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

PRELIMINARY OFFICIAL STATEMENT
Dated: July 17, 2023

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

In the opinion of Bond Counsel (defined below), under current law and subject to conditions described in the Section herein "Tax Exemption," interest on the Bonds (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum income tax, and (c) is taken into account by applicable corporations (as defined in Section 59(k) of the Code) for the alternative minimum tax imposed on such corporations. A holder may be subject to other federal tax consequences as described in the Section herein "Tax Exemption."

$84,000,000*
LA PORTE INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Chambers and Harris Counties, Texas)
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2023

Dated Date: August 1, 2023 | **Due: February 15, as shown on the inside cover page**

The La Porte Independent School District Unlimited Tax School Building Bonds, Series 2023 (the "Bonds") are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), an election held in the La Porte Independent School District (the "District") on May 6, 2023 and the order adopted by the Board of Trustees of the District (the "Board") on June 13, 2023 (the "Bond Order"). As permitted by Chapter 1371, the Board, in the Bond Order, delegated the authority to certain District officials (the "Pricing Officer") to execute a pricing certificate (the "Pricing Certificate") establishing the pricing terms for the Bonds (the Pricing Certificate, together with the Bond Order, are collectively referred to herein as the "Order"). The Bonds are payable as to principal and interest from the proceeds of an ad valorem tax levied annually, without legal limit as to rate or amount, against all taxable property located within the District. The District has received conditional approval from the Texas Education Agency for the Bonds to be guaranteed under the State of Texas Permanent School Fund Guarantee Program (hereinafter defined), which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. (See "THE BONDS – Permanent School Fund Guarantee" and "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").

Interest on the Bonds will accrue from the Dated Date shown above and will be payable initially on August 28, 2023, and each February 15 and August 15 thereafter until maturity or prior redemption. The Bonds will be issued in fully registered form in principal denominations of $5,000 or any integral multiple thereof within a stated maturity. Principal and interest of the Bonds will be payable by the Paying Agent/Registrar, which initially is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar"), upon presentation and surrender of the Bonds for payment. Interest on the Bonds is payable by check dated as of the interest payment date and mailed by the Paying Agent/Registrar to the registered owners as shown on the records of the Paying Agent/Registrar on the close of business as of the last business day of the month next preceding each interest payment date.

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

Proceeds from the sale of the Bonds will be used for the purpose of (i) construction, acquisition, renovation and equipment of school buildings in the district and the purchase of new school buses; acquisition, installation and update of instructional technology equipment for students and staff in the district; construction, equipment and improvement of a new Bulldog stadium (including and related demolition or removal of existing facilities) and (ii) paying the costs of issuing the Bonds. (See "THE BONDS - Authorization and Purpose").

The Bonds maturing on and after February 15, 2034 are subject to redemption at the option of the District in whole or in part in principal amounts of $5,000 or any multiple thereof, on August 15, 2033 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. (See "THE BONDS - Optional Redemption"). If two or more serial bonds of consecutive maturities are combined into one or more "Term Bonds" by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Order (see "THE BONDS – Mandatory Sinking Fund Redemption").

MATURITY SCHEDULE
(On Inside Cover Page)

The Bonds are offered for delivery when, as and if issued, and received by the initial purchasers (the "Underwriters") subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Hunton Andrews Kurth LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas. The Bonds are expected to be available for initial delivery through the facilities of DTC on or about August 22, 2023.

STEPHENS INC.

BAIRD | **RAYMOND JAMES**

**Preliminary, subject to change.*

$84,000,000*
LA PORTE INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Chambers and Harris Counties, Texas)
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2023

MATURITY SCHEDULE*
BASE CUSIP NO: 504102[1]

Maturity Date 2/15	Principal Amount*	Interest Rate	Initial Yield	CUSIP Suffix No.[1]
2024	$4,475,000			
2025	3,670,000			
2026	1,650,000			
2027	1,755,000			
2028	2,595,000			
2029	2,625,000			
2030	2,650,000			
2031	2,690,000			
2032	4,555,000			
2033	4,675,000			
2034	5,385,000			
2035	5,550,000			
2036	6,805,000			
2037	7,025,000			
2038	7,260,000			
2039	7,515,000			
2040	1,270,000			
2041	1,310,000			
2042	1,355,000			
2043	1,400,000			
2044	1,450,000			
2045	1,500,000			
2046	1,555,000			
2047	1,610,000			
2048	1,670,000			

(Interest to accrue from the Dated Date)

**Preliminary, subject to change.*

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LA PORTE INDEPENDENT SCHOOL DISTRICT

APPOINTED OFFICIALS

Name	Position	Length of Education Service	Length of Service with District
Dr. Walter Jackson	Superintendent	28 Years	3 Years
Dr. Dustin Bromley	Deputy Superintendent, Administration & Support Services	15 Years	11 Months
Dr. Rebecca Brown	Deputy Superintendent, Academics	30 Years	11 Months
Stacey McDowell	Chief Financial Officer	17 Years	7 Months

CONSULTANTS AND ADVISORS

Hunton Andrews Kurth LLP, Houston, Texas	Bond Counsel
SAMCO Capital Markets, Inc., Plano, Texas	Financial Advisor
Whitley Penn, Houston, Texas	Certified Public Accountants

For additional information, contact:

Dr. Walter Jackson
Superintendent
La Porte Independent School District
1002 San Jacinto Street
La Porte, Texas 77571
(281) 604-7000

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

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

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

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

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

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

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

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

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

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SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The District The La Porte Independent School District (the "District") is a political subdivision of the State of Texas located in Chambers and Harris Counties, Texas. The District is governed by a seven-member Board of Trustees (the "Board"). Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the chief administrative officer of the District. Support services are supplied by consultants and advisors.

The Bonds The Bonds are being issued in the principal amount of $84,000,000 (preliminary, subject to change) pursuant to the Constitution and general laws of the State of Texas, particularly Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), an election held in the District on May 6, 2023 and the order adopted by the Board on June 13, 2023 (the "Bond Order"). As permitted by Chapter 1371, the Board, in the Bond Order, delegated the authority to certain District officials (the "Pricing Officer") to execute a pricing certificate (the "Pricing Certificate") establishing the pricing terms of the Bonds (the Pricing Certificate, and the Bond Order, are collectively referred to herein as the "Order"). Proceeds from the sale of the Bonds will be used for the purpose of (i) construction, acquisition, renovation and equipment of school buildings in the district and the purchase of new school buses; acquisition, installation and update of instructional technology equipment for students and staff in the district; construction, equipment and improvement of a new Bulldog stadium (including and related demolition or removal of existing facilities) and (ii) paying the costs of issuing the Bonds. (See "THE BONDS - Authorization and Purpose")

Paying Agent/Registrar The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. The District intends to use the Book-Entry-Only System of DTC. (See "BOOK-ENTRY-ONLY SYSTEM.")

Security The Bonds will constitute direct and voted obligations of the District, payable as to principal and interest from ad valorem taxes levied annually against all taxable property located within the District, without legal limitation as to rate or amount. Payments of principal and interest on the Bonds will be further secured by the corpus of the Permanent School Fund of Texas. (See "THE BONDS – Security", "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS", "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" and "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM.")

Redemption The Bonds maturing on and after February 15, 2034 are subject to redemption at the option of the District in whole or in part in principal amounts of $5,000 or any multiple thereof, on August 15, 2033 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. (See "THE BONDS – Optional Redemption.") If two or more serial bonds of consecutive maturities are combined into one or more "Term Bonds" by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Order (see "THE BONDS – Mandatory Sinking Fund Redemption").

Permanent School Fund Guarantee The District has received conditional approval from the Texas Education Agency for the payment of the Bonds to be guaranteed under the Permanent School Fund Guarantee Program, which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. (See "THE BONDS – Permanent School Fund Guarantee" and "APPENDIX E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM.")

Ratings The Bonds are rated "Aaa" by Moody's Investors Service ("Moody's") and "AAA" by S&P Global Ratings ("S&P") based upon the guaranteed repayment thereof under the Permanent School Fund Guarantee Program of the Texas Education Agency. The District's underlying, unenhanced rating, including the Bonds, is "Aa2" by Moody's and "AA" by S&P. (See "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "RATINGS" herein.)

Tax Exemption In the opinion of Bond Counsel, under current law and subject to conditions described in the Section herein "TAX EXEMPTION," interest on the Bonds (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum income tax, and (c) may have to be taken into account by applicable corporations (as defined in Section 59(k) of the Code) for the alternative minimum tax imposed on such corporations. (See "TAX EXEMPTION" and Appendix C - "Form of Legal Opinion of Bond Counsel.")

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

Legal Opinion Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Hunton Andrews Kurth LLP, Houston, Texas, Bond Counsel.

Delivery When issued, anticipated to occur on or about August 22, 2023.

INTRODUCTORY STATEMENT

This Official Statement, including Appendices A, B and D, has been prepared by the La Porte Independent School District (the "District"), a political subdivision of the State of Texas located in Chambers and Harris Counties, Texas, in connection with the offering by the District of its Unlimited Tax School Building Bonds, Series 2023 (the "Bonds").

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

There follows in this Official Statement descriptions of the Bonds and the order adopted by the Board of Trustees of the District (the "Board") on June 13, 2023 authorizing the issuance of the Bonds (the "Bond Order") and certain other information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained upon request by writing the La Porte Independent School District, 1002 San Jacinto Street, La Porte, Texas 77571 and, during the offering period, from the Financial Advisor, SAMCO Capital Markets, Inc., 5800 Granite Parkway, Suite 210, Plano, Texas 75024, by electronic mail or upon payment of reasonable copying, mailing, and handling charges.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. A copy of the Final Official Statement pertaining to the Bonds will be deposited with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system. See "CONTINUING DISCLOSURE OF INFORMATION" herein for a description of the District's undertaking to provide certain information on a continuing basis.

THE BONDS

Authorization and Purpose

The Bonds are being issued in the principal amount of $84,000,000 (preliminary, subject to change) pursuant to the Constitution and general laws of the State, including particularly Sections 45.001 and 45.003(b)(1), as amended, Texas Education Code, Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), an election held in the District on May 6, 2023 (the "Election") and the Bond Order adopted on June 13, 2023 (the "Bond Order"). As permitted by Chapter 1371, the Board, in the Bond Order, delegated the authority to certain District officials (the "Pricing Officer") to execute a pricing certificate (the "Pricing Certificate") establishing the pricing terms of the Bonds (the Pricing Certificate, and the Bond Order, are collectively referred to herein as the "Order"). Proceeds from the sale of the Bonds will be used for the purpose of (i) construction, acquisition, renovation and equipment of school buildings in the district and the purchase of new school buses; acquisition, installation and update of instructional technology equipment for students and staff in the district; construction, equipment and improvement of a new Bulldog stadium (including and related demolition or removal of existing facilities) and (ii) paying the costs of issuing the Bonds.

General Description

The Bonds will be dated August 1, 2023 (the "Dated Date") and will bear interest from the Dated Date. The Bonds will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. Interest on the Bonds is payable initially on August 28, 2023, and on each February 15 and August 15 thereafter until stated maturity or prior redemption.

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

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

Optional Redemption

The Bonds maturing on and after February 15, 2034 are subject to redemption at the option of the District in whole or in part in principal amounts of $5,000 or any multiple thereof, on August 15, 2033 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the District shall determine the amounts and maturities thereof to be redeemed and shall direct the Paying Agent/Registrar to select by lot the Bonds, or portions thereof, to be redeemed.

Mandatory Sinking Fund Redemption

If two or more serial bonds of consecutive maturities are combined into one or more "Term Bonds" by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Order and as further set forth in the final Official Statement.

Notice of Redemption and DTC Notices

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

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

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

Security

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

Permanent School Fund Guarantee

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

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

Legality

The Bonds are offered when, as and if issued, subject to the approval of legality by the Attorney General of the State and Hunton Andrews Kurth LLP, Houston, Texas, Bond Counsel. (See “LEGAL MATTERS” and “APPENDIX C – FORM OF LEGAL OPINION OF BOND COUNSEL”).

Payment Record

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

Amendments

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

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

Defeasance

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

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

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

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

Sources and Uses of Funds

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

Sources	
Par Amount of Bonds	$
Net Original Issue Reoffering Premium	
Accrued Interest on Bonds	
Total Sources of Funds	$
Uses	
Deposit to Construction Fund	$
Costs of Issuance	
Underwriters' Discount	
Deposit to Interest and Sinking Fund	
Total Uses of Funds	$

REGISTERED OWNERS' REMEDIES

The Bond Order establishes specific events of default with respect to the Bonds and provides that if the District defaults in the payment of principal or interest on the Bonds when due, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, and the continuation thereof for a period of 60 days after notice of default is given by the District by any registered owner, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or the Bond Order covenants and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Bond 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 Bond 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.3rd 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 the issuance of the Bonds. Notwithstanding its reliance upon the provisions of Chapter 1371 in connection with the issuance of the Bonds (see "THE BONDS – Authorization and Purpose" herein), 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, beyond 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. As a result, bondholders may not be able to bring such a suit against the District for breach of the Bonds or Bond 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 "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein for a description of the procedures to be followed for payment of the Bonds by the Permanent School Fund in the event the District fails to make a payment on the Bonds when due. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bond Order and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, by general principles of equity which permit the exercise of judicial discretion.

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

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

Successor Paying Agent/Registrar

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

Initial Registration

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

Future Registration

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

Record Date For Interest Payment

The Record Date for determining the party to whom the interest payable on a Bond on any interest payment date means the close of business on the last business day of the next preceding month; provided, however, that the Record Date for the initial interest payment shall mean the closing 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 (the "Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each registered owner of a Bond appearing on the books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Limitation on Transfer of Bonds

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

Replacement Bonds

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

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

Subject to satisfying certain conditions, the payment of the Bonds will be guaranteed by the corpus of the Permanent School Fund of the State of Texas. In the event of default, registered owners will receive all payments due on the Bonds from the Permanent School Fund, and the Charter District Bond Guarantee Reserve would be the first source to pay debt service if a charter school was unable to make such payment. See "APPENDIX E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" for pertinent information regarding the Permanent School Fund Guarantee Program. The disclosure regarding the Permanent School Fund Guarantee Program in Appendix E is incorporated herein and made a part hereof for all purposes.

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

2021 Regular and Special Legislative Sessions

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

When the regular Legislature is not in session, the Governor of Texas may call one or more special sessions, at the Governor's direction, each lasting no more than 30 days, and for which the Governor sets the agenda. Following the conclusion of the 87th Regular Session, the Texas Governor has called three special sessions of the Legislature. No significant changes were made to the Texas school finance system or property tax systems during the First and Second Special Sessions. Senate Joint Resolution 2, passed during the Third Special Session, proposed a constitutional amendment increasing the mandatory homestead exemption for school districts from $25,000 to $40,000, which was approved by voters at an election held May 7, 2022. The amendment to the Constitution is effective beginning January 1, 2022. As a result of the increased exemption, additional changes to the education finance system were implemented, including "hold harmless" allotments, to provide funding to school districts who have less revenue (including revenues specifically for 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 in the future.

