interest	7,309	-	56,629
1260	Due from Other Funds	13,063,904	-	519,568
1290	Other Receivables	191,602	-	9,728
1300	Inventories	2,280,693	-	-
1410	Prepayments	997,550	-	-
1000	Total Assets	$ 129,080,513	$ 8,096,060	$ 35,058,890
	LIABILITIES			
2110	Accounts Payable	$ 3,588,724	$ -	$ -
2150	Payroll Deductions and Withholdings Payable	1,878,099	-	-
2160	Accrued Wages Payable	23,613,506	-	-
2170	Due to Other Funds	861,639	8,096,060	-
2180	Due to Other Governments	9,377,575	-	-
2300	Unearned Revenue	1,066,624	-	-
2000	Total Liabilities	40,386,167	8,096,060	-
	DEFERRED INFLOWS OF RESOURCES			
2601	Unavailable Revenue - Property Taxes	759,829	-	246,170
2600	Total Deferred Inflows of Resources	759,829	-	246,170
	FUND BALANCES			
	Nonspendable Fund Balance:			
3410	Inventories	2,280,693	-	-
3430	Prepaid Items	997,550	-	-
	Restricted Fund Balance:			
3450	Federal or State Funds Grant Restriction	834,099	-	-
3470	Capital Acquisition and Contractural Obligation	-	-	-
3480	Retirement of Long-Term Debt	-	-	34,812,720
3490	Administration Building WCPSF	-	-	-
	Committed Fund Balance:			
3510	Construction	2,400,000	-	-
3545	Other Committed Fund Balance	2,412,190	-	-
	Assigned Fund Balance:			
3590	Other Assigned Fund Balance	16,299,241	-	-
3600	Unassigned Fund Balance	62,710,744	-	-
3000	Total Fund Balances	87,934,517	-	34,812,720
4000	Total Liabilities, Deferred Inflows & Fund Balances	$ 129,080,513	$ 8,096,060	$ 35,058,890

The notes to the financial statements are an integral part of this statement.

60 EDA 2018 Series	Other Funds	Total Governmental Funds
$ 87,376,316	$ 24,802,208	$ 221,579,162
-	-	17,656,672
-	-	3,473,506
-	-	(2,115,231)
-	8,131,782	34,824,677
-	-	63,938
-	31,528	13,615,000
-	1,798	203,128
-	-	2,280,693
-	-	997,550
$ 87,376,316	$ 32,967,316	$ 292,579,095
$ 2,926,186	$ 3,261,234	$ 9,776,144
-	-	1,878,099
-	2,969,864	26,583,370
-	4,654,580	13,612,279
-	60,249	9,437,824
-	307,171	1,373,795
2,926,186	11,253,098	62,661,511
-	-	1,005,999
-	-	1,005,999
-	-	2,280,693
-	-	997,550
-	702,677	1,536,776
84,450,130	4,962,322	89,412,452
-	-	34,812,720
-	4,227,868	4,227,868
-	11,508,849	13,908,849
-	305,658	2,717,848
-	6,844	16,306,085
-	-	62,710,744
84,450,130	21,714,218	228,911,585
$ 87,376,316	$ 32,967,316	$ 292,579,095

LAREDO INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

	Total Fund Balances - Governmental Funds	$	228,911,585
1	The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.		2,579,878
2	Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was $616,335,208 and the accumulated depreciation was ($241,206,896). In addition, long-term liabilities, including bonds payable was ($332,676,451), are not due and payable in the current period, as well as the net deffered gain and loss on refunding of $4,356,757 and the accrued interest payable of ($6,611,242) and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		40,197,376
3	Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2021 capital outlays in the amount of $36,700,296 and debt principal payments in the amount of $22,447,154 and the net deferred charge and gain on refunding in the amount of ($437,712) is to increase net position.		58,709,738
4	Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of $29,160,528, deferred resource inflow in the amount of $13,759,036, and a net pension liability in the amount of $81,186,995. This resulted in a decrease in net position.		(65,785,503)
5	Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of $11,843,496, a deferred resource inflow in the amount of $61,456,869, and a net OPEB liability in the amount of $79,148,099. This resulted in a decrease in net position.		(128,761,472)
6	The 2021 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(20,208,973)
7	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. This resulted in an increase in net position.		1,005,999
19	**Net Position of Governmental Activities**	$	116,648,628

The notes to the financial statements are an integral part of this statement.

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LAREDO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes		10 General Fund	20 ESSER II CRRSA Act	50 Debt Service Fund
	REVENUES:			
5700	Total Local and Intermediate Sources	$ 26,418,534	$ -	$ 10,871,303
5800	State Program Revenues	196,358,560	-	21,425,288
5900	Federal Program Revenues	10,223,991	8,096,060	-
5020	Total Revenues	233,001,085	8,096,060	32,296,591
	EXPENDITURES:			
	Current:			
0011	Instruction	131,527,016	1,522,922	-
0012	Instructional Resources and Media Services	4,575,288	-	-
0013	Curriculum and Instructional Staff Development	1,338,468	-	-
0021	Instructional Leadership	3,627,510	-	-
0023	School Leadership	15,754,930	-	-
0031	Guidance, Counseling, and Evaluation Services	7,502,632	-	-
0032	Social Work Services	1,968,778	-	-
0033	Health Services	2,541,698	-	-
0034	Student (Pupil) Transportation	3,811,492	-	-
0035	Food Services	6,681,132	-	-
0036	Extracurricular Activities	5,177,883	-	-
0041	General Administration	8,163,863	-	-
0051	Facilities Maintenance and Operations	17,945,941	6,573,138	-
0052	Security and Monitoring Services	4,983,854	-	-
0053	Data Processing Services	4,975,372	-	-
0061	Community Services	10,283	-	-
	Debt Service:			
0071	Principal on Long-Term Debt	-	-	19,380,000
0072	Interest on Long-Term Debt	-	-	13,582,706
0073	Bond Issuance Cost and Fees	-	-	307,686
	Capital Outlay:			
0081	Facilities Acquisition and Construction	1,017,684	-	-
	Intergovernmental:			
0093	Payments to Fiscal Agent/Member Districts of SSA	-	-	-
0095	Payments to Juvenile Justice Alternative Ed. Prg.	10,902	-	-
6030	Total Expenditures	221,614,726	8,096,060	33,270,392
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	11,386,359	-	(973,801)
	OTHER FINANCING SOURCES (USES):			
7911	Capital Related Debt Issued	-	-	18,885,000
7915	Transfers In	1,717,846	-	799,776
7916	Premium or Discount on Issuance of Bonds	-	-	2,301,935
8911	Transfers Out (Use)	(4,578,751)	-	-
8949	Other (Uses)	-	-	(20,876,071)
7080	Total Other Financing Sources (Uses)	(2,860,905)	-	1,110,640
1200	Net Change in Fund Balances	8,525,454	-	136,839
0100	Fund Balance - July 1 (Beginning)	79,409,063	-	34,675,881
3000	Fund Balance - June 30 (Ending)	$ 87,934,517	$ -	$ 34,812,720

The notes to the financial statements are an integral part of this statement.

60 EDA 2018 Series	Other Funds	Total Governmental Funds
$ 92,747	$ 1,631,605	$ 39,014,189
-	1,931,987	219,715,835
-	38,912,226	57,232,277
92,747	42,475,818	315,962,301
-	22,505,225	155,555,163
-	282,905	4,858,193
-	2,454,624	3,793,092
-	1,039,576	4,667,086
-	137,745	15,892,675
-	2,251,493	9,754,125
-	282,875	2,251,653
-	1,274,737	3,816,435
-	-	3,811,492
-	9,730,117	16,411,249
-	59,280	5,237,163
-	64,732	8,228,595
-	321,245	24,840,324
-	597,388	5,581,242
-	43,675	5,019,047
-	1,171,814	1,182,097
-	-	19,380,000
-	-	13,582,706
-	-	307,686
16,957,687	17,918,456	35,893,827
-	6,000	6,000
-	-	10,902
16,957,687	60,141,887	340,080,752
(16,864,940)	(17,666,069)	(24,118,451)
-	-	18,885,000
-	2,061,129	4,578,751
-	-	2,301,935
-	-	(4,578,751)
-	-	(20,876,071)
-	2,061,129	310,864
(16,864,940)	(15,604,940)	(23,807,587)
101,315,070	37,319,158	252,719,172
$ 84,450,130	$ 21,714,218	$ 228,911,585

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Total Net Change in Fund Balances - Governmental Funds	$ (23,807,587)
The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net position.	917,509
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2021 capital outlays in the amount of $36,700,296 and debt principal payments in the amount of $22,447,154 and the net deferred charge and gain on refunding in the amount of ($437,712) is to increase net position.	58,709,738
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(20,208,973)
Some property taxes will not be collected for several months after the District's fiscalyear ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues decreased by this amount this year.	(117,966)
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by $5,399,494. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in the change in net position totaling $5,240,581. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by $6,777,718. The net result is a decrease in the change in net postion.	(6,618,805)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by $1,320,899. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in the change in net position totaling $1,318,455. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense increased the change in net position by ($2,904,475). The net result is an increase in the change in net position.	2,906,919
Change in Net Position of Governmental Activities	$ 11,780,835

The notes to the financial statements are an integral part of this statement.

EXHIBIT D-1

LAREDO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021

	Governmental Activities - Health Plan Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 7,258,677
Other Receivables	2,565
Total Assets	7,261,242
LIABILITIES	
Current Liabilities:	
Accounts Payable	808,016
Due to Other Funds	2,721
Accrued Expenses	1,720,639
Unearned Revenues	2,149,988
Total Liabilities	4,681,364
NET POSITION	
Unrestricted Net Position	2,579,878
Total Net Position	$ 2,579,878

The notes to the financial statements are an integral part of this statement.