2023 Regular and Special Legislative Sessions

On January 10, 2023, the 88th Texas Legislature convened in general session that adjourned on May 29, 2023. Immediately after the conclusion of the regular session, the Texas Governor called a first special session to address property tax relief from school district taxation and border security; the first special session began on May 29, 2023 and ended on June 27, 2023. At the conclusion of the first special session, the Governor called a second special session that began on June 27, 2023 and adjourned on July 13, 2023.

The charge for the second special session included the following: (i) "Legislation to cut property-tax rates solely by reducing the school district maximum compressed tax rate in order to provide lasting property-tax relief for Texas taxpayers;" (ii) "Legislation to put Texas on a pathway to eliminate school district maintenance and operations property taxes;" (iii) "Legislation relating to providing property tax relief through the public school finance system, exemptions, limitations on appraisals and taxes and property tax administration;" and (iv) "Legislation relating to the amount of the total revenue exemption from the franchise tax and the exclusion of certain taxable entities from the requirement to file a franchise tax report."

During the second special session, the Legislature passed Senate Bill 2 ("SB 2"), which includes provisions that reduce the maximum M&O tax compression rate by 0.107 cents, increase the school district mandatory homestead exemption from $40,000 to $100,000, and places further limitations on increases in appraised values on certain classes of properties. The provision increasing the residential homestead exemption to $100,000 will be submitted to voters of the State on November 7, 2023. SB 2 also makes provision for State aid funding to pay for the loss in school district I&S tax revenue (i.e. "hold harmless") for debt that (i) is issued prior to September 1, 2023, or (ii) is approved by voters but not yet issued as of September 1, 2023.

As of the date of this Preliminary Official Statement, SB 2 has not yet been signed into law by the Governor.

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

Local Funding for School Districts

A school district's M&O tax rate is composed of 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 (described below). The State Compression Percentage is the lesser of three alternative calculations: (1) 93% or a lower percentage set by appropriation for a school year; (2) a percentage determined by formula if the estimated total taxable property value of the State (as submitted annually to the State Legislature by the State Comptroller) has increased by at least 2.5% over the prior year; and (3) the prior year State Compression Percentage. For any year, the maximum State Compression Percentage is 93%.

Maximum Compressed Tax Rate

The Maximum Compressed Tax Rate (the "MCR") is the tax rate per $100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of three alternative calculations: (1) the school district's prior year MCR; (2) a percentage determined by formula if the school district experienced a year-over-year increase in property value of at least 2.5%; or (3) the product of the State Compression Percentage for the current year multiplied by $1.00. However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district's MCR is calculated to be less than 90% of any other school district's MCR for the current year, then the school district's MCR is instead equal to the school district's prior year MCR, until TEA determines that the difference between the school district's MCR and any other school district's MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase. During the 2021 Legislative Session, a provision of the general appropriations act reduced the maximum MCR for the 2022-2023 school year. It established $0.8941 as the maximum rate and $0.8046 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. 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 actual 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 school districts with a Tier One Tax Rate equal to the District's MCR, is $6,160 for each student in ADA and is revised downward for school districts with a Tier One Tax Rate lower than the District's MCR. For the State fiscal year ending in 2021 and subsequent State fiscal years, the Basic Allotment for a school district with a Tier One Tax Rate equal to the school district's MCR, is $6,160 (or a greater amount as may be provided by appropriation) for each student in ADA and is revised downward for a school district with a Tier One Tax Rate lower than the school district's MCR. The Basic Allotment is then supplemented for all school districts by various weights to account for differences among school districts and their student populations. Such additional allotments include, but are not limited to, increased funds for students in ADA who: (i) attend a qualified special education program, (ii) are diagnosed with dyslexia or a related disorder, (iii) are economically disadvantaged, or (iv) have limited English language proficiency. Additional allotments to mitigate differences among school districts include, but are not limited to: (i) a transportation allotment for mileage associated with transporting students who reside two miles or more from their home campus, (ii) a fast growth allotment (for school districts in the top 25% of enrollment growth relative to other school districts), (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 2022-2023 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 $310 million for the 2022-2023 school year and $315 million for the 2023-2024 school year.

Tier Two

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

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

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

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

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

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

Tax Rate and Funding Equity

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

Local Revenue Level in Excess of Entitlement

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

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.

Options for Local Revenue Levels in Excess of Entitlement

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

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

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

For the 2022-2023 school year, the District was designated as an "excess local revenue" Chapter 49 school district by TEA. Accordingly, the District has entered into a wealth equalization agreement with the Commissioner for the purchase of attendance credits for the 2022-23 school year, for the purpose of implementing permitted wealth equalization options.

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

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

AD VALOREM TAX PROCEDURES

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

Valuation of Taxable Property

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

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

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

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

State Mandated Homestead Exemptions

State law grants, with respect to each school district in the State, (1) a $40,000 exemption (as described below) of the appraised value of all homesteads, (2) a $10,000 exemption of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled, and (3) various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty. On November 2, 2021, the Texas Constitution was amended to provide that the surviving spouse of an individual who received a limitation on the school district property taxes on the person's residence homestead on the basis of disability continued to receive that limitation while the property remained the spouse's residence homestead if the spouse was at least 55 years old. See "Appendix A – Financial Information of the District – Assessed Valuation" for the reduction in taxable valuation attributable to state-mandated homestead exemptions. 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 for additional state aid to hold school districts harmless for tax revenue losses resulting from the increased homestead exemption.

Local Option Homestead Exemptions

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

State Mandated Freeze on School District Taxes

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

Personal Property

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

Freeport and Goods-In-Transit Exemptions

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

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

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

Other Exempt Property

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

Temporary Exemption for Qualified Property Damaged by a Disaster

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

Tax Limitation Agreements

The Texas Economic Development Act (Chapter 313, Texas Tax Code, as amended), allowed 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 could 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 was not fully taxable is excluded from the school district's taxable property values. Therefore, a school district is not 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 expired by its terms effective December 31, 2022.

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

District and Taxpayer Remedies

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

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at $50 million for the 2020 tax year, $50.6 million for the 2021 tax year, $52.9 million for the 2022 tax year, $57.2 million for the 2023 tax year and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the District may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances. The Property Tax Code permits taxpayers owning homes or certain businesses located in a disaster area and damaged as a direct result of the declared disaster to pay taxes imposed in the year following the disaster in four equal installments without penalty or interest, commencing on February 1 and ending on August 1. See "AD VALOREM TAX PROCEDURES – Temporary Exemption for Qualified Property Damaged by a Disaster" for further information related to a discussion of the applicability of this section of the Property Tax Code.

District's Rights in the Event of Tax Delinquencies

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

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

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

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

TAX RATE LIMITATIONS

M&O Tax Rate Limitations

The District is authorized to levy an M&O tax rate pursuant to the approval of the voters of the District at an election held on October, 8, 1966 pursuant to Article 2784e-1, Texas Revised Civil Statutes Annotated, as amended.

The maximum maintenance tax rate per $100 of taxable value that may be adopted by an independent school district is the sum of $0.17 and the school district's MCR. The District's MCR is, generally, inversely proportional to the change in taxable property values both within the District and the State, and is subject to recalculation annually. For any year, highest possible MCR for an independent school district is $0.93.

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

I&S Tax Rate Limitations

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

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

Public Hearing and Voter-Approval Tax Rate

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

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

General

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

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

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

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

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

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

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

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

The District has taken action to tax Freeport Property. The District has taken action to continue to tax Goods-in-Transit.

Foreign Free Trade Zone

The District and Katoen Natie Gulf Coast, Inc. ("Katoen Natie Gulf Coast") entered into an Agreement for Payment in Lieu of Ad Valorem Taxes in 2001 (and subsequently updated in 2013), in which the District agreed to allow the Katoen Natie Gulf Coast facility to be considered a Foreign Free Trade Zone and Katoen Natie Gulf Coast agreed to make payments to the District in lieu of ad valorem taxes in the amount equal to 25% of the full amount of ad valorem taxes that would have been owed.

The District has five other Free Trade Zone agreements with Sage V Foods/Frontier Logistics LLC, C&C North America, Inc. (d/b/a Cosentino North America), Dunavant Trans Gulf Transportation, LLC, Floor Décor Outlets of America, Inc. and Red Bull North America, Inc. These five properties are of substantially lesser value than the Katoen Natie Gulf Coast facility described above.

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

Chapter 313 Agreements

Company	First Year of Taxable Value for I&S Taxation[1]	Total Investment[2]	Capped Value for M&O Taxation	First Year Of Capped Value And Payments to the District[3]
Air Liquide Industries U.S. LP	2011/12	$ 147,482,865	$ 30,000,000	2013/14
Arkema Inc.	2012/13	$ 103,500,000	$ 30,000,000	2014/15
Oxiteno USA, LLC	2013/14	$ 100,943,030	$ 30,000,000	2015/16
Equistar Chemicals LP	2014/15	$ 499,174,081	$ 30,000,000	2016/17
Noltex LLC	2014/15	$ 180,000,000	$ 30,000,000	2016/17
Fairway Methanol LLC	2014/15	$ 843,054,368	$ 30,000,000	2016/17
Linde Gas North America, LLC	2014/15	$ 225,675,627	$ 30,000,000	2016/17
Praxair, Inc.	2019/20	$ 168,430,530	$ 80,000,000	2020/21
Lyondell Chemical Co.	2019/20	$ 312,000,000	$ 80,000,000	2021/22
Celanese LTD	2020/21	$ 379,000,000	$ 80,000,000	2024/25
Stepan Co.	2022/23	$ 148,390,915	$ 80,000,000	2024/25
Air Products LLC	2023/24	$ 194,850,000	$100,000,000	2024/25

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

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

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

Tax Increment Reinvestment Zone

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

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

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

WEATHER EVENTS

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

EMPLOYEES' RETIREMENT PLAN AND OTHER POST-EMPLOYMENT BENEFITS

The District's employees participate in a retirement plan (the "Plan") with the State of Texas. The Plan is administered by the Teacher Retirement System of Texas ("TRS"). State contributions are made to cover costs of the TRS retirement plan up to certain statutory limits. The District is obligated for a portion of TRS costs relating to employee salaries that exceed the statutory limit. Aside from the District's contribution to TRS, the District has no pension fund expenditures or liabilities. For fiscal year ended June 30, 2022, the District made a contribution to TRS on a portion of their employee's salaries that exceeded the statutory minimum. The District generally does not offer any post-employment retirement benefits and has no liabilities for "Other

Post Employment Retirement Benefits" as defined in GASB Statement No. 45. For a discussion of the TRS retirement plan, see "Note 8. Defined Benefit Pension Plan" in the audited financial statements of the District that are attached hereto as Appendix D (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.

RATINGS

The Bonds are rated "Aaa" by Moody's Investors Service ("Moody's") and "AAA" by S&P Global Ratings ("S&P") based upon the guaranteed repayment thereof under the Permanent School Fund Guarantee Program of the Texas Education Agency. The District's underlying, unenhanced rating, including the Bonds, is "Aa2" by Moody's and "AA" by S&P. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

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

LEGAL MATTERS

The delivery of the Bonds is subject to the approval of the Attorney General of Texas, who will deliver its opinion, to the effect that the Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property in the District, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, which will deliver its opinion 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 EXEMPTION," 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. The form of Bond Counsel's opinion is attached hereto as Appendix C. Certain legal matters will be passed upon for the Underwriters by their counsel, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas. The legal fee to be paid to counsel to the Underwriters for services rendered in connection with the issuance of the Bonds is contingent upon the sale of the delivery of the Bonds.

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

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

TAX EXEMPTION

Opinion of Bond Counsel

In the opinion of Bond Counsel, under current law, interest on the Bonds (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum income tax, and (c) is taken into account by applicable corporations (as defined in Section 59(k) of the Code for the alternative minimum tax imposed on such corporations. No other opinion is expressed by Bond Counsel regarding the tax consequences of the ownership of or the receipt or accrual of interest on the Bonds.

Bond Counsel's opinion is given in reliance upon certifications by representatives of the District as to certain facts relevant to both the opinion and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and is subject to the condition that there is compliance subsequent to the issuance of the Bonds with all requirements of the Code that must be satisfied in order for interest thereon to remain excludable from gross income for federal income tax purposes. The District has covenanted to comply with the current provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds. Failure by the District to comply with such covenants, among other things, could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issue.

Customary practice in the giving of legal opinions includes not detailing in the opinion all the assumptions, limitations and exclusions that are a part of the conclusions therein. See "*Statement on the Role of Customary Practice in the Preparation and Understanding of Third-Party Legal Opinions*", 63 Bus. Law. 1277 (2008) and "*Legal Opinion Principles*", 53 Bus. Law. 831 (May 1998). Purchasers of the Bonds should seek advice or counsel concerning such matters as they deem prudent in connection with their purchase of Bonds.

Bond Counsel's opinion represents its legal judgment based in part upon the representations and covenants referenced therein and its review of current law, but is not a guarantee of result or binding on the Internal Revenue Service (the "Service") or the courts. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may come to Bond Counsel's attention after the date of its opinion or to reflect any changes in law or the interpretation thereof that may occur or become effective after such date.

Alternative Minimum Tax

Individuals – Bond Counsel's opinion states that under current law interest on the Bonds is not an item of reference and is not subject to the alternative minimum tax on individuals.

Applicable Corporations – Bond Counsel's opinion also states that under current law interest on the Bonds may have to be taken into account by applicable corporations (as defined in Section 59(k) of the Code) for the alternative minimum tax imposed on such corporations. Under current law, an "applicable corporation" generally is a corporation with average annual adjusted financial statement income for a 3-taxable-year period ending after December 31, 2021 that exceeds $1 billion.

Other Tax Matters

The Bonds have not been designated as qualified tax-exempt obligations within the meaning of Section 265(b)(3) of the Code.

In addition to the matters addressed above, prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including without limitation financial institutions, property and casualty insurance companies, S corporations, foreign corporations subject to the branch profits tax, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to the applicability and impact of such consequences.

Prospective purchasers of the Bonds should consult their own tax advisors as to the status of interest on the Bonds under the tax laws of any state, local, or foreign jurisdiction.

The Service has a program to audit state and local government obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the Service does audit the Bonds, under current Service procedures, the Service will treat the District as the taxpayer and the owners of the Bonds will have only limited rights, if any, to participate.

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

Original Issue Discount

Some of the Bonds may be sold at initial sale prices that are less than their respective stated redemption prices payable at maturity (collectively, the "Discount Bonds"). The excess of (i) the stated redemption price at maturity of each maturity of the Discount Bonds, over (ii) the initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of each maturity of the Discount Bonds is sold will constitute original issue discount. Original issue discount will accrue for federal income tax purposes on a constant-yield-to-maturity method based on regular compounding; and a holder's basis in such a Bond will be increased by the amount of original issue discount treated for federal income tax purposes as having accrued on the Bond while the holder holds the Bond.

Under the Code, for purposes of determining a holder's adjusted basis in a Discount Bond, original issue discount treated as having accrued while the holder holds the Bond will be added to the holder's basis. Original issue discount will accrue on a constant-yield-to-maturity method based on semiannual compounding. The adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of a Discount Bond.

Prospective purchasers of Discount Bonds should consult their own tax advisors as to the calculation of accrued original issue discount and the state and local tax consequences of owning or disposing of such Bonds.

Bond Premium

Bonds purchased, whether upon issuance or otherwise, for an amount (excluding any amount attributable to accrued interest) in excess of their principal amount will be treated for federal income tax purposes as having amortizable bond premium. A holder's basis in such a Bond must be reduced by the amount of premium which accrues while such Bond is held by the holder. No deduction for such amount will be allowed, but it generally will offset interest on the Bonds while so held. Purchasers of such Bonds should consult their own tax advisors as to the calculation, accrual and treatment of amortizable bond premium and the state and local tax consequences of holding such Bonds.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

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

INVESTMENT POLICIES

Investments

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

Legal Investments

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

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

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

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

As a school district that qualifies as an "issuer" under Chapter 1371, the District is also authorized to purchase, sell, and invest its funds in corporate bonds, but only if the District has formally amended its investment policy to authorize such investments. Texas law defines "corporate bonds" as senior secured debt obligations issued by a domestic business entity and rated not lower than "AA-" or the equivalent by a nationally recognized investment rating firm. The term does not include a bond that is convertible into stocks or shares in the entity issuing the bond (or an affiliate or subsidy thereof) or any unsecured debt. Corporate bonds must finally mature not later than 3 years from their date of purchase by the school district. A school district may not (1) invest more than 15% of its monthly average fund balance (excluding bond proceeds, reserves, and other funds held for the payment of debt service) in corporate bonds; or (2) invest more than 25% of the funds invested in corporate bonds in any one domestic business entity (including subsidiaries and affiliates thereof). 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.

Investment Policies

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

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

Additional Provisions

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

Current Investments

As of March 31, 2023, the District had approximately $42,923,757 (unaudited) invested in Lone Star, $49,250,015 (unaudited) invested in TexPool, $34,852,474 (unaudited) invested in Texas Range, $35,468,356 invested in Texas Class, and $3,428,918 (unaudited) in Wells Fargo Bank (all of which are government investment pools that generally have the characteristics of a money-market mutual fund). The District also had approximately $4,000,000 (unaudited) in bank certificates of deposit. The market value of such investments (as determined by the District by reference to published quotations, dealer bids, and comparable information) is approximately 100% of the book value. No funds of the District are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

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

CYBERSECURITY RISK MANAGEMENT

The District's operations are increasingly dependent on information technologies and services, which are exposed to cybersecurity risks and cyber incidents or attacks. While the District continually assesses and monitors its cybersecurity risks, the District has been (and may be in the future) subject to cyber-attacks from time to time. In response to such assessments and monitoring, the District takes actions it deems appropriate in response to cybersecurity risks, including, but not limited to, implementing cybersecurity training programs, obtaining technology improvements to mitigate cybersecurity risks, and taking other similar measures. To date, the District has not been the victim of any cyber-attack that has had a material adverse effect on its operations or financial condition. However, no assurance can be given that the District will fully prevent or successfully remediate the operational and/or financial impact of any cybersecurity incursions or incidents arising from events wholly or partially beyond the District's control, including electrical telecommunications outages, natural disasters or cyber-attacks initiated by criminal activities of individuals or organizations. Any such occurrence could materially and adversely affect the District's operations and/or financial condition.

FINANCIAL ADVISOR

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

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data annually to the MSRB. The information to be updated includes financial information and operating data with respect to the District of the general type included in this Official Statement in Appendix A (such information being the "Annual Operating Report"). The District will additionally provide financial statements of the District (the "Financial Statements"), that will be (i) prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in Appendix D and (ii) audited, if the District commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The District will update and provide the Annual Operating Report within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2023. The District may provide the Financial Statements earlier, including at the time it provides its Annual Operating Report, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the District shall file unaudited Financial Statements within such 12-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

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

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

Notice of Certain Events

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

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

Limitations and Amendments

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

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if, but only if, (1) the agreement, as so amended, would have permitted an underwriter to purchase or sell Bonds in the initial primary offering in compliance with Rule 15c2-12, taking into account any amendments or interpretations of Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent or (b) any qualified person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the District amends its agreement, it has agreed to include with the financial information and operating data next provided, in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and operating data so provided.

Compliance with Prior Undertakings

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

LITIGATION

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

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

FORWARD LOOKING STATEMENTS

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

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

UNDERWRITING

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

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

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

Robert W. Baird & Co. Incorporated, one of the underwriters of the Bonds (“Baird”) is a full service financial institution engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Baird has, from time to time, performed, and may in the future perform, various investment banking services for the District for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, Baird may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the District.

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

CONCLUDING STATEMENT

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

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

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

The Order authorized the Pricing Officer to approve the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorized its further use in the re-offering of the Bonds by the Underwriters. This Official Statement will be approved by the Pricing Officer of the District for distribution in accordance with the provisions of Rule 15c2-12.

/s/

Pricing Officer

APPENDIX A

FINANCIAL INFORMATION OF THE DISTRICT

LA PORTE INDEPENDENT SCHOOL DISTRICT

Financial Information

ASSESSED VALUATION [1]

2022/23 Total Valuation……		$ 17,815,890,003
Less Exemptions & Deductions [2]:		
State Homestead Exemption	$ 428,921,437	
State Over-65 Exemption	35,648,996	
Disabled Homestead Exemption Loss	15,962,929	
Local Optional Over-65 Exemption	172,027,276	
Local Optional Homestead Exemption	514,498,378	
Veterans Exemption Loss	2,784,398	
Surviving Spouse Disabled Veteran	858,315	
Surviving Spouse Deceased First Responder	228,161	
Surviving Spouse Deceased Service Member	133,775	
Freeport / Foreign Trade Zone Exemption [3]	1,673,384,577	
Pollution Control Exemption Loss	299,234,778	
Productivity Loss	88,425,393	
Solar and Wind-Powered Exemptions	908,833	
Homestead Cap Loss	213,215,087	
	$ 3,446,232,333	
2022/23 Net Taxable Valuation [4] ……		$ 14,369,657,670
2023/24 Preliminary Net Taxable Valuation [5] ……		$ 14,629,871,494

(1) Source: Comptroller of Public Accounts - Property Tax Division. The passage of a Texas Constitutional Amendment on May 7, 2022 election increased the homestead exemption from $25,000 to $40,000. See "AD VALOREM TAX PROCEDURES -- State Mandated Homestead Exemptions" in this Official Statement.
(2) Excludes the values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers which totaled $138,716,110 in 2022/23.
(3) See "THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT - Foreign Free Trade Zone" in the body of this Official Statement.
(4) The tax roll figures used in Appendix A represent the tax roll on which the District levies to fund the interest and sinking fund of the District for the payment of debt service on its unlimited tax-supported bonds (the "I&S" tax). Due to the Limitation Agreements described under "THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT" in this Official Statement, the District has a bifurcated tax roll where abated amounts are not taxed for purposes of the District's M&O tax levy, but are taxed for purposes of the I&S tax.
(5) Source: Preliminary values from the Harris and Chambers County Appraisal Districts as of April 2023.

VOTED GENERAL OBLIGATION DEBT

Unlimited Tax Bonds Outstanding [1]		$ 270,840,000
Plus: The Bonds [2]		84,000,000
Total Unlimited Tax Bonds [1] [2]		$ 354,840,000
Less: Estimated Interest & Sinking Fund Balance (As of June 30, 2023) [3]		(10,388,604)
Net General Obligation Debt		$ 344,451,396
Ratio of Net G.O. Debt to Net Taxable Valuation [4]	2.35%	
2023 Population Estimate [5]	47,599	
Per Capita Net Taxable Valuation	$307,357	
Per Capita Net G.O. Debt	$7,237	

(1) Excludes the accreted value of outstanding capital appreciation bonds.
(2) Preliminary, subject to change.
(3) Source: La Porte ISD Estimate.
(4) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in this Official Statement and "DEBT SERVICE REQUIREMENTS" in this appendix and see the "Audited Financial Report Fiscal Year Ended June 30, 2022" in Appendix D for more information relative to the District's outstanding obligations. The ratio is calculated using the tax roll value used for the levy of the District's I&S tax.
(5) Source: Municipal Advisory Council of Texas.

PROPERTY TAX RATES AND COLLECTIONS

Fiscal Year	Net Taxable Valuation	Tax Rate	% Collections [5] Current [6]	Total [6]
2006/07	$ 4,967,170,632 [1]	$ 1.6350 [7]	98.24%	99.29%
2007/08	5,529,024,747 [1]	1.3050 [7]	97.54%	99.19%
2008/09	6,046,666,338 [1]	1.3250	93.30%	95.25%
2009/10	6,057,434,410 [1]	1.3250	98.51%	105.83%
2010/11	5,848,508,710 [1]	1.3250	98.68%	100.49%
2011/12	6,010,887,655 [1]	1.3550	98.91%	100.21%
2012/13	6,272,710,230 [1]	1.3300	98.93%	100.24%
2013/14	6,788,182,787 [1]	1.3300	98.60%	99.77%
2014/15	7,219,747,301 [1]	1.4500	98.68%	99.89%
2015/16	8,360,909,046 [1] [2]	1.4500	98.59%	99.84%
2016/17	9,484,091,465 [1] [2]	1.4200	98.32%	99.58%
2017/18	9,933,340,937 [1] [2]	1.3800	98.63%	99.87%
2018/19	10,314,493,465 [1] [2]	1.3800	98.55%	100.13%
2019/20	11,859,452,797 [1] [2]	1.2800 [8]	98.79%	100.30%
2020/21	12,394,496,896 [1] [2]	1.2697	98.74%	100.39%
2021/22	12,810,901,587 [1] [2]	1.2565	99.30%	100.26%
2022/23	14,369,657,670 [1] [3]	1.2565	98.00% [9]	98.00% [9]
2023/24	14,629,871,494 [3] [4]		(In Process of Collection)	

(1) Source: Comptroller of Public Accounts - Property Tax Division.
(2) The passage of a Texas Constitutional Amendment on November 3, 2015 increased the homestead exemption from $15,000 to $25,000.
(3) The passage of a Texas Constitutional Amendment on May 7, 2022 increased the homestead exemption from $25,000 to $40,000.
(4) Source: Preliminary values from the Harris and Chambers County Appraisal Districts as of April 2023.
(5) Source: La Porte ISD Audited Financial Statements.
(6) Excludes penalties and interest.
(7) The declines in the District's Maintenance & Operation Tax for the 2006/07 and 2007/08 fiscal years are a function of House Bill 1 adopted by the Texas Legislature in May 2006. See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in this Official Statement.
(8) The decline in the District's Maintenance & Operation Tax from the 2018/19 fiscal year to the 2019/20 fiscal year is a function of House Bill 3 adopted by the Texas Legislature in June 2019. See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in this Official Statement.
(9) Source: La Porte ISD Estimate.

TAX RATE DISTRIBUTION

	2018/19	2019/20 [1]	2020/21	2021/22	2022/23
Maintenance & Operations	$1.1700	$1.0400	$1.0397	$1.0165	$0.9746
Debt Service	$0.2100	$0.2400	$0.2300	$0.2400	$0.2819
Total Tax Rate	$1.3800	$1.2800	$1.2697	$1.2565	$1.2565

(1) The decline in the District's Maintenance & Operations Tax from the 2018/19 fiscal year to the 2019/20 fiscal year is a function of House Bill 3 adopted by the Texas Legislature in June 2019.

VALUATION AND FUNDED DEBT HISTORY

Fiscal Year	Net Taxable Valuation	Bond Debt Outstanding [1]	Ratio Debt to A.V. [2]
2006/07	$ 4,967,170,632	$ 107,985,000	2.17%
2007/08	5,529,024,747	186,870,000	3.38%
2008/09	6,046,666,338	180,665,000	2.99%
2009/10	6,057,434,410	201,665,000	3.33%
2010/11	5,848,508,710	221,035,000	3.78%
2011/12	6,010,887,655	208,845,000	3.47%
2012/13	6,272,710,230	200,635,000	3.20%
2013/14	6,788,182,787	192,380,000	2.83%
2014/15	7,219,747,301	346,380,000	4.80%
2015/16	8,360,909,046	371,335,000	4.44%
2016/17	9,484,091,465	350,980,000	3.70%
2017/18	9,933,340,937	335,450,000	3.38%
2018/19	10,314,493,465	319,985,000	3.10%
2019/20	11,859,452,797	331,150,000	2.79%
2020/21	12,394,496,896	315,810,000	2.55%
2021/22	12,810,901,587	299,085,000	2.33%
2022/23	14,369,657,670 [3]	354,840,000 [5]	2.47%
2023/24	14,629,871,494 [4]	332,615,000 [5]	2.27%

(1) The Bonds are illustrated on the State of Texas fiscal year end of August 31st, although the District's fiscal year ends June 30th. Excludes the accreted value of outstanding capital appreciation bonds.
(2) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in this Official Statement, "DEBT SERVICE REQUIREMENTS" in this Appendix and see the "Audited Financial Report Fiscal Year Ended June 30, 2022" in Appendix D for more information.
(3) The passage of a Texas Constitutional Amendement on May 7, 2022 increased the homestead exemption from $25,000 to $40,000.
(4) Source: Preliminary values from the Harris and Chambers County Appraisal Districts as of April 2023.
(5) Includes the Bonds. Preliminary, subject to change.

ESTIMATED OVERLAPPING DEBT STATEMENT

Taxing Body	Amount	Percent Overlapping	Amount Overlapping
Chambers County	$ 99,610,000	0.01%	$ 9,961
Clear Lake City Water Authority	111,245,000	5.19%	5,773,616
Deer Park, City of	79,573,523	26.63%	21,190,429
Harris County	1,453,122,125	2.03%	29,498,379
Harris Co Dept of Ed	13,865,000	2.03%	281,460
Harris Co Flood Control Dist	797,615,000	2.03%	16,191,585
Harris Co Hospital Dist	70,970,000	2.03%	1,440,691
Harris Co MUD #561	22,075,000	100.00%	22,075,000
Harris Co Toll Road	-	2.03%	-
La Porte, City of	27,246,161	94.54%	25,758,520
Morgan's Point, City of	9,500,000	100.00%	9,500,000
Pasadena, City of	123,799,934	5.37%	6,648,056
Port of Houston Authority	445,749,397	2.03%	9,048,713
San Jacinto CCD	537,657,427	19.18%	103,122,695
Shoreacres, City of	2,512,884	100.00%	2,512,884
Total Overlapping Debt [1]			$ 253,051,987
La Porte Independent School District [2]			344,451,396
Total Direct & Overlapping Debt [2]			$ 597,503,383
Ratio of Net Direct & Overlapping Debt to Net Taxable Valuation		4.08%	
Per Capita Direct & Overlapping Debt		$12,553	

(1) Equals gross debt less self-supporting debt.
(2) Includes the Bonds. Preliminary, subject to change. Excludes the accreted value of outstanding capital appreciation bonds.