EXHIBIT D-2

LAREDO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Governmental Activities - Health Plan Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	$ 25,866,756
Total Operating Revenues	25,866,756
OPERATING EXPENSES:	
Other Operating Costs	24,949,247
Total Operating Expenses	24,949,247
Operating Income	917,509
Total Net Position - July 1 (Beginning)	1,662,369
Total Net Position - June 30 (Ending)	$ 2,579,878

The notes to the financial statements are an integral part of this statement.

EXHIBIT D-3

LAREDO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Governmental Activities - Health Plan Internal Service Fund
Cash Flows from Operating Activities:	
Cash Received from User Charges	$ 25,972,346
Cash Payments for Insurance Claims	(21,146,804)
Cash Payments for Suppliers	(2,985,177)
Net Cash Provided by Operating Activities	1,840,365
Net Increase in Cash and Cash Equivalents	1,840,365
Cash and Cash Equivalents at Beginning of Year	5,418,312
Cash and Cash Equivalents at End of Year	$ 7,258,677
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income:	$ 917,509
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase in Receivables	(1,600)
Increase in Accounts Payable	209,352
Increase in Due to Other Funds	2,543
Increase in Unearned Revenues	131,778
Increase in Accrued Expenses	580,783
Net Cash Provided by Operating Activities	$ 1,840,365

The notes to the financial statements are an integral part of this statement.

EXHIBIT E-1

LAREDO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2021

	Total Custodial Funds
ASSETS	
Cash and Cash Equivalents	$ 812,324
Total Assets	812,324
LIABILITIES	
Accounts Payable	2,405
Total Liabilities	2,405
NET POSITION	
Restricted for Scholarships	135,969
Restricted for Individuals and Organizations	673,950
Total Net Position	$ 809,919

The notes to the financial statements are an integral part of this statement.

EXHIBIT E-2

LAREDO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Total Custodial Funds
ADDITIONS:	
Student Group Fundrasing Activities	$ 161,886
Earnings from Temporary Deposits	256
Contributions, Gifts and Donations	125,290
Total Additions	287,432
DEDUCTIONS:	
Professional and Contracted Services	47,675
Supplies and Materials	123,816
Other Deductions	311,281
Total Deductions	482,772
Change in Fiduciary Net Position	(195,340)
Total Net Position - July 1 (Beginning)	1,005,259
Total Net Position - June 30 (Ending)	$ 809,919

The notes to the financial statements are an integral part of this statement.

A. Summary of Significant Accounting Policies

Laredo Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in GASB Statement No. 76, and it complies with the requirements of the appropriate version of Texas Education Agency's Financial Accountability System Resource Guide (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

1. Reporting Entity

   The Board of School Trustees ("Board"), a seven-member group and elected by the public, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is appointed and has the exclusive power and duty to govern and oversee the management of the public schools of the District. It has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved to the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state, and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No.14, *The Financial Reporting Entity*, and GASB Statement No.61, *The Financial Reporting Entity: Omnibus*. There are no component units included within the reporting entity.

2. Basis of Presentation, Basis of Accounting

   a. Government-Wide and Fund Financial Statements

      The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Laredo Independent School District nonfiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. Business-type activities include operations that rely to a significant extent on fees and charges for support.

      The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

      Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the governmental fund Statement

A. Summary of Significant Accounting Policies (Continued)

of Revenues, Expenditures and Changes in Fund Balance, and on the Proprietary Fund Statement of Revenues, Expense and Changes in Fund Net Position. All interfund transactions between governmental funds and between governmental funds and proprietary funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the productions of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

b. Fund Accounting

The District reports the following major governmental funds:

1. **The General Fund** – The general fund is the District's primary operating fund. This classification must be used to account for funds in which the local governing board designates. It accounts for all financial resources except those required to be accounted for in another fund.

2. **ESSER II – Elementary and Secondary School Emergency Relief Fund –** The District accounts for emergency relief funds to address the impact that COVID-19 has had, and continues to have, on elementary and secondary schools. District must provide equitable services to students and teachers in non-public schools as required under the CARES Act.

3. **Debt Service Fund** – Governmental fund that must be used to account for general long-term debt principal and interest for debt issues and other long-term debts for which a tax has been dedicated.

4. **EDA 2018 Bond Series Fund –** The District accounts for proceeds from long-term debt financing (including the sale of bonds) and revenues and expenditures related to authorized construction and other capital asset acquisitions in this fund. The Board approves project budgets, not annual appropriated budgets.

Additionally, the District reports the following fund type(s):

Governmental Funds:

1. Special Revenue Funds – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

A. Summary of Significant Accounting Policies (Continued)

2. Debt Service Funds – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

3. Capital Projects Funds – The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Proprietary Funds:

4. Internal Service Funds – Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The Internal Service Fund accounts for the operations of the self-funded health insurance program.

Fiduciary Funds:

5. Custodial Funds – The District accounts for resources held for others in a custodial capacity in custodial funds. These funds are used to account for assets held by the District as an agent for student and other organizations. These funds were previously reported in an agency fund. This change resulted in reporting the detail of additions to and deductions from custodial funds causing a change in the fund net position whereas these details were not reported for agency funds. This change is a result of the implementation of GASB 84. The District's custodial funds consist of District Student Activity Funds, Donations, and Scholarship Funds.

Fiduciary Fund Financial Statement are referenced as Exhibits E-1, E-2, H-9 and H-10.

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 30 days after year end.

A. Summary of Significant Accounting Policies (Continued)

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 30 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Unavailable revenue from property taxes arises only under modified accrual basis of accounting. The governmental funds report this unavailable revenue as a deferred inflow of resources, which is recognized as revenue in the period the amounts become available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources. Furthermore, committed fund balances are reduced first, followed by assigned amounts and then unassigned amounts where expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

GASB Statement No. 87, Leases, was issued in June 2017. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This standard becomes effective for the District in fiscal year 2022. The District has not yet determined the impact of this statement.

A. Summary of Significant Accounting Policies (Continued)

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, was issued in June 2018. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement becomes effective for the District in fiscal year 2022. The District has not yet determined the impact of this statement.

GASB Statement No. 90, Majority Equity Interests, is an Amendment to GASB Statements No. 14 and No. 61. Statement 90 was issued in August 2018. The primary objectives of this Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statements information for certain component units. The Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. On May 8, 2020, GASB postponed the required implementation date for GASB 90. Districts must now implement GASB 90 no later than fiscal year 2021. The District implemented GASB 90 in fiscal year 2021.

GASB Statement No. 91, Conduit Debt Obligations, was issued in May 2019. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This standard becomes effective for the District in fiscal year 2023. The District has not yet determined the impact of this statement.

GASB Statement No. 92, Omnibus 2020, was issued in January 2020. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This standard becomes effective for the District in fiscal year 2022. The District has not yet determined the impact of this statement.

GASB Statement No. 93, Replacement of Interbank Offered Rates, was issued in March 2020. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This standard becomes effective for the District in fiscal year 2021. The District has not yet determined the impact of this statement that may be applicable to future years.

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, was issued in March 2020. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like

A. Summary of Significant Accounting Policies (Continued)

transaction. This standard becomes effective for the District in fiscal year 2023. The District has not yet determined the impact of this statement.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements, was issued in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset— an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. This standard becomes effective for the District in fiscal year 2023. The District has not yet determined the impact of this statement.

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, was issued in June 2020. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This standard becomes effective for the District in fiscal year 2022. The District has not yet determined the impact of this statement.

3. Other Accounting Policies

a. Deposits

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

The funds of the District must be deposited and invested under the terms of a depository contract, contents of which are set out in the Depository Contract Law. The depository bank may either place approved pledged securities for safekeeping or trust with the District's agent bank or letters of credit from FHLB 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 the Federal Deposit Insurance Corporation coverage.

b. Inventories and Prepaid Items

Inventories of supplies on the balance sheet are carried at cost, which is determined principally by the average cost method, while investments of food commodities are recorded at market values supplied by the United States Department of Agriculture (USDA). Inventories are considered expenditures or expenses as they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program.

A. Summary of Significant Accounting Policies (Continued)

Although commodities are received at no cost, their fair market value is supplied by the USDA and recorded as inventory and unearned revenues when received. When requisitioned, inventory and unearned revenues are relieved, expenditures are charged, and revenue is recognized for an equal amount. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

c. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 30-day period after the close of the fiscal year.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. Allowances for uncollectible tax receivables within the General Fund are $1,567,194 and $548,037 for the Debt Service Fund.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

Land and Construction in Progress are not depreciated.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives is not capitalized. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000.

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

Asset Class	Estimated Useful Lives (Years)
Buildings	15 – 30
Furniture and Equipment	3 – 15
Vehicles	7 – 10

A. Summary of Significant Accounting Policies (Continued)

e. Receivable and Payable Balances

The District believes sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure

is provided which disaggregates those balances. There are no significant receivables which are not scheduled for collection within one year of year-end.

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement.