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

PRINCIPAL TAXPAYERS [(1)]

2022/23 Top Ten Taxpayers

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Equistar Chemicals LP	Industrial/Petrochemical	$ 634,851,094	4.42%
Braskem America Inc.	Industrial/Petrochemical	597,987,498	4.16%
Enterprise Products	Industrial/Petrochemical	594,981,913	4.14%
Fairway Methanol LLC	Industrial/Petrochemical	550,944,250	3.83%
Lyondell Chemical Co.	Industrial/Petrochemical	378,593,923	2.63%
Air Liquide	Industrial/Petrochemical	363,503,508	2.53%
Kuraray America Inc.	Industrial/Petrochemical	312,116,511	2.17%
Praxair Inc.	Industrial/Petrochemical	288,557,478	2.01%
Liberty Property	Land	252,920,293	1.76%
Celanese Ltd.	Industrial/Petrochemical	218,172,981	1.52%
		$ 4,192,629,449	29.18%

2021/22 Top Ten Taxpayers

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Equistar Chemicals LP	Industrial/Petrochemical	$ 634,165,429	4.95%
Braskem America Inc.	Industrial/Petrochemical	602,645,417	4.70%
Enterprise Products	Industrial/Petrochemical	600,485,148	4.69%
Fairway Methanol LLC	Industrial/Petrochemical	531,015,240	4.15%
Air Liquide	Industrial/Petrochemical	361,548,090	2.82%
Kuraray America Inc.	Industrial/Petrochemical	291,681,173	2.28%
Praxair Inc.	Industrial/Petrochemical	235,543,110	1.84%
Liberty Property	Land	232,002,941	1.81%
SREIT Underwood Industrial Park LLC	Industrial Park	182,973,702	1.43%
Lyondell Chemical Co.	Industrial/Petrochemical	170,666,612	1.33%
		$ 3,842,726,862	30.00%

2020/21 Top Ten Taxpayers

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Equistar Chemicals LP	Industrial/Petrochemical	$ 644,634,658	5.20%
Fairway Methanol LLC	Industrial/Petrochemical	573,834,780	4.63%
Enterprise Products	Industrial/Petrochemical	549,017,794	4.43%
Kuraray America Inc.	Industrial/Petrochemical	392,463,222	3.17%
Air Liquide	Industrial/Petrochemical	372,335,071	3.00%
Braskem America Inc.	Industrial/Petrochemical	350,558,678	2.83%
Praxair Inc.	Industrial/Petrochemical	250,319,306	2.02%
Liberty Property	Land	217,936,586	1.76%
Albermarle Catalysts Co. LP	Industrial/Petrochemical	183,711,653	1.48%
Lyondell Chemical Co.	Industrial/Petrochemical	174,486,936	1.41%
		$ 3,709,298,684	29.93%

(1) Source: Comptroller of Public Accounts - Property Tax Division.
Note: As shown in the tables above, the top ten taxpayers in the District currently account for more than 29% of the District's tax base. Adverse developments in economic conditions, particularly in the petrochemical industry, could adversely impact the businesses in the District and the tax values in the District, resulting in less local tax revenue. If any major taxpayer were to default in the payment of taxes, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or, perhaps, to sell tax anticipation notes until such amounts could be collected, if ever. See "REGISTERED OWNERS REMEDIES."

CLASSIFICATION OF ASSESSED VALUATION BY USE CATEGORY [1]

Category	2022/23	% of Total	2021/22	% of Total	2020/21	% of Total
Real, Residential, Single-Family	$ 3,578,035,621	20.08%	$ 3,007,531,762	19.46%	$ 2,760,727,879	18.36%
Real, Residential, Multi-Family	267,182,643	1.50%	194,479,346	1.26%	154,519,656	1.03%
Real, Vacant Lots/Tracts	211,837,063	1.19%	211,739,174	1.37%	183,710,705	1.22%
Real, Qualified Land & Improvements	89,019,238	0.50%	90,945,211	0.59%	85,652,695	0.57%
Real, Non-Qualified Land & Improvements	38,300,617	0.21%	41,173,349	0.27%	48,687,579	0.32%
Real, Commercial & Industrial	9,173,992,766	51.49%	8,381,666,217	54.23%	8,227,191,954	54.73%
Oil & Gas	2,524,190	0.01%	4,114,250	0.03%	8,269,200	0.06%
Utilities	207,497,277	1.16%	177,660,376	1.15%	176,398,868	1.17%
Tangible Personal, Commercial	831,118,753	4.67%	783,238,494	5.07%	802,420,229	5.34%
Tangible Personal, Industrial	3,370,524,461	18.92%	2,529,721,085	16.37%	2,564,911,171	17.06%
Tangible Personal, Mobile Homes & Other	11,702,008	0.07%	11,212,867	0.07%	8,970,793	0.06%
Tangible Personal, Residential Inventory	21,717,470	0.12%	13,078,804	0.08%	466,601	0.00%
Tangible Personal, Special Inventory	12,437,896	0.07%	10,558,075	0.07%	11,266,473	0.07%
Total Appraised Value	$ 17,815,890,003	100.00%	$ 15,457,119,010	100.00%	$ 15,033,193,803	100.00%
Less:						
Homestead Cap Adjustment	$ 213,215,087		$ 62,399,502		$ 56,082,907	
Productivity Loss	88,425,393		90,487,629		82,515,004	
Exemptions	3,144,591,853	(2)	2,493,330,292	(3)	2,500,098,996	(3)
Total Exemptions/Deductions [4]	$ 3,446,232,333		$ 2,646,217,423		$ 2,638,696,907	
Net Taxable Assessed Valuation	$ 14,369,657,670		$ 12,810,901,587		$ 12,394,496,896	

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

(1) Source: Comptroller of Public Accounts - Property Tax Division.
(2) The passage of a Texas Constitutional Amendment on May 7, 2022 increased the homestead exemption from $25,000 to $40,000.
(3) The passage of a Texas Constitutional Amendment on November 3, 2015 increased the homestead exemption from $15,000 to $25,000.
(4) Excludes values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers.

PRINCIPAL REPAYMENT SCHEDULE [1]

Fiscal Year Ending 8/31	Outstanding Bonds [2]	Plus: The Bonds [3]	Total [2] [3]	Bonds Unpaid At Year End [2] [3]	Percent of Principal Retired
2023	$ 28,245,000.00	$ -	$ 28,245,000.00	$ 354,840,000.00	7.37%
2024	17,750,000.00	4,475,000.00	22,225,000.00	332,615,000.00	13.17%
2025	17,895,000.00	3,670,000.00	21,565,000.00	311,050,000.00	18.80%
2026	18,600,000.00	1,650,000.00	20,250,000.00	290,800,000.00	24.09%
2027	19,375,000.00	1,755,000.00	21,130,000.00	269,670,000.00	29.61%
2028	18,830,000.00	2,595,000.00	21,425,000.00	248,245,000.00	35.20%
2029	16,310,000.00	2,625,000.00	18,935,000.00	229,310,000.00	40.14%
2030	19,145,000.00	2,650,000.00	21,795,000.00	207,515,000.00	45.83%
2031	19,780,000.00	2,690,000.00	22,470,000.00	185,045,000.00	51.70%
2032	15,490,000.00	4,555,000.00	20,045,000.00	165,000,000.00	56.93%
2033	15,895,000.00	4,675,000.00	20,570,000.00	144,430,000.00	62.30%
2034	16,280,000.00	5,385,000.00	21,665,000.00	122,765,000.00	67.95%
2035	16,655,000.00	5,550,000.00	22,205,000.00	100,560,000.00	73.75%
2036	14,165,000.00	6,805,000.00	20,970,000.00	79,590,000.00	79.22%
2037	14,515,000.00	7,025,000.00	21,540,000.00	58,050,000.00	84.85%
2038	14,885,000.00	7,260,000.00	22,145,000.00	35,905,000.00	90.63%
2039	15,270,000.00	7,515,000.00	22,785,000.00	13,120,000.00	96.58%
2040	-	1,270,000.00	1,270,000.00	11,850,000.00	96.91%
2041	-	1,310,000.00	1,310,000.00	10,540,000.00	97.25%
2042	-	1,355,000.00	1,355,000.00	9,185,000.00	97.60%
2043	-	1,400,000.00	1,400,000.00	7,785,000.00	97.97%
2044	-	1,450,000.00	1,450,000.00	6,335,000.00	98.35%
2045	-	1,500,000.00	1,500,000.00	4,835,000.00	98.74%
2046	-	1,555,000.00	1,555,000.00	3,280,000.00	99.14%
2047	-	1,610,000.00	1,610,000.00	1,670,000.00	99.56%
2048	-	1,670,000.00	1,670,000.00	-	100.00%
Total	$ 299,085,000.00	$ 84,000,000.00	$ 383,085,000.00		

(1) Debt service is illustrated on the State of Texas fiscal year end of August 31st, although the District's fiscal year ends June 30th.
(2) Excludes the accreted value of outstanding capital appreciation bonds.
(3) Preliminary, subject to change.

DEBT SERVICE REQUIREMENTS [1]

Fiscal Year Ending 8/31	Outstanding Debt Service [2] [3]	Plus: The Bonds [4] Principal	Interest	Total	Combined Total [2] [3] [4] [5]
2023	$ 38,101,977.06	$ -	$ 252,000.00	$ 252,000.00	$ 38,353,977.06
2024	26,797,781.64	4,475,000.00	3,149,166.67	7,624,166.67	34,421,948.31
2025	26,796,821.51	3,670,000.00	3,107,600.00	6,777,600.00	33,574,421.51
2026	26,796,485.68	1,650,000.00	3,001,200.00	4,651,200.00	31,447,685.68
2027	26,798,297.48	1,755,000.00	2,933,100.00	4,688,100.00	31,486,397.48
2028	26,790,859.58	2,595,000.00	2,846,100.00	5,441,100.00	32,231,959.58
2029	23,639,003.33	2,625,000.00	2,741,700.00	5,366,700.00	29,005,703.33
2030	23,139,698.83	2,650,000.00	2,636,200.00	5,286,200.00	28,425,898.83
2031	23,137,250.20	2,690,000.00	2,529,400.00	5,219,400.00	28,356,650.20
2032	18,324,504.52	4,555,000.00	2,384,500.00	6,939,500.00	25,264,004.52
2033	18,323,361.97	4,675,000.00	2,199,900.00	6,874,900.00	25,198,261.97
2034	18,324,780.45	5,385,000.00	1,998,700.00	7,383,700.00	25,708,480.45
2035	18,324,506.04	5,550,000.00	1,780,000.00	7,330,000.00	25,654,506.04
2036	15,468,855.70	6,805,000.00	1,532,900.00	8,337,900.00	23,806,755.70
2037	15,467,122.40	7,025,000.00	1,256,300.00	8,281,300.00	23,748,422.40
2038	15,468,198.58	7,260,000.00	970,600.00	8,230,600.00	23,698,798.58
2039	15,466,786.43	7,515,000.00	675,100.00	8,190,100.00	23,656,886.43
2040	-	1,270,000.00	499,400.00	1,769,400.00	1,769,400.00
2041	-	1,310,000.00	447,800.00	1,757,800.00	1,757,800.00
2042	-	1,355,000.00	394,500.00	1,749,500.00	1,749,500.00
2043	-	1,400,000.00	339,400.00	1,739,400.00	1,739,400.00
2044	-	1,450,000.00	282,400.00	1,732,400.00	1,732,400.00
2045	-	1,500,000.00	223,400.00	1,723,400.00	1,723,400.00
2046	-	1,555,000.00	162,300.00	1,717,300.00	1,717,300.00
2047	-	1,610,000.00	99,000.00	1,709,000.00	1,709,000.00
2048	-	1,670,000.00	33,400.00	1,703,400.00	1,703,400.00
	$ 377,166,291.40	$ 84,000,000.00	$ 38,476,066.67	$ 122,476,066.67	$ 499,642,358.07

(1) Debt service is illustrated on the State of Texas fiscal year end of August 31st, although the District's fiscal year ends on June 30th.
(2) Includes the accreted value of outstanding capital appreciation bonds.
(3) The District receives federal subsidy payments for its Unlimited Tax Schoolhouse Bonds, Taxable Series 2010B (Build America Bonds)(the "Series 2010B Bonds") which are transferred to the District's General Fund. Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, certain automatic reductions in federal spending took effect as of March 1, 2013. These required reductions in federal spending include a reduction in federal subsidies for certain qualified bonds, including the Series 2010B Bonds. The sequestration reduction rate will be applied until the end of the current fiscal year (September 30, 2023) or until intervening Congressional action, at which time the sequestration rate is subject to change. Payments to issuers of such qualified bonds, including the District, are subject to a reduction of 5.7% of the amount budgeted for such payments. It is anticipated that federal payments to the District for the Series 2010B Bonds will be reduced as described above. The District can make no prediction as to the length or long-term effects of the sequestration, or the timely receipt of sequestration payments.
(4) Preliminary, subject to change.
(5) Based on it's wealth per student, the District does not expect to receive state financial assistance for the payment of debt service for the fiscal year 2022/23. The amount of state financial assistance for debt service, if any, may differ substantially each year depending on a variety of factors, including the amount, if any, appropriated for that purpose by the state legislature and a school district's wealth per student. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in this Official Statement.

TAX ADEQUACY WITH RESPECT TO THE DISTRICT'S BONDS

Projected Maximum Debt Service Requirement [1]	$ 38,353,977.06
Projected State Financial Assistance for Hold Harmless of Increased Homestead Exemption in 2022/23 [2]	465,000.00
Projected Maximum Net Debt Service Requirement [1] [2]	$ 37,888,977.06
$0.26427 Tax Rate @ 98% Collections Produces	$ 37,888,977.06
2023/24 Preliminary Net Taxable Assessed Valuation [3]	$ 14,629,871,494

(1) Includes the Bonds. Preliminary, subject to change.
(2) The amount of state financial assistance for debt service, if any, may differ substantially each year depending on a variety of factors, including the amount, if any, appropriated for that purpose by the state legislature and a school district's wealth per student. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in this Official Statement. The District will not receive any Instructional Facilities Allotment nor Existing Debt Allotment state aid in 2022/23, but will receive additional state aid for the increase in the homestead exemption which took effect in 2022/23.
(3) Source: Preliminary values from the Harris and Chambers County Appraisal Districts as of April 2023.

AUTHORIZED BUT UNISSUED BONDS

Following the issuance of the Bonds, the District will have $151,000,000 ($139,000,000 in Proposition A, $12,000,000 in Proposition B and $0 in Proposition C) (preliminary, subject to change) authorized but unissued ad valorem tax bonds from the May 6, 2023 election. The District may issue a portion of the remaining authorized but unissued bonds within the next twelve months. The District may incur other financial obligations payable from its collection of taxes and other sources of revenue, including maintenance tax notes payable from its collection of maintenance taxes, public property finance contractual obligations, delinquent tax notes, and leases for various purposes payable from State appropriations and surplus maintenance taxes.

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

	Fiscal Year Ended June 30				
	2018	2019	2020	2021	2022
Beginning Fund Balance	**$ 33,240,467**	**$ 34,908,586**	**$ 40,356,727**	**$ 54,387,098**	**$ 55,795,670**
Revenues:					
Local and Intermediate Sources	$ 98,129,830	$ 111,963,242	$ 112,230,164	$ 119,019,971	$ 119,143,912
State Sources	7,034,704	8,473,704	16,572,597	7,903,262	8,774,291
Federal Sources & Other	1,431,727	3,076,691	2,210,624	2,912,708	2,768,262
Total Revenues	**$ 106,596,261**	**$ 123,513,637**	**$ 131,013,385**	**$ 129,835,941**	**$ 130,686,465**
Expenditures:					
Instruction	$ 40,760,467	$ 41,204,195	$ 42,385,111	$ 43,510,443	$ 43,858,009
Instructional Resources & Media Services	442,718	342,011	347,449	350,971	307,205
Curriculum & Instructional Staff Development	666,490	676,863	647,295	868,673	1,387,127
Instructional Leadership	865,459	824,068	923,896	960,536	979,913
School Administration	4,433,985	4,469,733	4,672,012	4,977,388	4,929,103
Guidance, Counseling & Evaluation Services	2,840,485	2,490,355	2,268,446	2,610,799	2,431,767
Social Work Services	248,452	264,097	241,850	271,829	327,877
Health Services	888,209	927,231	898,274	961,105	988,292
Student (Pupil) Transportation	2,792,377	2,796,118	2,696,534	3,044,047	3,499,985
Cocurricular/Extracurricular Activities	1,737,084	1,629,216	1,448,979	1,608,710	1,650,897
General Administration	3,227,129	3,007,982	3,255,708	3,238,476	3,098,216
Plant Maintenance and Operations	7,601,475	8,101,005	7,976,222	8,827,203	5,320,144
Security and Monitoring Services	1,423,170	1,587,102	1,584,245	1,735,506	1,784,946
Data Processing Services	1,508,071	1,533,809	1,549,366	1,532,584	1,486,883
Community Services	9,897	15,577	17,726	11,161	136,784
Debt Service - Principal on Long-Term Debt	-	-	-	-	92,855
Debt Service - Interest on Long-Term Debt	-	-	-	-	4,617
Contracted Instructional Services	33,224,648	46,925,331	41,571,997	48,381,443	48,427,281
Payments Related to Shared Services Arrangements	111,516	128,845	171,317	29,738	22,823
Payments to Juvenile Justice Alternative Programs	19,800	59,400	59,400	59,400	41,400
Payments to Tax Incremental Fund	1,141,045	2,779,617	3,810,140	4,141,276	4,355,156
Other Intergovernmental Charges	993,774	1,037,446	1,068,592	1,099,268	1,130,620
Total Expenditures	**$ 104,936,251**	**$ 120,800,001**	**$ 117,594,559**	**$ 128,220,556**	**$ 126,261,900**
Excess (Deficiency) of Revenues over Expenditures	$ 1,660,010	$ 2,713,636	$ 13,418,826	$ 1,615,385	$ 4,424,565
Other Resources and (Uses):					
Sale of Real or Personal Property	$ -	$ 2,732,055	$ 824,770	$ -	$ -
Transfers In	8,313	2,450	11,550	-	34,294
Transfer Out	(204)	-	(224,775)	(206,813)	-
Total Other Resources (Uses)	**$ 8,109**	**$ 2,734,505**	**$ 611,545**	**$ (206,813)**	**$ 34,294**
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	$ 1,668,119	$ 5,448,141	$ 14,030,371	$ 1,408,572	$ 4,458,859
Ending Fund Balance [(2) (3)]	**$ 34,908,586**	**$ 40,356,727**	**$ 54,387,098**	**$ 55,795,670**	**$ 60,254,529**

(1) See "MANAGEMENT'S DISCUSSION AND ANALYSIS - Economic Factors and Next Year's Budget and Rates" in Appendix D hereto for a discussion of the 2022/23 budget and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - Possible Effects of Wealth Transfer Provisions on the District's Financial Condition" in this Official Statement.
(2) The District's estimated anticipated general fund balance as of June 30, 2023 is $57,928,573, which reduction from the fiscal year's beginning balance was primarily attributable to increased property insurance premiums and one-time teacher retention stipends.
(3) For the fiscal year ending June 30, 2024, the District, as it has in previous budget cycles, adopted a deficit budget in the amount of approximately $8.5 million. The District believes this to represent a conservative budget whose deficit will reduce over the operating period as a result of expense reduction and greater than expected revenues (including, possibly, increased State funding).

CHANGE IN NET ASSETS [1]

	Fiscal Year Ended June 30				
	2018	2019	2020	2021	2022
Revenues:					
Program Revenues:					
Charges for Services	$ 1,381,671	$ 1,766,660	$ 1,389,395	$ 657,838	$ 1,155,705
Operating Grants and Contributions	(4,549,099)	9,574,383	9,666,866	10,214,299	16,979,950
General Revenues:					
Property Taxes Levied for General Purposes	96,468,292	105,918,780	105,161,625	114,501,149	114,992,438
Property Taxes Levied for Debt Service	32,937,911	21,204,806	26,805,586	27,673,548	29,230,470
Grants and Contributions Not Restricted	5,701,540	11,823,223	18,959,584	7,903,262	4,669,846
Investment Earnings	1,238,456	1,829,958	1,374,315	238,711	407,919
Special Item - Gain on Sale of Capital Asset	-	2,732,055	675,776	-	-
Miscellaneous	1,066,686	5,987,237	6,670,886	8,457,414	5,133,909
Total Revenue	$ 134,245,457	$ 160,837,102	$ 170,704,033	$ 169,646,221	$ 172,570,237
Expenses:					
Instruction	$ 38,856,109	$ 58,059,849	$ 61,008,278	$ 59,499,677	$ 54,040,203
Instruction Resources & Media Services	348,770	371,144	383,664	364,753	379,858
Curriculum & Staff Development	693,000	985,087	941,971	1,141,627	1,695,388
Instructional Leadership	615,858	1,155,213	1,229,030	1,134,417	1,062,816
School Leadership	2,853,808	4,852,010	5,132,269	5,119,390	4,545,559
Guidance, Counseling & Evaluation Services	1,824,276	3,960,798	4,237,356	4,131,751	3,346,675
Social Work Services	228,045	268,286	247,234	279,879	403,331
Health Services	591,858	1,002,204	994,588	985,641	924,736
Student Transportation	2,383,859	3,068,613	3,085,934	3,520,314	3,577,674
Food Service	3,250,726	4,567,997	4,069,215	3,786,927	3,991,533
Cocurricular/Extracurricular Activities	2,122,573	2,726,363	2,614,667	2,595,396	2,507,755
General Administration	2,707,853	3,339,518	3,688,217	3,380,066	2,757,018
Plant Maintenance & Operations	10,070,631	11,491,142	11,457,636	12,261,399	12,352,765
Security and Monitoring Services	1,243,185	1,933,772	1,813,636	2,060,554	1,886,837
Data Processing Services	2,435,287	2,896,056	3,903,305	3,281,911	2,881,930
Community Services	20,614	28,609	66,847	144,481	659,409
Debt Service - Interest	13,000,225	12,473,266	11,548,802	23,459,261	8,608,463
Debt Service - Issuance Cost and Fees	8,000	8,000	236,690	795,884	-
Contracted Instructional Services	33,224,648	46,925,331	41,571,997	48,381,443	48,427,281
Payments Related to Shared Service Arrangements	111,516	128,845	171,317	161,730	180,900
Payments to Juvenile Justice Alternative Ed Program	19,800	59,400	59,400	59,400	41,400
Payments to Tax Increment Fund	1,141,045	2,779,617	3,810,140	4,141,276	4,355,156
Other Intergovernmental Charges	993,774	1,037,446	1,068,592	1,099,268	1,130,620
Total Expenditures	$ 118,745,460	$ 164,118,566	$ 163,340,785	$ 181,786,445	$ 159,757,307
Change in Net Assets	$ 15,499,997	$ (3,281,464)	$ 7,363,248	$ (12,140,224)	$ 12,812,930
Beginning Net Assets	$ 66,991,217	$ 37,007,259	$ 33,725,795	$ 41,089,043	$ 28,948,819
Prior Period Adjustment	$ (45,483,955) [2]	$ -	$ -	$ -	$ -
Ending Net Assets	$ 37,007,259	$ 33,725,795	$ 41,089,043	$ 28,948,819	$ 41,761,749

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

APPENDIX B

GENERAL INFORMATION REGARDING THE DISTRICT
AND ITS ECONOMY

LA PORTE INDEPENDENT SCHOOL DISTRICT
General and Economic Information

La Porte Independent School District (the "District") is located within the southeast portion of Harris County and includes the Cities of La Porte, Shoreacres, Morgan's Point and a section of southeast Deer Park. The economy is dependent on oil production and refining. The District covers a 56.99 square mile area and is primarily composed of heavy industrial sites. The sites are located on the Houston Ship Channel, the nation's 2nd largest port, and in the Bayport Industrial Development, which serve as the center of Texas' largest chemical industry complex. The District's current estimated population is 47,599.

Harris County (the "County") located in southeast Texas, is the most populous county and a major component of the Houston Primary Metropolitan Statistical Area. The County is traversed by Interstate Highways 10, 45, 69, and 610, as well as Cypress and Spring Creeks and the San Jacinto River, which connect to Galveston Bay in the south. The county seat is Houston.

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

Enrollment Statistics

Year	Elementary (PK-5)	Sixth Grade (6)	Junior High (7-8)	High (9-12)	Total
2007-08	3,818	586	1,195	2,341	7,940
2008-09	3,862	559	1,206	2,287	7,914
2009-10	3,862	579	1,118	2,288	7,847
2010-11	3,815	608	1,134	2,259	7,816
2011-12	3,841	551	1,194	2,182	7,768
2012-13	3,746	625	1,148	2,228	7,747
2013-14	3,674	533	1,165	2,256	7,628
2014-15	3,698	544	1,170	2,222	7,634
2015-16	3,689	579	1,164	2,320	7,752
2016-17	3,682	576	1,178	2,277	7,713
2017-18	3,629	545	1,179	2,235	7,588
2018-19	3,463	590	1,118	2,213	7,384
2019-20	3,365	575	1,126	2,145	7,211
2020-21	3,125	550	1,144	2,166	6,985
2021-22	3,150	514	1,127	2,134	6,925
2022-23 [(a)]	3,402	518	952	2,167	7,039

(a) As of May 2023

District Staff

Teachers	497
Auxiliary Personnel	12
Teachers' Aides & Secretaries	132
Administrators	43
Other (Counselors, RNs, Librarians)	94
Total	778

Facilities

Campus	Grades	Current Enrollment	Capacity	Year Built	Year of Addition/ Renovation
La Porte Early Childhood Center	6 weeks - PK	86	*		N/A
Rizzuto Elementary	K-5	374	700	1984	Renovations: 2010, 2016
Jennie Reid Elementary	K-5	417	545	1981	Renovations: 2010, 2016
Lomax Elementary	K-5	518	750	2016	Renovations: 2019
La Porte Elementary	PK-5	557	588	1999	Renovations: 2010, 2016
Heritage Elementary	EE-5	598	750	2007	Renovations: 2016
College Park Elementary	PK-5	452	549	1969	Renovations: 1972, 2010, 2016
Bayshore Elementary	EE-5	400	750	2009	Renovations: 2016
Baker Sixth Grade Campus	6	518	750	2016	N/A
Lomax Junior High	7-8	417	761	1986	Renovations: 2009, 2016
La Porte Junior High	7-8	535	694	1944	Renovations: 1955, 1999, 2010, 2016
La Porte High School	9-12	2,013	2,900	1959	Renovations: 1976, 1978, 1996, 2007, 2009, 2016, 2017
De Walt Alternative School	9-12	154	200	1999	Renovations: 2010

**Part of Heritage Elementary*

Unemployment Rates

	April 2021	April 2022	April 2023
Harris County	6.8%	3.9%	4.0%
State of Texas	5.9%	3.5%	3.7%

Source: Texas Workforce Commission

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

HUNTON
ANDREWS KURTH

Hunton Andrews Kurth LLP
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Houston, Texas 77002
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HuntonAK.com

August __, 2023

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

> LA PORTE INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2023, dated August 1, 2023, in the aggregate principal amount of $__________.
>
> The Bonds mature, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Bonds and in the order (the "Order") adopted by the Board of Trustees of the District authorizing their issuance.

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

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

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

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

insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors of political subdivisions and the exercise of judicial discretion in appropriate cases; and the Bonds have been authorized and delivered in accordance with law; and

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

BASED ON OUR EXAMINATION AS DESCRIBED ABOVE, it is further our opinion that under current law and subject to the restrictions hereinafter described, interest on the Bonds (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum tax and (c) may have to be taken into account by applicable corporations (as defined in Section 59(k) of the Code) for the alternative minimum tax imposed on such corporations. The opinion in (a) and (b) of the preceding sentence is subject to the condition that there is compliance subsequent to the issuance of the Bonds with all requirements of the Code that must be satisfied in order that interest thereon not be included in gross income for federal income tax purposes. Failure by the District to comply with the Covenants (as defined below), among other things, could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issue. The District may in its discretion, but has not covenanted to, take any and all such actions as may be required by future changes in the Code and applicable regulations in order that interest on the Bonds remain excludable from gross income for federal income tax purposes. We express no opinion regarding other federal tax consequences of the ownership of or receipt or accrual of interest on the Bonds.

EXCEPT AS DESCRIBED HEREIN, we express no opinions as to any other matters.

IN PROVIDING THE FOREGOING OPINIONS, Without undertaking to verify the same by independent investigation, we have relied on certifications by representatives of the District as to certain facts relevant to both our opinion and requirements of the Code. The District has covenanted to comply with the current provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds, all as set forth in the proceedings and documents relating to the issuance of the Bonds (the "Covenants").

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

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

16082/16723/24523

APPENDIX D

AUDITED FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2022

La Porte Independent School District

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2022

Every student's success is our number one priority!

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

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2022

LA PORTE INDEPENDENT SCHOOL DISTRICT

1002 San Jacinto Street, La Porte, Texas 77571

Prepared by The LPISD Business Office

Rhonda Cumbie
Chief Financial Officer

Walter Jackson
Superintendent of Schools

LA PORTE INDEPENDENT SCHOOL DISTRICT

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INTRODUCTORY SECTION

LA PORTE INDEPENDENT SCHOOL DISTRICT

Principal Officials and Advisors

Board of Trustees

Trustee	Office	Completed Years of Service	Term Expires May	Occupation
David Janda	President	10	2024	Teacher
Russell Schoppe	Vice President	2	2023	Teacher/Coach
Jeff Martin	Secretary	1	2024	Chamber of Commerce President
Melissa Crutcher	Trustee	1	2025	Board Secretary and Marketing Manager
Danny Hanks	Trustee	0	2023	Senior Vice President
Chris Murdock	Trustee	2	2023	Patrol Deputy
Dee Anne Thomson	Trustee	12	2025	Warehouse Operations Manager

Administrative Officials

Official	Position	Years of Service Total	Years of Service District
Dr. Walter Jackson	Superintendent	28	2
Rhonda Cumbie	Chief Financial Officer	25	14
Dr. Linda Wadleigh	Deputy Superintendent	37	22
Mike Clausen	Deputy Superintendent	53	53
Danette Tilley	Executive Director, Secondary Education	33	18
Jewel Whitfield	Executive Director, Elementary Education	25	22
Angela Garza-Viator	Executive Director, Human Resources	24	24
George Crandall	Director of Finance	15	3
Adam Holland	Director, Communications & Community Relations	16	7

Consultants and Advisors

Whitley Penn
Independent Auditors
3737 Buffalo Speedway, Suite 1600 • Houston, Texas 77098

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

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

CERTIFICATE OF BOARD

La Porte Independent School District	**Harris**	**101-916**
Name of School District	County	Co. - Dist. No.