All other inter-fund transactions are treated as transfers. Transfers In and Transfers Out are presented gross on the governmental fund financial statements. The effect of interfund activity has been eliminated on the government-wide financial statements.

g. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the District's management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates. Significant assumptions are required in the calculation of the revenue from the Foundation School Program. It is possible this estimate could be revised in the near term and that the revision could be material.

h. Data Control Codes

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

i. Encumbrances

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at June 30. However, encumbrances outstanding at year end, not otherwise restricted or committed, are reported as assignments of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

A. Summary of Significant Accounting Policies (Continued)

Significant encumbrances included in governmental fund balances are as follows:

	Encumbrances included in:
	Restricted Fund Balance
EDA 2018 Bond Series	$ 56,424,803
Nonmajor Governmental Funds	4,962,322
Total	$ 61,387,125

j. Arbitrage Payable

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury for investment income received at yields that exceed the issuer's tax exempt borrowing rates. The Treasury requires payment for each issue every five years. The estimated liability is updated annually for all tax-exempt issuances or changes in yields until such time payment of the calculated liability is due. There is no District liability as of June 30, 2021.

k. Unearned Revenues

Unearned revenues arise principally from amounts received from the state that relate to the subsequent fiscal year.

l. 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 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 issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

m. Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

A. Summary of Significant Accounting Policies (Continued)

n. Other Post-Employment 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 post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as you-go plan and all cash is held in a cash account.

o. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category.

The deferred charge on refunding reported in the government-wide statement of net position results from the difference in the reacquisition price over the carrying value of the refunded debt. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred outflows of resources for pension and OPEB are reported in the government-wide financial statement of net position. Deferred outflows result from pension plan contributions made after the measurement date of the net pension liability. Deferred outflows also include the District's proportionate share of the deferred outflows of resources of the TRS plan and TRS Care Plan. These deferred outflows include the differences between expected and actual economic experience and changes in actuarial assumptions. The deferred outflows of resources related to the District's contributions which are subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension and OPEB related deferred outflows will be amortized over the expected remaining service lives of all employees.

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

Accordingly, the District reports a deferred gain on refunding and deferred inflow related to TRS pension and TRS OPEB in the government-wide statement of net position, and unavailable revenue-property taxes in the governmental balance sheet.

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

Deferred inflows of resources for pension and OPEB are reported in the government-wide financial statement of net position. These deferred inflows result primarily from differences between projected

A. Summary of Significant Accounting Policies (Continued)

and actual earnings on pension plan investments and changes in actuarial assumptions. These amounts will be amortized over a closed five-year period.

Unavailable revenue-property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available. These are reported as deferred inflows of resources at the fund level and are recognized as revenues at the government-wide level.

p. Investment Policy

The District's general policy is to report money market investments, short-term participating interest-earning investment contracts, and investments in certain qualifying external investment pools at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value.

The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase.

The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; (2) maintain a continuous rating of no lower than AAA or AAAm or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares. As of June 30, 2021, the District invested part of its money with Texas DAILY and TexPool, which hold an AAAm rating from Standard and Poor's (S&P).

TexPool and TexasDAILY are external investment pool 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 US government securities), and can meet reasonably foreseeable redemptions. Texpool and Texas DAILY 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.

A. Summary of Significant Accounting Policies (Continued)

q. Fund Balance and Net Position

Governmental Fund Financial Statements

In accordance with GASB 54, the District classifies governmental fund balances as follows:

Nonspendable - includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories and prepaid items.

Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts restricted due to constitutional provisions or enabling legislation. This classification includes Federal, State and local grants, contractual obligations for personal property, bond proceeds, and retirement of long-term debt.

Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District through formal action of the highest level of decision-making authority. Committed fund balance is reported pursuant to resolution passed by the District's Board of Trustees. This classification includes construction projects not funded by bonded debt, retirements of loans or notes committed by the Board, equipment not funded by bonded debt and local Special Revenue funds.

Assigned - includes fund balance amounts that are self-imposed by the District to be used for a particular purpose. As per the District's policy, fund balance can only be assigned by the District Board of Trustees. This classification includes construction and encumbrances.

Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above-mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes. In this category funds are available for appropriation at Board's discretion as per Fund Balance policy.

Government-Wide Financial Statements

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

Net Investment in Capital Assets - the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt net of premiums and discounts, excluding unspent proceeds that are directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted for Federal and State Programs - the component of net position that reports the difference between assets and liabilities for all state and federal programs.

Restricted for Debt Service - the component of net position that reports the difference between assets and liabilities with constraints placed on their use by law.

A. Summary of Significant Accounting Policies (Continued)

Restricted for Capital Projects - the component of net position that accounts for the difference between assets and liabilities for all district construction projects.

Unrestricted - the difference between the assets and liabilities that is not reported in any of the classifications above.

B. Reconciliation of Government –Wide and Fund Financial

Explanation of certain differences between the governmental fund balance sheet and the Government-Wide Statement of Net Position:

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds.

The details of the $58,709,738 difference is as follows:

Assets:			
Increase in Land		$ 369,963	
Increase in Buildings and Improvements		720,976	
Increase in Furniture and Equipment		997,083	
Depreciation on Disposed Equipment		875,482	
Increase in Construction in Progress		33,736,792	
	Subtotal		$ 36,700,296
Deferred outflows of Resources:			
Decrease in Deferred Charge for refunding			(486,972)
Long - Term Liabilities:			
Increase in termination benefits & compensated absences		(12,056)	
Decrease in interest payable		266,823	
Accreted interest on bonds payable		(1,838,381)	
Amortization of premium on bonds		1,545,768	
Unlimited Tax School Refunding Bonds, Series 2020		(14,370,000)	
Unlimited Tax School Refunding Bonds, Series 2021		(4,515,000)	
Principal payments on bonds payable		41,370,000	
	Subtotal		22,447,154
Deferred inflows of Resources:			
Decrease in Deferred Gain for refunding			49,260
Net Adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities			$ 58,709,738

C. Compliance and Accountability

1. Budgetary Data

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund (which is included in the General Fund). The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 in RSI and the other two reports are in Exhibits J2 and J3.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1) Prior to June 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning July 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. At least ten days' public notice of the meeting must be given.

3) Prior to July 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end. During the year, several amendments were necessary.

4) Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund, General Fund – Food Service, and Debt Service Fund. The Food Service Fund is accounted in the general fund. A more detailed budget versus actual presentation for the Food Service Fund is reported as supplementary information to demonstrate legal compliance at the legal level of budgetary control.

5) Each annual budget is presented on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America. The budget was properly amended throughout the year by the Board. Expenditures may not legally exceed budgeted appropriations at the function level.

6) Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end.

7) The ESSER II CRRSA Act Fund, the Non-Major Special Revenue Funds, the EDA 2018 Series, and the Non-Major Capital Projects Funds adopt project-length budgets which do not correspond to the District's fiscal year. These funds are not legally required to adopt a budget, therefore budgetary comparison information is not presented.

C. Compliance and Accountability (Continued)

Budget information is summarized next:

	Original Budget	Increase / (Decrease)	Amended Budget
General Fund	$ 231,029,877	$ 11,328,871	$ 242,358,748
General Fund – Food Service	22,233,500	(13,526,449)	8,707,051
Total General Fund	$ 253,263,377	$ (2,197,578)	$ 251,065,799
Debt Service Fund	$ 33,006,582	$ 310,864	$ 33,317,446

It is noted that during this fiscal year, the budget appropriations in General Fund were increased to appropriate expenditures from the Stabilization Arrangement Fund - other committed fund balance for Chromebook setup services for elementary schools in the amount of $222,240, the purchase of COVID supplies in the amount of $994,230, for the purchase of learning devices and reliable internet connections in the amount of $1,041,624.

Budget appropriations in the General Fund were also increased to appropriate expenditures from committed and other committed fund balance for the wrought iron fence at Martin High School in the amount of $200,000, construction of the JROTC obstacle course in the amount of $120,000, roof replacement at Martin High School in the amount of $325,985, security cameras purchases district wide in the amount of $1,190,342, and roof repairs at Information Department in the amount of $51,583.

Moreover, budget appropriations in the General Fund were increased to appropriate expenditures from assigned and other assigned fund balance for the roof repair at Cigarroa High School in the amount of $139,022, district wide FY 2019-2020 outstanding purchase orders in the amount of $3,037,059, the Property and Casualty deductible for $400,000, COVID-19 rapid tests for $100,000, One-Time COVID-19 Supplemental Pay for $3,549,098, Emergency Funds - Capital Repairs for $100,000, Martin High School Flores Gym roof for $384,000, Information Technology Department roof repair for $64,600, Nixon High School Montes Field chain link fence for $65,000, and Information Technology COM account for $100,000.

Additionally, budget appropriations in the General Fund were increased to appropriate expenditures from the unassigned fund balance for two new college career or military readiness coordinators in the amount of $160,000, architect fees for Cigarroa Middle School in the amount of $713,866, for the partial guaranteed maximum price for Cigarroa M.S. in the amount of $809,299.

Similarly, budget appropriations in the General Fund were increased to appropriate additional revenues and expenditures for the Texas Education Agency allocated personal protective equipment (PPE) to Laredo ISD in the amount of $272,290,and for the mentor program allotment in the amount of $99,000.

Furthermore, budget appropriations in the General Fund were decreased to reduce expenditures due to a reduction of payroll expenditures in the amount of $928,000, to fund a transfer out to the Debt Service Fund in the amount of $389,888, to fund transfer outs to capital projects fund for Ligarde Elementary School land purchase in the amount of $236,233, for Cigarroa Middle land purchase in the amount of $809,299, and for information technology department building improvements in the amount of $840,000.

C. Compliance and Accountability (Continued)

Lastly, budget appropriations in the General Fund (E-Rate) computer equipment purchases were increased due to the additional funding in the amount of $393,053.

Budget appropriations in Food Service were decreased to reduce revenues and expenditures in the amount of $13,526,449 as a result of Food Service operating as COVID-19 Summer Feeding Program since September 14, 2020.

Budget appropriations in Debt Service Fund were increased to appropriate expenditures due to increased other debt fees from the refunding of the Bond Series 2020 in the amount of $189,550 and increased other debt fees from the refunding Bond Series 2021 in the amount of $121,314.

2. Excess Actual Over Budget

For the year ended June 30, 2021, appropriations exceeded expenditures in all legally budgeted funds.

D. Cash, Cash Equivalent and Investments

Cash Deposits: The District's cash and cash equivalents are considered to be cash on hand and demand 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 and letters of credit which comply with state. These securities are held for safekeeping and trust with the District's and the depository banks' agent bank. The pledged securities and letters of credit are in compliance with the Texas Government Code, Chapter 2257 “Collateral for Public Funds”, and are sufficient to meet the terms agreed to in the current depository contract as approved by TEA. The pledge of approved securities and letter of credits is waived only to the extent of the depository bank’s dollar amount of Federal Deposit Insurance Corporation (“FDIC”) coverage.

Investments: Investments, except for the investment pools, for the District are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. The District’s investment policy is in accordance with the Public Funds Investment Act, the Public Funds Collateral Act, and federal and state laws. The District further limits its investments to U.S. Agencies, certificates of deposit, money market accounts and investment pools.

D. Cash, Cash Equivalent and Investments (Continued)

The carrying amount of the District's deposits and investments are as follows:

Cash in Bank or On Hand - Primary Government		$	88,456,389
Cash Equivalents			
Investment Pools Accounts:			
TexasDAILY	131,145,832		
TexPool	9,235,618		
Current Investments			
Certificates of Deposit:			
BBVA	10,166,380		
Discount Notes:			
U S Treasury Bill	7,490,292		
Total Cash Equivalents and Current Investments			158,038,122
Total Deposits and Investments - Primary Government		$	246,494,511

Deposits:

At June 30, 2021, the District's bank deposits (cash and interest bearing accounts) were $229,791,416. The District's cash deposits at June 30, 2021 were entirely covered by FDIC coverage and by pledged collateral held by the District's agent bank in the District's name and letters of credit from the Federal Home Loan Bank Atlanta.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

a. Depository: BBVA Bank. The total collateral amount at the highest combined balance on deposits was $156,500,000 which is the sum of four letters of credit.

b. The highest combined balances of cash, savings, and time deposit accounts amounted to $117,034,800 and occurred during the month of January 2021.

c. Total amount of FDIC coverage at the time of the largest combined balance was $500,000.

Investments:

Investments, except for the investment pools, for the District are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. The District's investment policy is in accordance with the Public Funds Investment Act, the Public Funds Collateral Act, and federal and state laws.

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of

D. Cash, Cash Equivalent and Investments (Continued)

principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, the state of Texas, (2) certificates of deposit and Share Certificates, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

<u>External Investment Pool-Primary Government:</u>

Texas DAILY is a portfolio established by Texas Term Advisory Board pursuant to the provisions of the Texas Term Common Investment Contract that established the Pool. Texas DAILY is a local government investment portfolio established to allow school districts and other governmental entities in Texas to pool their funds for investment under the provisions of the Inter local Cooperation Act, Chapter 791 of the Texas Government Code, the Public Funds Investment Act and other similar cooperative statutes and under the statutes governing investment of funds by those local governments.

TexPool is a local government investment pool created on behalf of Texas entities whose investment objectives are preservation and safety of principal, liquidity and yield consistent with the Public Funds Investment Act. Pursuant to subchapter G of chapter 404, the Comptroller of Public Accounts administers the Texas Local Government Investment Pools (the "TexPool Portfolios") as public funds investment pools through the Texas Treasury Safekeeping Trust Company (the "Trust Company").

The Trust Company is a special-purpose trust company authorized to receive, transfer, and disburse money and securities as provided by statute or belonging to the state, agencies, and local political subdivisions and other organizations created on behalf of the state or agency or political subdivision of the state.

The Comptroller and the Trust Company have contracted with Federated Investors, Inc. ("Federated"), as administrator and investment manager for the TexPool Portfolios.

As noted in the District's Significant Accounting Polices, the District reports its local government investment pools at amortized cost as permitted by GASB Statement No. 79 *Certain External Investment Pools and Pool Participants.*

Credit Risk. In accordance with state law and the District's investment policy, investments in investment pools must be rated at least AAA or have an equivalent rating, commercial paper must be rated at least A-1,P-1, or have an equivalent rating, and obligations of states, agencies, counties, and cities must be rated at least A or its equivalent. As of June 30, 2021, Texas Daily and Texpool were rated AAAm by Standard and Poor's (S&P). The District did not have any investments in commercial paper as of June 30, 2021.

D. Cash, Cash Equivalent and Investments (Continued)

Concentration of Credit Risk. The District places no limit on the amount the District may invest in any one issuer, rather investments are governed by the objectives of preservation and safety of principal, liquidity, and yield. In addition, the investment portfolio is diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer. The District's deposits and investments are allocated as follows: US Treasury Bill (3.04%), Texas DAILY (53.20%), TexPool (3.75%), and BBVA (40.01%).

Interest Rate Risk. In accordance with state law and the District's investment policy, the District does not purchase any investments with maturities greater than two and a half (2.5) years for its Operating Funds.

The investment maturities in the following table reflect the maturity date of the investments in each category due 12 months from the balance sheet date. The District uses its investments in the investment pools, certificates of deposits and a discount note to further mitigate interest rate risk.

The District's investments at June 30, 2021 are shown below:

		Investment Maturities in Years	
Investment	Book Value	Less than 1 Year	1 to 2 Years
Agency Bonds & Discount Notes			
U S Treasury Bill	$ 7,490,292	$ 7,490,292	$ -
	7,490,292	7,490,292	-
Investment Pools			
Texpool	9,235,618	9,235,618	-
Texas DAILY	131,145,832	131,145,832	-
	140,381,450	140,381,450	-
Certificates of Deposit			
BBVA	10,166,380	10,166,380	-
	10,166,380	10,166,380	-
Total Book Value	$ 158,038,122	$ 158,038,122	$ -

TexPool and Texas DAILY 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 US government securities), and can meet reasonably foreseeable redemptions. Texpool and Texas DAILY 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.

D. Cash, Cash Equivalent and Investments (Continued)

Fair Value of Investments:

The District's investments, whether recorded at fair value, cost, or amortized cost, at June 30, 2021 are shown below:

Investment Type	Cost or Amortized Cost	Fair Value Measurements Level 1 Quoted Prices in Active Markets for Identical Assets	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total
Agency Bonds & Discount Notes					
U S Treasury Bill	$ -	$ -	$ 7,490,292	$ -	$ 7,490,292
	-	-	7,490,292		7,490,292
Investment Pools					
Texpool	9,235,618	-	-	-	9,235,618
Texas DAILY	131,145,832	-	-	-	131,145,832
	140,381,450	-	-	-	140,381,450
Certificates of Deposit					
BBVA	10,166,380	-	-	-	10,166,380
	10,166,380	-	-	-	10,166,380
Total Investments	$ 150,547,830	$ -	$ 7,490,292	$ -	$ 158,038,122

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application* provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that government can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

The fair value of agency bonds and discount notes is determined using quoted prices for comparable instruments, which is considered a market approach. The fair value of the investments in U.S. Government Agency securities is based on quoted market prices. The amount of increase in the fair value of these investments is $118,854 during the year ended June 30, 2021. The total investment income for the year is $232,233.

E. Due to and from Other Governments and Agencies

The district participates in a variety of federal, state, and local programs from which it receives grants to finance certain activities partially or fully. During fiscal year 2021, the District participated in the following programs that are in response to the COVID-19 pandemic by state and federal programs.

- CARES ESSER I
- CRRSA ESSER II
- Operation Connectivity Bulk Purchase Program
- Operation Connectivity Prior Purchase Reimbursement Program
- Coronavirus Relief Funds passed through TDEM
- HSS Provider Relief Funds
- TDA Emergency Operational Cost Reimbursement Program

Amounts due to and from federal, state, and local governments as of June 30, 2021 are summarized below and are reported on the government-wide statement of net position.

	Due to Other Governments	Due from Other Governments
Major Governmental Funds:		
General Fund	$ 9,377,575	$ 17,400,809
General Fund- Food Service	-	917,260
Debt Service Fund	-	278,766
CRSSA Act- ESSER II	-	8,096,060
Total Major Governmental Funds	9,377,575	26,692,895
Nonmajor Governmental Funds:		
ESEA, Title X Part C, Homeless Education	-	2,229
ESEA, Title I Part A, Improving Basic Program	-	4,786,354
ESEA, Title I Part C, Migratory Children	60,249	109,333
IDEA - Part B Formula	-	829,560
IDEA - Part B Preschool	-	6,725
IDEA - Part B Discretionary	-	24,031
Summer Feeding Program	-	824,888
Perkins V: Strengthening CTE for 21st Century	-	62,564
ESEA, Title II Part A, Supporting Instruction	-	341,506
ESEA, Title III Part A, English Lang. Acquisition	-	223,860
CARES Act- ESSER Relief Fund	-	2,126
College Now Career Connected!	-	131,545
Other Federal Special Revenue Funds	-	291,860
Other State Special Revenue Funds	-	91,250
SSA Regional Day School Deaf	-	5,334
OCDETF Grant	-	13,354
AEP Foundation Grant	-	385,263
Total Nonmajor Governmental Funds	60,249	8,131,782
Total Governmental Funds	$ 9,437,824	$ 34,824,677

F. Interfund Balances and Activities

1. Interfund Receivables and Interfund Payables

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All amounts due are scheduled to be repaid within one year. Interfund balances between governmental funds and proprietary funds are eliminated in the statement of net position and reported as internal balances.