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and approved for the year ended June 30, 2022, at a meeting of the Board of Trustees of such school district on November 8, 2022.

David Lee Janda Jr.
President of the Board

Secretary of the Board

La Porte Independent School District

1002 San Jacinto Street La
Porte, Texas 77571

Dr. Walter Jackson
Superintendent of Schools

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

November 8, 2022

Mr. David Janda, President,
Members of the Board of Trustees, and
Citizens of the La Porte Independent School District Dear Members of the Board of Trustees and Citizens:

The Texas Education Code requires that all school districts file a complete set of financial statements with the Texas Education Agency (TEA) within 150 days of the close of each fiscal year. The financial statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited by a firm of licensed certified public accountants in accordance with generally accepted auditing standards. Pursuant to that requirement, we hereby issue the Annual Comprehensive Financial Report of the La Porte Independent School District (the District) for the fiscal year ended June 30, 2022. The Annual Comprehensive Financial Report is management's report of financial operations to the Board of Trustees (the Board), taxpayers, grantor agencies, employees, the TEA, and other interested parties.

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

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

The financial statements of the District have been audited by Whitley Penn, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2022, are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District's financial statements for the fiscal year ended June 30, 2022, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements is part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and legal requirements involving the administration of federal awards. These reports are available in the Federal Awards section of this report. The results of the District's Single Audit for the fiscal year ended June 30, 2022, provided no instances of material weaknesses in the internal control structures or material violations of applicable laws and regulations.

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

Profile of the District

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

The District occupies 55 square miles in Southeast Harris County. Included in its boundaries are the cities of La Porte, Shoreacres, Morgan’s Point, and a small section of southeast Deer Park and Pasadena. Established for the 1915-1916 school year, La Porte ISD is fortunate to have the support of the La Porte community which has retained that special “hometown” feeling while being able to take advantage of opportunities offered by the nearby metropolitan Houston area. During the 2021-2022 fiscal year, the District operated the following:

Campus	Construction Year	Additions/Renovations
La Porte High School (traditional 9th – 12th)	1960	1974, 1996, 2008, 2009, 2016, 2017
Academy of Viola Dewalt High School (alternative 9th – 12th)	1999	
Secondary DAEP	1965	
La Porte Junior High School	1944	2010
Lomax Junior High School	1986	2010
Baker 6th Grade Campus	2016	
Bayshore Elementary	2009	
College Park Elementary	1969	2010, 2016
Heritage Elementary	2007	
Jennie Reid Elementary	1981	
La Porte Elementary	1999	
Lomax Elementary	2016	
Rizzuto Elementary	1984	

Support & Administration	Construction Year	Additions/Renovations
Administration Building	1999	
Instructional Technology Center	2009	
Special Programs Building	1980	District acquired/renovated 2016
Support Services Center	2009	

The District serves approximately 7000 students and provides a full range of educational services appropriate to grade levels Pre-K through 12. These include regular and enriched academic education, special education for children with special needs, career and technology education, and programs for students with limited English proficiency. These basic programs are supplemented by a wide variety of offerings in fine arts and athletics.

A Vision for LPISD

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

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

Economic Condition and Outlook

The information presented in the financial statements is perhaps best understood when it is considered within the broader perspective of the specific environment in which the District operates. Located just southeast of Houston, Texas, in Harris County, the La Porte Independent School District is a dynamic factor in the quality of life and economic development efforts of the area. The largest industries surrounding the District include and are presented in descending order, manufacturing, construction, and educational services. The local economy is subject to volatility in the price of hydrocarbons. La Porte adjoins the Barbours Cut Terminal, operated by the Port of Houston and the largest of its terminals allotted to handle standardized cargo containers. The La Porte area has an estimated population of 35,964, most recent update from the US Census Bureau for year-end 2021, a 2.4% increase from 2020. Additionally, Texas Work Force Commission and Texas Labor Market Information for year-end 2021 reported the city has seen a 4% unemployment rate decrease. While primarily industrial in nature, La Porte has an active and thriving family and business component. It provides easy access to many educational and cultural advantages of the greater Houston/Galveston metropolitan areas. The commercial/industrial growth and the overall economic health of the area have dramatically increased in recent years. Increased property values and growth in the District's tax base easily demonstrate this. The strong collaborative ties with the chamber of commerce, the business community, and other local governmental entities, demonstrates our continuing efforts to pave inroads in building support and targeting resources to achieve the greatest impact for all of our students.

In the past ten years, La Porte ISD and the surrounding areas have been impacted by several natural disasters which negatively impact district enrollment and growth. For FY 2022 the district had an enrollment just under 7,000 students, which is down from FY 2021. While enrollment numbers have steadily decreased, our projected numbers reflect an increase, and the district remains active in promoting what La Porte has to offer.

The district currently has eight Chapter 313 agreements, two of those agreements executed in fiscal year 2021. Under a Chapter 313 agreement for the purpose of maintenance and operations taxes, the taxable value of the property is limited, but for the purpose of bond repayment, the taxable value of the property cannot be limited. Chapter 313 also limits the reduction of maintenance and operating (M&O) taxable value to a floor that generates $100 per student in average daily attendance (ADA). The agreement, a negotiable payment in lieu of taxes, as well as negotiable support for supplemental school district endeavors such as a foundation perhaps, are made directly to the taxing entity. In our case, the payment would come directly to us and be outside of the current school funding system and not subject to recapture or equalization payments to the state. The 313 agreements are not factored into the district budget until they are approved, constructed and assessed. These agreements are a major contributing factor to the District's increased base and provide a 10-year benefit to the district.

The District continues to incur a significant cost in property and casualty insurance due to the location of the District on Galveston Bay. The district has $200 million of property in AE Zones close to the bay and $200 million in coverage. This coverage costs the District $2.3 million annually of the maintenance and operations tax collections which are then recaptured. Escalating insurance market conditions remain a concern. The District also has costs to maintain two recovery storm shelters and has routine shelter in place drills. Between summer 2008 and summer 2017 the district spent $348 million for replacement and renovation of educational facilities with storm mitigation at the forefront of design and investment.

House Bill 2610, passed by the 84th Texas Legislature, changes the school year from 180 days to 75,600 minutes. This continues to provide more flexibility for the District when constructing the educational calendars. This also provides flexibility for weather events and issues surrounding the COVID-19 pandemic. The District adopted a calendar based on instructional minutes instead of instructional days. This calendar allows the district better operational and instructional efficiency.

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

Financial Information

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

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

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

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

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

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

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

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

Significant Financial Activities –The District's total tax base in 2021-22 was over $12.56 billion, an increase of 7.69 % from the previous year. The tax rates per $100 of assessed value for the past five years are shown on the following table.

Year	2017-18	2018-19	2019-2020	2020-2021	2021-2022
M&O	1.04	1.17	1.04	1.0397	1.0165
I&S	0.34	0.21	0.24	0.23	.24

House Bill 3 (HB3) was passed by the 86th Texas Legislature in 2019. One major policy area reduces and reforms property taxes and recapture. Property taxes for the District are compressed to $0.8465 for maintenance and operations during the 2022 tax year, however, pursuant to Texas tax code § 26.08(a), due to the disaster declarations issued by Governor Abbott due to Hurricane Hannah on July 25, 2020 and Hurricane Marco and Tropical Storm Laura on August 23, 2020, and due to the decline in enrollment and attendance rates due to these weather events, which thereby necessitated a decreased expenditure of money to respond to the disasters, an election is not required under this section to approve the tax rate adopted by the governing body for the year following the year in which the disaster occurs, the District adopted a maintenance and operations tax rate of $1.0165.

The District has 1,131 faculty and staff comprised of the following: 50 employees in central administration departments; 516 teachers, librarians, counselors, and nurses; 283 other school leadership and support staff; 105 maintenance employees; 69 cafeteria workers; and 108 employees in transportation for the 2021-2022 budget. The district's Board of Trustees approved a 3 percent general pay increase for all staff. The beginning teacher salary increased to $60,000.

Major Indicators

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

Test Scores – The 2022 State of Texas Assessments of Academic Readiness (STAAR) tests marked a return to the accountability rating system after all districts and campuses were labeled *Not Rated: Declared State of Disaster* for 2021. Under the state accountability system, the District and all campuses met the state's expectations for the 2021-2022 school year. La Porte ISD and all campuses have met the state's standards since the inception of the program. Additionally, districts and campuses may receive distinctions in recognition of outstanding achievement towards performance goals. In fiscal year 2022, La Porte ISD campuses were recognized with nineteen combined distinctions in one or more areas. Heritage Elementary earned five, College Park and La Porte Elementary earned four distinctions, followed by Leo A. Rizzuto and Lomax with three distinctions.

Attendance Rate - Despite the lack of growth in the District and the problems facing families today, the attendance rate in the District remains high at 90.8%.

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

Dual Credit Offerings - The District continued its partnership with San Jacinto College and the La Porte San Jacinto College Center where students may receive dual enrollment credit while attending La Porte High School. The goal of the college center is to provide opportunities for students to earn college credit and/or industry certification. The District and San Jacinto College also partner to provide the Accelerated College Education (ACE) dual credit program where eligible students can graduate with an Associate's degree in addition to a high school diploma. In 2022, 31 students graduated with an Associate's degree. We anticipate 36 graduates in 2023 and 49 graduates in 2024.

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

Business and Industry Endorsement

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

Public Services Endorsement

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

Science, Technology, Engineering and Mathematics (STEM) Endorsement

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

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

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

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

Public Support - Pursuant to voter approval of a $260 million bond authorization on August 12, 2015, the district sold $72,545,000 in bonds. Additionally, another $43,385,000 in bonds was sold on June 7, 2016 and $26,550,000 on February 19, 2020. At the end of the 2019-20 school year, all construction projects were 100% complete. This bond has allowed the district to make substantial improvements resulting in improved student and staff morale as well as creating an attractive environment to draw future families and students to the La Porte community.

Awards and Acknowledgments

Financial Reporting Awards

The TEA has awarded the District a rating of "Superior" for the year ended June 30, 2021. This is the twentieth year of the State's financial accountability rating system for school districts (School FIRST). La Porte ISD has received the highest possible rating for the past nineteen years. The rating is based upon an analysis of staff and student data reported for the 2020-2021 school year and budgetary and actual financial data for the fiscal year ended June 30, 2021. The primary goal of School FIRST is to ensure quality performance in the management of school districts' financial resources, a goal made more significant due to the complexity of accounting associated with Texas' school finance system.

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to La Porte Independent School District for its annual comprehensive financial report for the fiscal year ended June 30, 2021. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The District was also awarded the Certificate of Excellence in Financial Reporting by the Association of School Business Officials International (ASBO) for its annual comprehensive financial report for the fiscal year ended June 30, 2021. The District believes that the current annual comprehensive financial report continues to conform to the standards for which this award is granted and we will again submit the report for review.

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

Walter R. Jackson
Dr. Walter Jackson
Superintendent

Rhonda Cumbie
Rhonda Cumbie
Chief Financial Officer

George Crandall
Director of Finance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

La Porte Independent School District
Texas

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morrill

Executive Director/CEO

ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

The Certificate of Excellence in Financial Reporting
is presented to

La Porte Independent School District

for its Annual Comprehensive Financial Report
for the Fiscal Year Ended June 30, 2021.

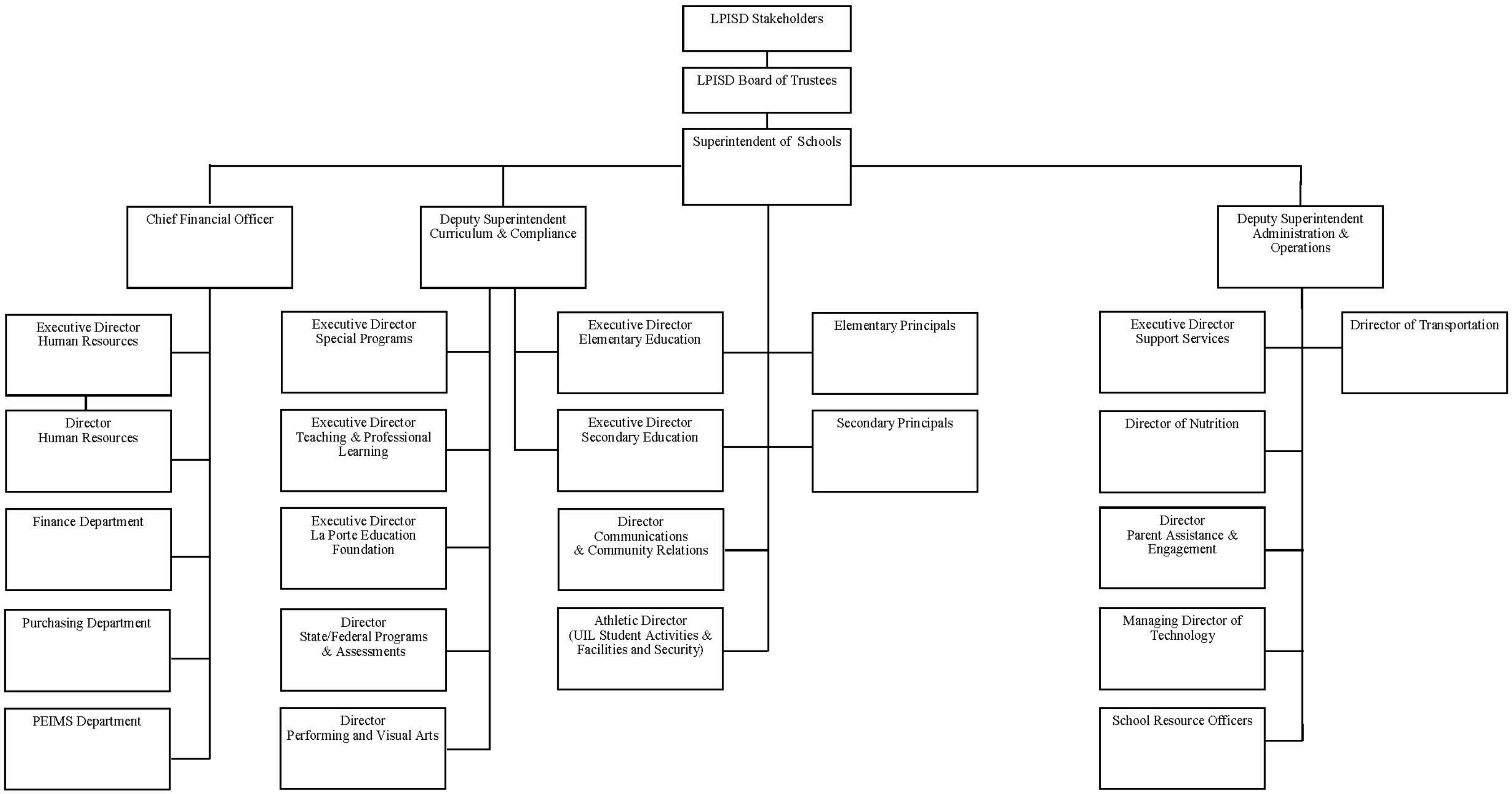
The district report meets the criteria established for
ASBO International's Certificate of Excellence in Financial Reporting.