The composition of interfund balances as of June 30, 2021 is as follows:

	Interfund Receivables	Interfund Payables
Governmental Funds:		
General Fund	$ 13,063,904	$ 861,639
CRRSA Act- ESSER II	-	8,096,060
Debt Service Fund	519,568	-
Nonmajor Governmental Funds	31,528	4,654,580
Total Governmental Funds	13,615,000	13,612,279
Proprietary Fund:		
Health Plan Internal Service Fund	-	2,721
Total – All Funds	$ 13,615,000	$ 13,615,000

2. Transfers To/From Other Funds

Transfers between the Special Revenue Funds, Capital Projects Funds, and the General Fund are to account for the District's local share of grant funds. Transfers to the Debt Service Fund are related to amounts to cover interest and principal on debt.

Interfund transfers for the year ended June 30, 2021 were as follows:

Transfers From	Transfers To	Amount	Purpose
General Fund	Capital Projects	$ 1,885,532	Transfer to cover for capital improvement projects.
General Fund	Debt Service	799,776	Transfer to cover for principal payments and agent fees.
General Fund	Athletics Program	1,262,846	Transfer to cover athletic costs for the district.
General Fund	J. Martinez PAC	175,597	Transfer to cover J. Martinez PAC for the district.
General Fund	E-Rate	455,000	Transfer to cover local 10% share of grant and items ineligible for E-Rate.
		$ 4,578,751	

G. Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows:

	Beginning Balances	Additions	Dispositions and Adjustments	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 22,501,975	$ 369,963	$ -	$ 22,871,938
Construction in Progress	16,442,722	34,457,768	720,976	50,179,514
Total capital assets not being depreciated	38,944,697	34,827,731	720,976	73,051,452
Capital assets being depreciated:				
Buildings and Improvements	534,479,946	720,976	-	535,200,922
Furniture and Equipment	42,910,565	1,885,387	888,304	43,907,648
Total capital assets being depreciated	577,390,511	2,606,363	888,304	579,108,570
Less accumulated depreciation:				
Building and Improvements	210,290,805	17,229,327	-	227,520,132
Furniture and Equipment	30,916,091	2,979,646	875,482	33,020,255
Total accumulated depreciation	241,206,896	20,208,973	875,482	260,540,387
Total capital assets being depreciated, net	336,183,615	(17,602,610)	12,822	318,568,183
Governmental activities capital assets, net	$ 375,128,312	$ 17,225,121	$ 733,798	$ 391,619,635

Depreciation was charged to the following functions as follows:

Instruction	$	8,238,245
Instruction Resources and Media Services		80,910
Instructional Leadership		265,192
School Leadership		394,041
Guidance, Counseling & Evaluation Services		44,881
Social Work Services		11,647
Food Services		658,931
Extracurricular Activities		1,981,774
General Administration		202,726
Facilities Maintenance and Operations		1,699,323
Security and Monitoring Services		4,714,672
Data Processing Services		1,685,893
Community Services		230,738
Total Depreciation	$	20,208,973

H. Unearned Revenues

Unearned revenues at June 30, 2021 consisted of the following:

Major Governmental Funds:		
General Fund- Food Service	$	964,775
General Fund- Headstart Program		45,834
General Fund- Escrow Taxes		56,015
Total Major Governmental Funds		1,066,624
Nonmajor Governmental Funds:		
ESEA, Title I Part-A, Improving Basic Program		15,839
ESEA, Title III Part-A, English Lang. Acquisition		44,049
Provider Relief Fund CARES		307
LEP Summer School		65,447
Instructional Materials Allotment		37,707
LEOSE		6,511
Equitable Sharing Program		83,351
J. Martinez Performing Arts Complex		3,745
AEP Foundation Credis		197
Strength Breakfast Grant		50,018
Total Nonmajor Governmental funds		307,171
Total Governmental Funds		1,373,795
Proprietary Fund:		
Health Plan Internal Service Fund		2,149,988
Total - All Funds	$	3,523,783

I. Loans Payable

The District may borrow money for the purpose of paying maintenance expenses and may evidence those loans with negotiable notes. The District pledged proceeds of its maintenance tax to secure maintenance tax notes for the purpose of financing the renovation and equipment of qualified zone academies, within the meaning of section 1397(d) of the Internal Revenue Code of 1986, located within the District in accordance with the provisions of Section 45.108, Texas Education Code, as amended.

A Qualified Zone Academy Limited Maintenance Tax Note of $8,000,000 was entered into on October 3, 2005, for the purpose of financing the construction of academies for three middle schools and two high schools. The loan has an interest rate of 0% and an original term of sixteen years. The principal payment of $8,000,000 is due to mature on October 3, 2021. In connection with the Qualified Zone Academy Limited Maintenance Tax Note, within the Interest and Sinking Fund, there shall be established a "Cumulative Sinking Fund Deposit Account"; provided however that the Cumulative Sinking Fund Deposit Account shall at all times be maintained by the District with, and held by, the Registrar.

I. Loans Payable (Continued)

The following is a summary of loan transaction of the District for the year ending June 30, 2021.

Description	Balance Outstanding 7/1/2020	Issued Current Year	Retired Current Year	Balance Outstanding 6/30/2021	Amounts Due Within One Year
Note - October 3, 2005	$ 8,000,000	$ -	$ -	$ 8,000,000	$ 8,000,000
	$ 8,000,000	$ -	$ -	$ 8,000,000	$ 8,000,000

No interest was paid during the year on loans. All loans are funded from Maintenance and Operations (M&O) tax.

The following is a schedule of the required payments for this loan:

Year Ending June 30,	Principal	Interest	Total
2022	$ 8,000,000	$ -	$ 8,000,000

The future sinking fund requirements for the Qualified Zone Academy Limited Maintenance Tax Note of $8,000,000 are as follows:

Year Ending June 30,	Amount
2022	$ 389,887
Total	$ 389,887

J. Long-Term Obligations

The District issues general obligation bonds for the governmental activities to provide funds for the acquisition and construction of major capital facilities. The bonds are supported by a pledge of the District's full faith and credit and require a levy and collection of taxes without limitation as to rate or amount on all property subject to taxation by the District sufficient in amount to pay the principal and interest on such bonds as they become due. The indentures also require that a Debt Service Fund be created and administered by the District solely for paying principal and interest when due.

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

J. Long-Term Obligations (Continued)

Bonded indebtedness of the District reflected in the General Long Term Debt and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. Total principal amount of Tax Bond indebtedness cannot exceed 10 percent of the taxable assessed valuation of property in the School District.

The District issued Unlimited Tax Refunding Bonds, Series 2020 in the amount of $14,370,000 with interest rates ranging from 4.0% to 5.0%. The proceeds were used to advance refund $15,695,000 of outstanding Unlimited Tax Refunding Bonds, Series 2010 which had interest rates ranging from 4.00% to 5.00%. Escrow Fund Deposit was in the amount of $16,036,492. The premium was in the amount of $1,856,041. Cost of Issuance was in the amount of $123,419 and $64,330 in Underwriter's Discount. Funds were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, Unlimited Tax Refunding Bonds, Series 2010 are considered defeased and the liability for those bonds has been removed from the statement of net position. Total Refunding Bonds, Series 2010 were refunded.

The reacquisition price exceeded the net carrying amount of the old debt by $341,492 which is the Deferred Charge in Refunding. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The District advance refunded the Unlimited Tax Refunding Bonds, Series 2010 to reduce its total debt service payments over 5 years by $1,596,100.00 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $1,559,755.

The District issued Unlimited Tax Refunding Bonds, Series 2021 in the amount of $4,515,000 with interest rates ranging from 2.0% to 4.0%. The proceeds were used to advance refund $4,735,000 of outstanding Unlimited Tax Refunding Bonds, Series 2011 which had interest rates ranging from 4.00% to 5.00%. Escrow Fund Deposit was in the amount of $4,839,579. The premium was in the amount of $445,894. Cost of Issuance was in the amount of $96,034 and $25,280 in Underwriter's Discount. Funds were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, partial Unlimited Tax Refunding Bonds, Series 2011 are considered defeased and the liability for those bonds has been removed from the statement of net position. Some Refunding Bonds, Series 2011 in the amount of $1,065,000 are still outstanding.

The reacquisition price exceeded the net carrying amount of the old debt by $104,579 which is the Deferred Charge in Refunding. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The District advance refunded the Unlimited Tax Refunding Bonds, Series 2011 to reduce its total debt service payments over 5 years by $352,213 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $349,193.

J. Long-Term Obligations (Continued)

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2021 are as follows:

Description	Rate Payable	Original Issue	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Unlimited Tax Refunding Bonds, Series 2010:							
Current Interest	4.00-5.00%	18,420,000	18,420,000	-	18,420,000	-	-
Unlimited Tax Refunding Bonds, Series 2011:							
Current Interest	2.00-5.00%	18,415,000	6,835,000	-	5,770,000	1,065,000	1,065,000
Unlimited Tax School Building Bonds, Series 2013:							
Current Interest	4.00-5.00%	43,425,000	30,505,000	-	2,430,000	28,075,000	2,555,000
Unlimited Tax School Building Bonds, Series 2014:							
Current Interest	4.00-5.00%	67,160,000	57,625,000	-	2,670,000	54,955,000	2,805,000
Unlimited Tax School Refunding Bonds, Series 2014:							
Current Interest	4.00%	11,310,000	11,310,000	-	-	11,310,000	-
Capital Appreciation	9.63-9.68%	22,690,000	20,338,029	1,838,381	3,625,000	18,551,410	1,880,000
Unlimited Tax School Refunding Bonds, Series 2015:							
Current Interest	2.00-5.00%	65,560,000	48,145,000	-	6,105,000	42,040,000	6,405,000
Unlimited Tax School Building Bonds, Series 2018:							
Current Interest	3.125-5.00%	90,375,000	90,375,000	-	2,065,000	88,310,000	2,170,000
Unlimited Tax School Refunding Bonds, Series 2020:							
Current Interest	4.00-5.00%	14,370,000	-	14,370,000	285,000	14,085,000	2,885,000
Unlimited Tax School Refunding Bonds, Series 2021:							
Current Interest	2.00-4.00%	4,515,000	-	4,515,000	-	4,515,000	65,000
TOTALS		$356,240,000	$283,553,029	$20,723,381	$41,370,000	$262,906,410	$19,830,000

Interest paid on bonded indebtedness during the current year was $13,582,706.