CERTIFICATE OF EXCELLENCE
IN FINANCIAL REPORTING

William A. Sutter
President

David J. Lewis
Executive Director

La Porte Independent School District
Organizational Chart



FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
La Porte Independent School District
La Porte, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of La Porte Independent School District (the "District") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, pension information, and other-post employment benefit information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary 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 combining and individual nonmajor fund financial statements, required Texas Education Agency (TEA) schedules, and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section, statistical section, and Schedule L-1 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 8, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

Whitley Penn LLP

Houston, Texas
November 8, 2022

As the management of La Porte Independent School District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with the notes to the basic financial statements and the financial statements themselves to enhance their understanding of the District's financial condition.

Financial Highlights

- The District's total combined net position at June 30, 2022 was $41,761,749.
- For the fiscal year ended June 30, 2022, the District's general fund reported a total fund balance of $60,254,529, of which $1,931,697 is nonspendable for inventories and prepaid items, $2,160,997 is committed for self-insurance and compensated absences and $56,161,835 is unassigned.
- At the end of the fiscal year, the District's governmental funds (the general fund plus all state and federal grant funds, the debt service fund, and the capital projects fund) reported combined ending fund balances of $95,647,670.

Overview of The Financial Statements

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

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

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

Government-Wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

The District has the following kinds of funds:

- *Governmental Funds* - Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds* - The District maintains one proprietary fund type. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses internal service funds to account for workers' compensation self-insurance claims and fees, the District's childcare service, as well as activity in the District's print shop. The internal service funds are included within *governmental activities* in the government-wide financial statements.
- *Fiduciary funds* - The District serves as the trustee, or fiduciary, for certain funds such as student activity and private-purpose funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and statement of changes in net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its governmental operations.

Financial Analysis of The District as A Whole

The District's combined net position was $41,761,749 at June 30, 2022. Table 1 focuses on net position while Table 2 shows the revenues and expenses that changed the net position balance during the fiscal year ended June 30, 2022. Current assets and liabilities both experienced increases in the current year. The large decrease in long term liabilities is primarily related to the payment of bond principal and interest. The District reported an increase of $12,812,930 in net position from the prior year. A decrease in long term debt was the primary reason for this increase.

Table 1
Net Position

	Governmental Activities			Percentage
Assets and Deferred Outflows of Resources	**2022**	**2021**	**Change**	**Change**
Assets				
Current and other assets	$ 105,298,882	$ 104,538,366	$ 760,516	1%
Capital assets	324,504,993	334,321,702	(9,816,709)	-3%
Deferred outflows of resources	18,311,808	20,495,834	(2,184,026)	-11%
Total Assets and Deferred Outflows of Resources	448,115,683	459,355,902	(11,240,219)	-2%
Liabilities and Deferred Inflows of Resources				
Liabilities				
Current liabilities	8,479,597	8,582,006	(102,409)	-1%
Long term liabilities	365,980,253	397,395,732	(31,415,479)	-8%
Deferred inflows of resources	31,894,084	24,429,345	7,464,739	31%
Total Liabilities and Deferred Inflows of Resources	406,353,934	430,407,083	(24,053,149)	-6%
Net Position:				
Net investment in capital assets	31,847,193	29,800,582	2,046,611	7%
Restricted	7,527,191	3,782,757	3,744,434	99%
Unrestricted	2,387,365	(4,634,520)	7,021,885	-152%
Total Net Position	$ 41,761,749	$ 28,948,819	$ 12,812,930	44%

Table 2
Changes in Net Position

	Governmental Activities			Percentage
	2022	2021	Change	Change
Program Revenues				
Charges for services	$ 1,155,705	$ 657,838	$ 497,867	76%
Operating grants	16,979,950	10,214,299	6,765,651	66%
General Revenues				
Property taxes	144,222,908	142,174,697	2,048,211	1%
State Aid - Formula Grants	4,669,846	7,903,262	(3,233,416)	-41%
Interest earnings	407,919	238,711	169,208	71%
Miscellaneous	5,133,909	8,457,414	(3,323,505)	-39%
Total Revenues	172,570,237	169,646,221	2,924,016	2%
Expenses				
Instruction	54,040,203	59,499,677	(5,459,474)	-9%
Instructional resources and media services	379,858	364,753	15,105	4%
Curriculum development and instructional staff development	1,695,388	1,141,627	553,761	49%
Instructional leadership	1,062,816	1,134,417	(71,601)	-6%
School leadership	4,545,559	5,119,390	(573,831)	-11%
Guidance, counseling, and evaluation services	3,346,675	4,131,751	(785,076)	-19%
Social work services	403,331	279,879	123,452	44%
Health services	924,736	985,641	(60,905)	-6%
Student transportation	3,577,674	3,520,314	57,360	2%
Food services	3,991,533	3,786,927	204,606	5%
Extracurricular activities	2,507,755	2,595,396	(87,641)	-3%
General administration	2,757,018	3,380,066	(623,048)	-18%
Facilities maintenance and operations	12,352,765	12,261,399	91,366	1%
Security and monitoring services	1,886,837	2,060,554	(173,717)	-8%
Data processing services	2,881,930	3,281,911	(399,981)	-12%
Community services	659,409	144,481	514,928	356%
Interest on long-term debt	8,608,463	24,255,145	(15,646,682)	-65%
Contracted instructional services between public schools	48,427,281	48,381,443	45,838	0%
Payments to member districts of shared service arrangements	180,900	161,730	19,170	12%
Payments to juvenile justice alternative education programs	41,400	59,400	(18,000)	-30%
Payments to tax increment fund	4,355,156	4,141,276	213,880	5%
Other intergovernmental charges	1,130,620	1,099,268	31,352	3%
Total Expenses	159,757,307	181,786,445	(22,029,138)	-12%
Increase (Decrease) in Net Position	12,812,930	(12,140,224)	24,953,154	-206%
Beginning net position	28,948,819	41,089,043	(12,140,224)	-30%
Ending Net Position	$ 41,761,749	$ 28,948,819	$ 12,812,930	44%

Financial Analysis of The District's Funds

At the close of the fiscal year ending June 30, 2022, the District's governmental funds reported a combined fund balance of $95,647,670. This compares to a combined fund balance of $95,188,210 at June 30, 2021.

The fund balance of the general fund at the end of the fiscal year was $60,254,529, which represented an increase of $4,458,859 from the prior year. This increase was primarily due to an increase in property tax revenue received by the District and was offset by an increase in required state property tax recapture payments.

The fund balance of the debt service fund at the end of the fiscal year was $9,476,549, which represented an increase of $1,997,683 from the prior year. This increase was primarily due to the interest and sinking property tax rate increasing along with an increase in property values.

The fund balance of the capital projects fund at the end of the fiscal year was $20,245,253, which represented a decrease of $7,099,923 from the prior year. This decrease was primarily due to the continuing use of bond proceeds for ongoing projects throughout the District.

General Fund Budgetary Highlights

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

During the period ended June 30, 2022, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenses. The general fund's actual revenues exceeded budgetary amounts by $1,396,415 primarily due to prior year recapture adjustments refunded by TEA. Actual expenditures were less than budgeted amounts by $3,783,166 primarily due to positive variances in function 34 as a result of less contracted services expenses and personnel expenses than anticipated, as well as a positive variance in functions 11 and 41 as a result of less personnel expenses than anticipated.

Capital Assets

The District's investment in capital assets for its governmental type activities as of June 30, 2022, includes land, buildings and improvements, furniture and equipment, construction in progress, and the intangible right-to-use leased equipment. Capital assets, net of depreciation/amortization, decreased by $9,347,256 from the prior year due to the District incurring depreciation expense in the amount of $13,103,683 during the fiscal year. The following table summarizes the investment in capital assets as of June 30, 2022 and 2021:

	2022	2021
Land	$ 10,371,379	$ 10,371,379
Buildings and improvements	439,845,238	437,548,013
Furniture and equipment	28,641,832	27,478,793
Right-to-use leased equipment	296,163	-
	479,154,612	475,398,185
Accumulated depreciation/amortization	(154,476,329)	(141,372,646)
Net capital assets	$ 324,678,283	$ 334,025,539

Additional information on the District's capital assets can be found in the notes to the financial statements.

Long-term Debt

At year end, the District had $299,085,000 in general obligation bonds outstanding versus $315,810,000 last year. There was a net reduction in general obligation bonds for the year due to principal payments on bonds in the amount of $16,725,000. The following table summarized the long-term debt balances as of June 30, 2022 and 2021.

	2022	2021
General obligation bonds	$ 319,998,041	$ 339,621,139
Compensated absences	1,185,406	1,217,192
Leases	169,059	-
Net pension liability	11,119,876	22,810,516
Net OPEB liability	22,598,808	22,271,758
Accreted interest	10,909,063	11,178,964
	$ 365,980,253	$ 397,099,569

Additional information on the District's long-term debt can be found in the notes to the financial statements.

Economic Factors and Next Year's Budget and Rates

The District's budgeted expenditures for the 2022-2023 school year total $145,866,239 and the District's Board of Trustees adopted an M & O tax rate of $1.0165 and an I & S rate of $.0.24 for a combined rate of $1.2565.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office at 1002 San Jacinto St, La Porte, Texas 77571, or by calling (281)604-7062.

BASIC FINANCIAL STATEMENTS

LA PORTE INDEPENDENT SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET POSITION

June 30, 2022

Data Control Codes		Governmental Activities
	Assets	
1110	Cash and cash equivalents	$ 85,341,135
1120	Investments	10,000,000
1220	Property taxes	3,016,075
1230	Allowance for doubtful accounts	(989,700)
1240	Due from other governments	5,306,816
1250	Accrued interest	32,181
1267	Due from fiduciary funds	3,265
1290	Other receivables	87,249
1300	Inventories, at cost	178,596
1410	Deferred expenditures	2,149,975
	Capital assets not subject to depreciation:	
1510	Land	10,371,379
	Capital assets net of depreciation:	
1520	Buildings and improvements	306,254,553
1530	Furniture and equipment	7,879,061
1550	Right-to-use leased equipment	173,290
1000	**Total Assets**	429,803,875
	Deferred Outflows of Resources	
	Deferred charge on refunding	7,090,757
	Deferred outflows - pension	6,424,145
	Deferred outflows - OPEB	4,796,906
1700	**Total Deferred Outflows of Resources**	18,311,808
	Liabilities	
2110	Accounts payable	1,325,006
2140	Interest payable	3,625,134
2150	Payroll deductions and withholdings payables	693,460
2160	Accrued wages payable	2,047,089
2177	Due to fiduciary funds	2,382
2180	Due to other governments	482
2200	Accrued expenditures	654,214
2300	Unearned revenue	131,830
	Noncurrent Liabilities:	
2501	Due within one year	17,446,737
2502	Due in more than one year:	348,533,516
2000	**Total Liabilities**	374,459,850
	Deferred Inflows of Resources	
	Deferred inflows - pension	14,478,908
	Deferred inflows - OPEB	17,415,176
2600	**Deferred Inflows of Resources**	31,894,084
	Net Position	
3200	Net investment in capital assets	31,847,193
	Restricted for:	
3850	Debt service	6,254,835
3890	Grant funds	1,272,356
3900	Unrestricted	2,387,365
3000	**Total Net Position**	$ 41,761,749

LA PORTE INDEPENDENT SCHOOL DISTRICT

Exhibit B-1

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2022

Data Control Codes	Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position — Primary Government: Governmental Activities
	Governmental Activities:				
11	Instruction	$ 54,040,203	$ 44,225	$ 3,218,501	$ (50,777,477)
12	Instructional resources and media services	379,858	5,306	83,455	(291,097)
13	Curriculum development and instructional staff development	1,695,388	337	457,270	(1,237,781)
21	Instructional leadership	1,062,816	-	142,962	(919,854)
23	School leadership	4,545,559	2,269	3,324	(4,539,966)
31	Guidance, counseling, and evaluation services	3,346,675	1,240	1,437,762	(1,907,673)
32	Social work services	403,331	-	101,084	(302,247)
33	Health services	924,736	71	2,111,778	1,187,113
34	Student transportation	3,577,674	355	(21,215)	(3,598,534)
35	Food services	3,991,533	467,815	4,860,792	1,337,074
36	Extracurricular activities	2,507,755	179,004	(1,022)	(2,329,773)
41	General administration	2,757,018	-	(18,877)	(2,775,895)
51	Facilities maintenance and operations	12,352,765	41,073	3,987,558	(8,324,134)
52	Security and monitoring services	1,886,837	-	(7,923)	(1,894,760)
53	Data processing services	2,881,930	54	9,475	(2,872,401)
61	Community services	659,409	413,956	168,106	(77,347)
72	Interest on long-term debt	8,608,463	-	288,843	(8,319,620)
91	Contracted instructional services between public schools	48,427,281	-	-	(48,427,281)
93	Payments to member districts of shared service arrangements	180,900	-	158,077	(22,823)
95	Payments to juvenile justice alternative education programs	41,400	-	-	(41,400)
97	Payments to tax increment fund	4,355,156	-	-	(4,355,156)
99	Other intergovernmental charges	1,130,620	-	-	(1,130,620)
TG	**Total Governmental Activities**	$ 159,757,307	$ 1,155,705	$ 16,979,950	(141,621,652)

	General Revenues:	
	Taxes:	
MT	Property taxes, levied for general purposes	114,992,438
DT	Property taxes, levied for debt service	29,230,470
GC	State-aid formula grants	4,669,846
IE	Investment earnings	407,919
MI	Miscellaneous	5,133,909
TR	**Total General Revenues**	154,434,582
CN	Change in net position	12,812,930
NB	**Net Position - Beginning**	28,948,819
NE	**Net Position - Ending**	$ 41,761,749