The following is a schedule of the required payments for these general obligation bonds:

Year Ending June 30,	Principal	Capital Appreciation Bond	Interest	Total
2022	19,830,000	1,577,669	13,112,528	32,942,528
2023	20,485,000	1,432,443	12,459,925	32,944,925
2024	20,295,000	1,303,678	11,703,025	31,998,025
2025	21,055,000	1,188,475	10,898,800	31,953,800
2026	17,675,000	1,078,675	10,129,625	27,804,625
2027-2031	74,405,000	1,875,470	33,387,997	107,792,997
2032-2036	38,810,000	-	14,886,434	53,696,434
2037-2041	24,240,000	-	7,562,500	31,802,500
2042-2044	17,655,000	-	1,352,875	19,007,875
	$ 254,450,000	$ 8,456,410	$ 115,493,709	$ 369,943,709

J. Long-Term Obligations (Continued)

Capital Appreciation Bonds

The total accretion of discount on capital appreciation bonds that is included in the June 30, 2021 ending balance of $262,906,410 is $8,456,410.

Defeased Bonds

In prior years, the District defeased certain general obligation bonds by placing the proceeds of the bonds in an irrevocable trust for all future debt service payments on the refunded bonds. Accordingly, the trust accounts for the assets and liabilities for the defeased bonds and are not included in the District's financial statements in the amount of $182,555,042.

K. Changes in Long-Term Liabilities

Long-term liability activity for the governmental activities as of June 30, 2021, was as follows:

Description	Balance Outstanding 9/1/2020	Issued/Increase Current Year	Retired/Decrease Current Year	Balance Outstanding 6/30/2021	Amounts Due Within One Year
Loans	$ 8,000,000	$ -	$ -	$ 8,000,000	$ 8,000,000
Total Loans Payable	8,000,000	-	-	8,000,000	8,000,000
General Obligation Bonds	283,553,029	20,723,381	41,370,000	262,906,410	19,830,000
Bonds Premium Amortization - Net	38,354,338	2,301,935	3,847,703	36,808,570	3,519,636
Total Bonds Payable	321,907,367	23,025,316	45,217,703	299,714,980	23,349,636
Other Liabilities					
Compensated Absences	2,769,084	546,632	534,576	2,781,140	534,576
Total Other Liabilities	2,769,084	546,632	534,576	2,781,140	534,576
Total Governmental Activities Long-term Liabilities	$ 332,676,451	$ 23,571,948	$ 45,752,279	$ 310,496,120	$ 31,884,212

General Operating Fund is used to liquidate the liability for compensated absences.

L. Accumulated State Personal and Sick Leave Benefits

Buy back of accrued sick leave at retirement – The District buys back accrued unused sick leave from employees when they retire from the District with full benefits under the Teacher Retirement System. Buy back of accrued leave is at the rates established in the District's Local Policy. This one-time-only benefit is available to employees who have served at least ten consecutive years in the District; however, the plan applies also to employees who die while employed in the District, regardless of the length of their employment, with payment made to the designated beneficiary.

L. Accumulated State Personal and Sick Leave Benefits (Continued)

Rate for professional employees – A professional employee who retires meeting the eligibility criteria specified above shall be paid for accumulated leave up to a maximum of 40 days of state/personal leave, of which 5 days are at 100% daily base rate, 10 days at 75% daily base rate, and 25 days at 50% of the daily base rate of pay; in addition, 40 days of local sick leave are at $100 per day.

Rate for para-professional and auxiliary employees – A paraprofessional or auxiliary employee who retires meeting the eligibility criteria specified above shall be paid for accumulated leave up to a maximum of 80 days of leave combination of state/personal plus local leave, of which the first 10 days are at 100% daily base rate, the next 15 days are at 75% daily base rate, and the next 55 days are at 50% of the daily base rate of pay.

As of June 30, 2021, the balance for the State Personal and Sick Leave is $2,781,140. The estimated amount due within a year is $534,576. The General Fund and Special Revenue Funds, if allowed, are expected to pay for these.

M. Major Sources of Revenue from Local and Intermediate Sources

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

	General Fund	Debt Service Fund	EDA 2018 Series	Other Governmental Funds	Total
Property Taxes	$ 23,617,725	$ 10,387,227	$ -	$ -	$ 34,004,952
Penalties & Interest	547,756	213,078	-	-	760,834
Investment Income	190,522	261,270	92,747	53,077	597,616
Rental of Facilities & Insurance	5,500	-	-	11,727	17,227
Co-curricular	8,906	-	-	-	8,906
Webb County Permanent Fund	-	-	-	426,001	426,001
Miscellaneous	2,048,125	9,728	-	1,140,800	3,198,653
	$ 26,418,534	$ 10,871,303	$ 92,747	$ 1,631,605	$ 39,014,189

N. Risk Financing Activities

The District is exposed to various risks of loss related to torts, theft, damage, or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2021, the District purchased commercial insurance to cover these risks. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Workers' Compensation

The District was self-insured for workers' compensation claims in fiscal years 2002, 2003, and 2004. The following liabilities reported are based on the reserves that were earmarked through June 30, 2021. These reserves are estimates based on client's current medical condition and medical plan but may change as client's condition changes in either a positive or negative manner. Laredo ISD has partnered with Broadspire to manage the historical claims for clients. Broadspire will continue to perform the daily management of the

N. Risk Financing Activities (Continued)

client's medical treatment plan. Laredo ISD shall oversee the medical expenses periodically through client review on at least a quarterly basis to ensure efficient and effective expenditures. The medical expenditures of the client are based on client's current health but can change dependent on client's health. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. The District accounts for claim payments in the General Fund.

A summary of the workers' compensation claims aggregate for prior and current year is presented below:

Year	Beginning of Fiscal Year Liability	Current Year Claims &/or changes in Estimate	Claims Payments	Balance at Fiscal Year-End
2019-2020	$56,348	-	$2,454	$53,894
2020-2021	$53,894	-	$2,510	$51,384

Health Insurance

The claims for the health insurance liability of $1,720,639 reported in the Health Plan Internal Service Fund at June 30, 2021 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the Fund's claims liability amounts are as follows:

	2020	2021
Beginning of the year liability	$ 1,456,967	$ 1,139,856
Current year claims	21,776,036	21,222,379
Changes in estimates	(317,111)	580,783
Claims payments	(21,776,036)	(21,222,379)
End of year liability	$ 1,139,856	$ 1,720,639 [1]

[1]Claim liabilities are due within one year of the date of net position.

O. Defined Benefit Pension Plan

Plan Description. The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS).

It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

Pension Plan Fiduciary Net Position. Detail information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/Pages/aboutpublications.aspx, or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698.

Benefits Provided. TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 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 post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (A) above.

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. Actuarial implications of the funding provided in the manner are determined by the System's actuary. In May, 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, the legislature to approve funding for a 13th check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity or $2,000, whichever was less.

Contributions. Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year.

O. Defined Benefit Pension Plan (Continued)

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 through 2025. Contribution Rates can be found in the TRS 2020 ACFR, Note 11, on page 82.

Contribution Rates

	2020	2021
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%
Employers	7.5%	7.5%
Current Fiscal Year Employer Contributions		$6,402,716
Current Fiscal Year Member Contributions		$13,846,542
2020 NECE On-Behalf Contributions		$9,352,693

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

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

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

- The District shall contribute 1.5% of the member's salary beginning in fiscal year 2020, gradually increasing to 2% in fiscal year 2025.
- 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.

O. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions. The total pension liability in the August 31, 2019 actuarial valuation was determined using the following actuarial assumptions: *Actuarial Assumptions can be found in the 2020 TRS ACFR, Note 11 page 82 and 83.*

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Inflation	2.30%
Municipal Bond Rate as of August 2020[1]	2.33%
Salary Increases Including Inflation	3.05 to 9.05%
Last yr. ending Aug 31 in Projection Period (100 yrs.)	2119
Ad hoc Post Employment Benefit Changes	None

[1]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."

The actuarial methods and assumptions are used in determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2019. For a full description of these assumptions please see the actuarial valuation report dated November 14, 2019.

The active mortality rates were 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.

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

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

O. Defined Benefit Pension Plan (Continued)

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2020 (see page 53 of the TRS ACFR) are summarized below:

Asset Class	FY 2020 Target Allocation[1]	Long-Term Expected Arithmetic Real Rate of Return[2]	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18.0%	3.90%	0.99%
Non-U.S. Developed	13.0%	5.10%	0.92%
Emerging Markets	9.0%	5.60%	0.83%
Private Equity	14.0%	6.70%	1.41%
Stable Value			
Government Bonds	16.0%	-0.70%	-0.05%
Stable Value Hedge Funds	5.0%	1.90%	0.11%
Real Return			
Real Estate	15.0%	4.60%	1.01%
Energy, Natural Resources & Infrastructure	6.0%	6.0%	0.42%
Commodities			
Risk Parity			
Risk Parity	8.0%	3.0%	0.30%
Leverage			
Cash	2.0%	-1.50%	-0.03%
Asset Allocation Leverage	-6.0%	-1.30%	0.08%
Inflation Expectation			2.0%
Volatility Drag[3]			-0.67%
Total	**100%**		**7.33%**

[1]Target allocations are based on the FY2020 policy model.
[2]Capital Market Assumptions come from Aon Hewitt (as of 08/31/2020)
[3]The volatility drag results from the conversion between arithmetic and geometric mean returns.

Discount Rate Sensitivity Analysis. The following table presents the Net Pension Liability of the plan using the discount rate of 7.25%, and what the net pension liability would be if it were calculated using a discount rate that is 1% point lower (6.25%) or one percentage point higher (8.25%) than the current rate. *The discount rate can be found in the 2020 TRS ACFR, Note 11, page 84.*

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
Proportionate share of the net pension liability:	$125,188,894	$81,186,995	$45,436,417

O. Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2021, the District reported a liability of $81,186,995 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	$ 81,186,995
State's proportionate share that is associated with District	121,402,966
Total	$202,589,961

The District utilizes funds based on employee assignments to liquidate the Pension liability through employer contributions in the payroll process. The majority of the liability is paid from General Fund and the remaining is from various federal/state grants.

The net pension liability was measured as of August 31, 2019 and rolled forward to August 31, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2019 thru August 31, 2020.

At August 31, 2020 the employer's proportion of the collective net pension liability was 0.1515871690% which was a decrease of -0.0067128656% from its proportionate measured as of August 31, 2019.

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

For the year ended June 30, 2021, the District recognized pension expense of $26,620,380 and revenue of $14,602,081 for support provided by the State.

At June 30, 2021, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	$148,241	$2,265,714
Changes in actuarial assumptions	18,838,271	8,009,902
Difference between projected and actual investment earnings	1,643,561	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	3,130,961	3,483,420
Total as of August 31, 2020 measurement date	23,761,034	13,759,036
Contributions paid to TRS subsequent to the measurement date	5,399,494	-
Total as of fiscal year-end	29,160,528	13,759,036

O. Defined Benefit Pension Plan (Continued)

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

Year ended June 30:	Pension Expense Amount
2022	$3,414,476
2023	3,763,397
2024	3,501,825
2025	794,455
2026	(1,315,488)
Thereafter	(156,667)

P. Health Care Coverage

The District is self-funded with Blue Cross Blue Shield of Texas (BCBSTX) acting as the health plan administrator. BCBSTX as well as the local servicing agency, Laurel Insurance Agency, services the group health program. The District maintains both aggregate and individual stop-loss coverage for catastrophic losses. The stop loss contracts renew on a calendar year basis. From 1/1/21 through 12/31/21 the individual stop loss deductible was $250,000 per individual.

The District contributed $475.00 for all Teacher Retirement System (TRS) qualified employees towards the cost of participation in the Preferred Provider Organization (PPO) medical plan program from 7/1/2021 through 12/31/2021. The District contribution increased to $525.00 for qualified employees in 1/1/2021 through the end of the calendar year.

The District offered three (3) benefit plan options: Basic, Low, High, (1/1/2021-12/31/2021) as well as four (4) tier coverage levels (Employee Only, Employee & Spouse, Employee & Children, Employee & Family) within each option. The District complies with all federal law and state laws, mandates or requirements in the administration and offering of its health plan.

The District's self-funded approach to financing its health plan has been very efficient and successful in that the District has been able to provide employees different choices of plans and levels of benefits which are in compliance with the TRS Comparability Program. Employee participation in the District's medical plan is at 2,862 employees as of June 30, 2021. Upon review by TRS, via the mandatory comparability reporting requirements, it was determined that the District satisfied all of the reporting requirements of the Education code for the ongoing required comparability study. It was determined that our District makes available to all employees group health coverage that is comparable to the basic health coverage provided to state employees under the Texas Employees Uniform Group Insurance Benefits Act.

Medicare Part D. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. In accordance with GASB Statement No. 24, the District has recognized as revenues and expenditures, contributions made by the State to TRS on-behalf of the district's employees. For the year ended June 30, 2021, the state made contributions of $783,237 related to on-behalf Medicare Part D payments. These revenues equal expenditures and are reflected in the fund financial statements for the General Fund.

Q. Construction Commitments

As of June 30, 2021, the District was obligated under the terms of various agreements for the construction of the following projects:

Project Name	Contract Amount	Paid to Date	Commitment Balance Remaining	Retainage Payable Amount
New School Construction/Improvements	$ 99,617,330	$ 31,691,084	$ 67,926,246	$ 2,068,724
Environmental Services	405,994	137,079	268,915	-
Architect Services	3,997,394	2,000,368	1,997,026	-
Total	$ 104,020,718	$ 33,828,531	$ 70,192,187	$ 2,068,724

R. Commitments and Contingencies

1. Contingencies

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

2. Litigation

The District is a defendant in legal proceedings relating to its operations as a school district. In the best judgment of the District's management, the outcome of any present legal proceedings will not have any material adverse effect on the financial condition of the district. Accordingly, no provision for losses has been recorded in the accompanying financial statements for such contingencies.

S. Fund Balance

Minimum fund balance policy. The Board of Trustees has adopted a financial policy to maintain a minimum level of unassigned fund balance in the general fund. The target level is set at two months of general fund operations costs. This amount is intended to provide fiscal stability when economic downturns and other unexpected events occur. To achieve or maintain this goal, the Superintendent and Assistant Superintendent for Finance and Business Services are instructed to follow a financial plan. The policy provides for actions to implement this financial plan.

S. Fund Balance (Continued)

As of June 30, 2021, the District has classified its Committed and Assigned Fund Balances as follows:

	General Funds	Nonmajor Funds	Total Governmental Funds
Committed Fund Balance			
Other Committed Fund Balance			
E-Rate projects	$ 961,035	$ -	$ 961,035
Secondary band instruments	950,000	-	950,000
Secondary Marachi / Orchestra supplies	500,000	-	500,000
Stabilization arrangement [1]	1,155	-	1,155
Campus activity funds	-	305,658	305,658
Total Other Committed Fund Balance	$ 2,412,190	$ 305,658	$ 2,717,848
Assigned Fund Balance			
Other Assigned Fund Balance			
Technology COM account	$ 301,900	$ -	$ 301,900
Incentive hoodies	120,000	-	120,000
Activity vehicles	152,132	-	152,132
School logo wraps	80,000	-	80,000
Cheerleader floor mats for Secondary schools	60,200	-	60,200
Martin HS roof repairs	120,000	-	120,000
Martin HS canopy	84,000	-	84,000
Martin HS ROTC water fountains	5,000	-	5,000
Nixon HS chiller	170,000	-	170,000
Nixon HS band hall flooring	25,000	-	25,000
Lara Academy hardware locksets	20,000	-	20,000
Christen MS furniture	15,000	-	15,000
Christen MS wrought iron fence	90,000	-	90,000
Christen MS front yard beaufication	15,000	-	15,000
Memorial MS retaining wall	15,000	-	15,000
Memorial MS facility painting	85,000	-	85,000
Daiches ES canopy	89,000	-	89,000
Farias ES gym painting	15,000	-	15,000
Farias ES stage curtains	20,000	-	20,000
Milton ES canopy	125,000	-	125,000
Milton ES canopy	74,000	-	74,000
Milton ES mobile trailer	10,000	-	10,000
Santo Nino ES new sidewalks	17,000	-	17,000
Zachry softball canopy	91,000	-	91,000
Ligarde ES furniture	30,000	-	30,000
District wide power washers	10,000	-	10,000
District wide HVAC	88,000	-	88,000
District wide musical instruments	40,000	-	40,000
Information Technology roof	27,000	-	27,000
High School vehicle certifications	7,912	-	7,912
Districtwide attendance incentives	10,000	-	10,000
Lifeguard certifications for ROTC instructors	240	-	240
To meet debt service requirement	7,410,102	-	7,410,102
Construction proj. & acquisition of real property	4,017,345	-	4,017,345
Health benefit initative	750,000	-	750,000
Surveys and replat services	62,220	-	62,220
Canopy repairs	37,000	-	37,000
District-Wide Projects	2,010,190	6,844	2,017,034
Total Other Assigned Fund Balance	$16,299,241	$ 6,844	$ 16,306,085

1Stabilization arrangement

S. Fund Balance (Continued)

Stabilization arrangement. On September 17, 2019, the Board of Trustees approved the establishment of the stabilization arrangement in the general fund. The principal resource for this stabilization arrangement was derived from the excess revenue due to short year revenue funds for the fiscal year ended June 30, 2019. Stabilization amounts are reported in the general fund as other committed fund balance.

The criteria for the use of the stabilization arrangement was established for the following purposes:

For Major Emergent Operating Issues - the District is exposed to major non-reoccurring costs related to various emergency events or situations as a result of catastrophic events. These emergent situations cannot be anticipated and budgeted for and it is not feasible to absorb the cost of such events in other budget areas in any given year. These emergent situations should fit the definition of a catastrophe as defined below:

- Fire, flood, earthquake, hurricane, tornado, or wind, rain, or snow storm;
- Power failure, transportation failure, or interruption of communication facilities;
- Epidemic; or
- Riot, civil disturbance, enemy attack, or other actual or threatened act of lawlessness or violence.

For One-Time and Intermittent Projects - the District undertakes certain one-time and/or intermittent projects that are larger in terms of costs. If these projects were funded from state aid and tax collections, annual spikes and subsequent declines may result; therefore, it is not prudent to fund these projects from current funding sources. These funds will be used to cover the underfunded costs of projects when such costs are 5% or more of the total project cost.

T. Defined Other Post-Employment Benefit Plans

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

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

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

Benefits Provided. TRS-Care 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

T. Defined Other Post-Employment Benefit Plans (Continued)

medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic post-employment benefit changes; including automatic COLAs.

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

TRS-Care Monthly for Retirees

	Medicare Basic Plan	**Non-Medicare** Basic Plan
Retiree*	$ 135	$200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999

**or surviving spouse*

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 .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates

	2020	**2021**
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
Current Fiscal Year Employer Contributions		$1,584,476
Current Fiscal Year Member Contributions		$1,168,904
2020 NECE On-Behalf Contributions		$2,126,475

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

T. Defined Other Post-Employment Benefit Plans (Continued)

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of $230.8 million in fiscal year 2020 to maintain premiums and benefit levels in the 2020-2021 biennium.

Actuarial Assumptions

The actuarial valuation 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 was determined using the following actuarial assumptions: Actuarial Assumptions can be found in the 2020 TRS ACFR, Note 9, page 75.

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. All the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation and salary increases, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. The demographic assumptions were developed in experience study performed for TRS for the period ending August 31, 2017.

The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2019, TRS pension actuarial valuation that was rolled forward to August 31, 2020:

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2019, rolled forward to August 31, 2020
Actuarial Cost Method	Individual Early Age Normal
Inflation	2.30%
Single Discount Rate[1]	2.33% as of August 31, 2020
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases[2]	3.05% to 9.05%
Healthcare Trend Rates[3]	7.50% to 10.25%
Election Rates	Normal Retirement: 65% participation prior to age 65 and 40% participation after age 65. 25% of pre-65 retirees are assumed to discontinue coverage as of age 65
Ad hoc post-employment benefit changes	None

T. Defined Other Post-Employment Benefit Plans (Continued)

[1]This was a decrease of .30 percent from the previous year. Because the plan is pay-as-you-go plan, the single discount rate is equal to the prevailing municipal bond rate.
[2]Includes Inflation increases
[3]Initial trend rates were 9.0% for Medicare retirees and 7.30% for non-Medicare retirees. Initial prescription drug trend rate of 9.0% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 13 years.

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

Discount Rate. A single discount rate of 2.33% was used to measure the total OPEB liability. There was a decrease of .30 percent in the discount rate since the previous year. *The Discount Rate can be found in the 2020 TRS ACFR on page 76.* Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fidelity "20 year Municipal GO AA Index" as of August 31, 2020 using the fixed-income municipal bonds with 20 years to maturity that included only federally tax-exempt municipal bonds.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1percentage point lower than and 1 percentage point higher than the discount rate that was used (2.33%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (1.33%)	Discount Rate (2.33%)	1% Increase in Discount Rate (3.33%)
Proportionate share of the net OPEB liability:	$94,977,538	$79,148,099	$66,645,114

T. Defined Other Post-Employment Benefit Plans (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At June 30, 2021, the District reported a liability of $79,148,099 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	$79,148,099
State's proportionate share that is associated with District	106,356,073
Total	$185,504,172

Healthcare Cost Trend Rates Sensitivity Analysis. 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 of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB relative to the contributions of all employers to the plan for the period September 1, 2019 thru August 31, 2020.

At August 31, 2020, the employer's proportion of the collective net OPEB liability was 0.2082049378% which was an increase of -0.0041987176% from its proportion measured as of August 31, 2019.

The following presents the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed 8.5% rate used.

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Proportionate share of the net OPEB liability:	$64,653,857	$79,148,099	$98,452,382

Changes since the Prior Actuarial Valuation. The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability (TOL) since the prior measurement period: *These can be found in the TRS ACFR on page 76.*

- The discount rate changed from 2.63 percent as of August 31, 2019 to 2.33 percent as of August 31, 2020. This change increased the TOL.
- The participation rate for post-65 retirees was lowered from 50% to 40%. This change lowered the TOL.
- The ultimate health care trend assumptions was lowered from 4.5% 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 lowered the TOL.

T. Defined Other Post-Employment Benefit Plans (Continued)

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

For the year ended June 30, 2021, the District recognized OPEB expense of $2,324,516 and revenue of $738,496 for support provided by the State.

At June 30, 2021, the District reported its proportionate share of the TRS's 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 actuarial experience	$4,144,163	$36,222,217
Changes in actuarial assumptions	4,881,792	21,734,477
Difference between projected and actual investment earnings	25,720	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,470,922	3,500,175
Total as of August 31, 2020 measurement date	$10,522,597	$61,456,869
Contributions paid to TRS subsequent to the measurement date	1,320,899	-
Total as of fiscal year-end	$11,843,496	$61,456,869

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

Year ended June 30:	**OPEB Expense Amount**
2022	($8,359,966)
2023	($8,363,405)
2024	($8,365,371)
2025	($8,364,833)
2026	($6,250,754)
Thereafter	($11,229,943)

U. Shared Service Arrangements

The Laredo Independent School District (LISD) participates in the Regional Day School Program for the Deaf (RDSPD), a shared service arrangement with school districts: United Independent School District (UISD), Jim Hogg County Independent School District (JHCISD), and Webb Consolidated Independent School District (WCISD). The District is acting as the fiscal agent for the parties involved. The purpose of the Laredo Independent School District RDSPD is to serve students who are auditory impaired and between the ages of 0 and 21. Funding for the LISD RDSPD is provided by TEA and by the member Districts. Revenue from the respective member Districts is presented below:

LISD	$ 203,360
UISD	568,796
JHCISD	16,000
WCISD	16,000
	$ 804,156

As a fiscal agent, LISD RDSPD is responsible for reporting all financial activities of the shared service arrangement. The District accounts for the activity in Special Revenue Fund 435.

APPENDIX C

FORM OF CO-BOND COUNSEL'S OPINION

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An opinion in substantially the following form will be delivered by Winstead PC, and J. Cruz & Associates, LLC, as Co-Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.

WINSTEAD

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June 22, 2022

LAREDO INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2022
IN THE AGGREGATE PRINCIPAL AMOUNT OF $46,060,000
DATED: MAY 1, 2022

We have acted as Co-Bond Counsel to the Laredo Independent School District (the "District") in connection with the issuance of the captioned obligations (the "Bonds") for the sole purpose of providing legal advice and traditional legal services to the District including rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data, or other material, but we have relied solely upon the transcript of certified proceedings, certifications, and other documents described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the District or the disclosure thereof in connection with the sale of the Bonds. We have relied solely on information and certifications furnished to us by the District with respect to the current outstanding indebtedness of, and assessed valuation of taxable property within, the District.

In our capacity as Co-Bond Counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds that contains certified copies of certain proceedings of the Board of Trustees of the District (the "Board"); an order of the Board authorizing the Bonds adopted on March 30, 2022 (the "Order") together with a "Pricing Certificate" providing for the final sale terms of the Bonds executed pursuant thereto on May 24, 2022 (together, the "Order"); the Purchase Contract, dated May 24, 2022, between the Underwriters named therein and the District; the approving opinion of the Attorney General of the State of Texas; customary certificates of officers, agents, and representatives of the District (including a "Federal Tax Certificate") and other public officials; and other documents relating to the issuance of the Bonds. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the truth and accuracy of the statements contained in such certificates. We have also examined applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, Treasury Regulations, and published rulings of the Internal Revenue Service (the "Service") as we have deemed relevant. We have examined executed Bond No. I-1.

Based on said examination and in accordance with customary legal opinion practice, it is our opinion that:

1. The District is a validly existing political subdivision and school district of the State of Texas with power to adopt the Order, perform its agreements therein, and issue the Bonds.

2. The Bonds have been authorized, sold, and delivered in accordance with law.

3. The Bonds constitute valid and legally binding obligations of the District enforceable in accordance with their terms except as the enforceability thereof may be limited by sovereign immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation, and other similar laws now or hereafter enacted relating to creditors' rights generally.

4. Ad valorem maintenance taxes, within the legal limitations, upon all taxable property within the District, necessary to pay the principal of and interest on the Bonds, have been pledged irrevocably for such purpose.

5. Interest on the Bonds will be excludable from gross income for federal income tax purposes under section 103 of the Code, and the Bonds will not be treated as "private activity bonds" within the meaning of section 141 of the Code. Interest on the Bonds will not be included as an alternative minimum tax preference item.

In rendering these opinions, we have relied upon representations and certifications of the District, the District's financial advisor, and the underwriter of the Bonds with respect to matters solely within the knowledge of such parties, respectively, which we have not independently verified, and we assume continuing compliance by the District with covenants pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. If such representations and certifications are determined to be inaccurate or incomplete or if the District fails to comply with the foregoing covenants, interest on the Bonds could become includable in gross income retroactively to the date of issuance of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as to any other federal, state, or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on or the acquisition, ownership, or disposition of the Bonds.

We call your attention to the fact that the ownership of obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization, investment trust, certain S corporations with Subchapter C earnings and profits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred expenses allocable to, tax-exempt obligations.

The opinions set forth above are based on existing laws of the United States (including statutes, regulations, published rulings, and court decisions) and the State of Texas, which are 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 hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent our legal judgment based on our review of existing law, and are made in reliance on 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 relating to whether interest on state or local obligations is excludable from gross income for federal income tax purposes. No assurance can be given regarding whether or not the Service will commence an audit of the Bonds. If such an audit is commenced, under current procedures, the Service would treat the District as the taxpayer, and owners of the Bonds would have no right to participate in the audit process. 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.

We express no opinion herein regarding the accuracy, adequacy, or completeness of the Official Statement relating to the Bonds or the marketability of the Bonds.

This legal opinion expresses the professional judgment of these firms as to the legal issues explicitly addressed therein and is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. In rendering a legal opinion, we do not become an insurer or guarantor of that 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 our opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Respectfully submitted,

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