LA PORTE INDEPENDENT SCHOOL DISTRICT

Exhibit C-1

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022

Data Control Codes		199 General Fund	599 Debt Service Fund	699 Capital Projects Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
	Assets					
1110	Cash and cash equivalents	$ 47,899,407	$ 9,472,709	$ 19,342,956	$ 5,504,775	$ 82,219,847
1120	Investments	10,000,000	-	-	-	10,000,000
	Receivables:					
1220	Property taxes - delinquent	2,402,355	613,720	-	-	3,016,075
1230	Allowance for uncollectible taxes (credit)	(779,400)	(210,300)	-	-	(989,700)
1240	Due from other governments	1,320,276	3,840	1,374,309	2,608,391	5,306,816
1250	Accrued interest	32,181	-	-	-	32,181
1260	Due from other funds	2,036,893	-	53,969	515,675	2,606,537
1267	Due from others	3,258	-	-	-	3,258
1290	Other receivables	1,402	-	70,934	14,913	87,249
1300	Inventories, at cost	30,711	-	37,651	82,583	150,945
1410	Prepaid items	1,900,986	-	240,508	-	2,141,494
1000	**Total Assets**	$ 64,848,069	$ 9,879,969	$ 21,120,327	$ 8,726,337	$ 104,574,702
	Liabilities					
2110	Accounts payable	$ 112,038	$ -	$ 803,020	$ 406,819	$ 1,321,877
2150	Payroll deductions and withholdings	693,460	-	-	-	693,460
2160	Accrued wages payable	1,522,533	-	-	524,556	2,047,089
2170	Due to other funds	631,979	-	72,054	1,966,843	2,670,876
2177	Due to others	1,424	-	-	958	2,382
2180	Due to other governments	105	-	-	285	390
2200	Accrued expenditures	9,046	-	-	23,707	32,753
2300	Unearned revenue	-	-	-	131,830	131,830
2000	**Total Liabilities**	2,970,585	-	875,074	3,054,998	6,900,657
	Deferred Inflows of Resources					
	Unavailable revenues - property taxes	1,622,955	403,420	-	-	2,026,375
2600	**Deferred Inflows of Resources**	1,622,955	403,420	-	-	2,026,375
	Fund Balance					
	Non-Spendable:					
3410	Inventories	30,711	-	37,651	1,506	69,868
3430	Prepaid items	1,900,986	-	240,508	-	2,141,494
	Restricted:					
3450	Grant funds	-	-	-	1,272,356	1,272,356
3470	Capital acquisitions and contractual obligations	-	-	19,967,094	-	19,967,094
3480	Debt service	-	9,476,549	-	-	9,476,549
	Committed:					
3520	Compensated absences	1,160,997	-	-	24,410	1,185,407
3540	Self- insurance	1,000,000	-	-	-	1,000,000
3545	Other purposes	-	-	-	4,373,067	4,373,067
3600	Unassigned	56,161,835	-	-	-	56,161,835
3000	**Total Fund Balances**	60,254,529	9,476,549	20,245,253	5,671,339	95,647,670
4000	**Total Liabilities, Deferred Inflows, and Fund Balances**	$ 64,848,069	$ 9,879,969	$ 21,120,327	$ 8,726,337	$ 104,574,702

See notes to the financial statements.

LA PORTE INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF BALANCE SHEET FOR GOVERNMENTAL FUNDS TO STATEMENT OF NET POSITION

June 30, 2022

Data Control Codes		
	Total Fund Balance, Governmental Funds	$ 95,647,670
	Amounts reported for governmental activities in the statement of net position are different because:	
	Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.	
1	Capital assets	479,077,153
2	Accumulated depreciation/amortization	(154,444,193)
	Capital assets, net of accumulated depreciation	324,632,960
	Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings and contributions subsequent to the measurement date for the postretirement benefits (pension and OPEB) are recognized as deferred outflows of resources and deferred inflows of resources on the statement of net position.	
3	Deferred outflows - pensions	6,424,145
4	Deferred inflows - pensions	(14,478,908)
5	Deferred outflows - OPEB	4,796,906
6	Deferred inflows - OPEB	(17,415,176)
	Total deferred outflows and inflows related to postemployment benefits	(20,673,033)
7	Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	2,026,375
8	The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.	2,598,191
	Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the funds.	
9	Bonds payable	(299,085,000)
10	Compensated absences	(1,185,406)
11	Leases payable	(124,843)
12	Accrued interest on long-term debt	(3,625,134)
13	Accreted interest on capital appreciation bonds	(10,909,063)
14	Net pension liability	(11,119,876)
15	Net OPEB liability	(22,598,808)
	Total long-term liabilities	(348,648,130)
	Governmental funds report the effect of premiums, discounts, and refundings and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
16	Deferred amount on refunding	7,090,757
17	Premium on bonds	(20,913,041)
	Total premiums and deferred items	(13,822,284)
19	Total Net Position-Governmental Activities	$ 41,761,749

LA PORTE INDEPENDENT SCHOOL DISTRICT

Exhibit C-3

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

For the Year Ended June 30, 2022

Data Control Codes		199 General Fund	599 Debt Service Fund	699 Capital Projects Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
	Revenues					
5700	Local, intermediate, and out-of-state	$ 119,143,912	$ 29,313,712	$ 1,443,905	$ 1,093,515	$ 150,995,044
5800	State program revenues	8,774,291	203,870	-	501,772	9,479,933
5900	Federal program revenues	2,768,262	-	-	14,241,199	17,009,461
5020	**Total Revenues**	130,686,465	29,517,582	1,443,905	15,836,486	177,484,438
	Expenditures					
	Current:					
0011	Instruction	43,858,009	-	1,044,245	3,379,083	48,281,337
0012	Instruction resources and media services	307,205	-	-	113,259	420,464
0013	Curriculum and instructional staff development	1,387,127	-	-	485,403	1,872,530
0021	Instructional leadership	979,913	-	-	158,935	1,138,848
0023	School leadership	4,929,103	-	-	74,440	5,003,543
0031	Guidance, counseling and evaluation services	2,431,767	-	-	1,522,388	3,954,155
0032	Social work services	327,877	-	-	105,018	432,895
0033	Health services	988,292	-	-	43,127	1,031,419
0034	Student transportation	3,499,985	-	907,954	3,649	4,411,588
0035	Food services	-	-	-	4,258,459	4,258,459
0036	Extracurricular activities	1,650,897	-	-	318,976	1,969,873
0041	General administration	3,098,216	-	165,306	4,902	3,268,424
0051	Facilities maintenance and operations	5,320,144	-	2,667,744	4,022,970	12,010,858
0052	Security and monitoring services	1,784,946	-	104,607	-	1,889,553
0053	Data processing services	1,486,883	-	1,364,131	22,075	2,873,089
0061	Community services	136,784	-	-	27,534	164,318
	Debt service:					
0071	Principal on long-term debt	92,855	16,725,000	-	1,006	16,818,861
0072	Interest on long-term debt	4,617	10,786,899	-	50	10,791,566
0073	Bond issuance costs and fees	-	8,000	-	-	8,000
	Capital outlay:					
0081	Facilities acquisition and construction	-	-	2,289,841	-	2,289,841
	Intergovernmental:					
0091	Contracted instructional services	48,427,281	-	-	-	48,427,281
0093	Payments related to shared services arrangements	22,823	-	-	158,077	180,900
0095	Payments to Juvenile Justice Alt. Ed. Prgm.	41,400	-	-	-	41,400
0097	Payments to tax increment fund	4,355,156	-	-	-	4,355,156
0099	Other intergovernmental charges	1,130,620	-	-	-	1,130,620
6030	**Total Expenditures**	126,261,900	27,519,899	8,543,828	14,699,351	177,024,978
1100	Excess (deficiency) of revenues over expenditures	4,424,565	1,997,683	(7,099,923)	1,137,135	459,460
	Other Financing Sources (Uses)					
7915	Transfers in	34,294	-	-	-	34,294
8911	Transfers out	-	-	-	(34,294)	(34,294)
7080	**Total Other Financing Sources (Uses)**	34,294	-	-	(34,294)	-
1200	Net change in fund balances	4,458,859	1,997,683	(7,099,923)	1,102,841	459,460
0100	**Fund Balance - July 1 (Beginning)**	55,795,670	7,478,866	27,345,176	4,568,498	95,188,210
3000	**Fund Balance - June 30 (Ending)**	$ 60,254,529	$ 9,476,549	$ 20,245,253	$ 5,671,339	$ 95,647,670

LA PORTE INDEPENDENT SCHOOL DISTRICT

Exhibit C-4

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2022

Data Control Codes		
	Amounts reported for governmental activities in the statement of activities are different because:	
	Net change in fund balances - total governmental funds	$ 459,460
	Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
1	Capital outlay	3,460,264
2	Depreciation/amortization	(13,071,547)
	Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
3	Earned but unavailable taxes	(338,623)
	Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
4	Principal paid on bonds	16,725,000
5	Principal paid on leases	93,861
	Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
6	Accrued interest on long-term debt	196,028
7	Amortization of bond premiums and discounts	2,898,098
8	Amortization of deferred amounts of refunding	(1,171,271)
9	Accreted interest on long-term debt	269,901
10	Compensated absences	31,786
11	Changes in net pension liabilities and related deferred outflows and inflows of resources	1,562,637
12	Changes in net OPEB liabilities and related deferred outflows and inflows of resources	1,323,459
13	Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	373,877
	Change in Net Position of Governmental Activities	$ 12,812,930

LA PORTE INDEPENDENT SCHOOL DISTRICT *Exhibit D-1*

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

For the Year Ended June 30, 2022

		Internal Service Funds
Assets:		
Current assets:		
Cash and cash equivalents	$	3,121,288
Due from other funds		64,695
Due from others		7
Inventories, at cost		27,651
Prepaid items		8,481
Total current assets		3,222,122
Noncurrent Assets:		
Right-to-use leased equipment		45,323
Total Assets	$	3,267,445
Liabilities:		
Current liabilities:		
Accounts payable	$	3,129
Due to other funds		356
Payable to other governments		92
Accrued expenses		621,461
Leases payable - current		33,940
Total current liabilities		658,978
Noncurrent liabilities:		
Leases payable		10,276
Total Liabilities	$	669,254
Net Position:		
Unrestricted	$	2,598,191
Total Net Position	$	2,598,191

LA PORTE INDEPENDENT SCHOOL DISTRICT

Exhibit D-2

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2022

		Internal Service Funds
Operating Revenues		
Charges for Services	$	1,256,556
Total Operating Revenues		1,256,556
Operating Expenses		
Payroll costs		478,080
Professional and contracted services		427,424
Supplies and materials		40,683
Other operating expense		60,157
Amortization of right-to-use leased equipment		32,136
Total Operating Expenses		1,038,480
Operating Income (Loss)		218,076
Non-Operating Revenues (Expenses)		
Intergovernmental		152,747
Earnings on investments		4,707
Interest expense		(1,653)
Total Non-Operating Revenues (Expenses)		155,801
Change in Net Position		373,877
Net Position - July 1 (Beginning)		2,224,314
Net Position - June 30 (Ending)	$	2,598,191

LA PORTE INDEPENDENT SCHOOL DISTRICT

Exhibit D-3

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2022

	Internal Service Funds
Cash Flows from Operating Activities:	
Cash received from interfund services provided	$ 1,229,983
Cash payments for insurance claims	(256,726)
Cash payments to employees	(478,080)
Cash payments to suppliers for goods and services	(75,053)
Cash payments for other operating expenses	(47,483)
Net Cash Provided by (Used for) Operating Activities	372,641
Cash Flows from Non-Capital Financing Activities:	
Operating grants	152,747
Net Cash Provided by (Used for) Non-Capital Financing Activities	152,747
Cash Flows from Capital and Related Financing Activities:	
Principal paid on leased equipment	(33,243)
Interest paid on leased equipment	(1,653)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(34,896)
Cash Flows from Investing Activities:	
Proceeds from earnings on investments	4,707
Net Cash Provided by (Used for) Investing Activities	4,707
Net Increase (Decrease) in Cash and Cash Equivalents	495,199
Cash and Cash Equivalents, Beginning of Year	2,626,089
Cash and Cash Equivalents, End of Year	$ 3,121,288
Operating Income (Loss)	218,076
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Amortization of right-to-use leased equipment	32,136
Decrease (increase) in interfund receivables	(4,824)
Decrease (increase) in receivables from others	(7)
Decrease (increase) in other receivables	12,605
Decrease (increase) in inventory	(1,950)
Decrease (increase) in prepaid items	1,908
Increase (decrease) in accounts payable	(19,495)
Increase (decrease) in interfund payables	(21,749)
Decrease (increase) in payables to other governments	76
Increase (decrease) in claims payable	155,865
Total adjustments	154,565
Net Cash Provided by (Used for) Operating Activities	$ 372,641

See notes to the financial statements.

LA PORTE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

For the Year Ended June 30, 2022

	Private Purpose Trust Funds	Custodial Fund
Assets		
Cash and cash equivalents	$ 201,942	$ 219,156
Receivables:		
Due from others	-	2,382
Total Assets	$ 201,942	$ 221,538
Liabilities		
Accounts payable	$ 25,500	$ 7,457
Due to others	-	3,265
Due to other governments	-	1,848
Accrued expenditures	-	1,229
Total Liabilities	$ 25,500	$ 13,799
Net Position		
Restricted	176,442	207,739
Total Net Position	$ 176,442	$ 207,739

See notes to the financial statements.

LA PORTE INDEPENDENT SCHOOL DISTRICT

Exhibit E-2

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended June 30, 2022

	Private Purpose Trust Fund	Custodial Fund
Additions		
Fundraising	$ -	$ 81,170
Fees	-	11,864
Dues	-	33,820
Donations	107,891	34,975
Other	-	247,015
Total Additions	107,891	408,844
Deductions		
Student activities	-	322,648
Local agencies	-	5,865
Scholarship	133,850	-
Total Deductions	133,850	328,513
Change in net position	(25,959)	80,331
Net Position Beginning of Year	202,401	127,408
Net Position End of Year	$ 176,442	$ 207,739

Note 1 - Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to students or users who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues.*

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

The fiduciary fund financial statements reflect the District’s agency fund and private purpose trust fund. The private purpose trust fund reports using the economic resources measurement focus and the accrual basis of accounting. The custodial fund uses the economic resources measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available.

Note 1 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences, and claims and judgments, postemployment benefits and environmental obligations are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the District the right-to-use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

Grant revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
- The *capital projects fund* is used to account for proceeds from sales of bonds and other revenues to be used for authorized construction and technology projects/enhancements.

Non-major governmental funds of the District include federal, state, and local grant funds accounted for as *special revenue funds* as well as the District’s campus activity fund.

Additionally, the District reports the following fund types:

- The *internal service fund* is a type of proprietary fund which accounts for workers’ compensation provided to other funds and/or employees of the District on a cost reimbursement basis. In addition, the internal service fund accounts for the District’s childcare program and the District’s print shop.
- The *custodial fund* is used to account for resources held in custodial capacity by the District and consists of funds that are the property of students or others.
- The *private purpose trust fund* is a type of fiduciary fund that is used to report all trust arrangements, other than those properly recorded in pension trust funds or investment trust funds, under which principal and income benefit individuals, private organizations, and other governments. The District accounts for student scholarships in a private purpose trust fund.

As a rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to students or users for goods, services, or privileges provided and 2) operating grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and investment income.

Note 1 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's internal service fund are charges to the funds and/or employees services related to the activity of the individual funds. Operating expenses for the internal service fund include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Implementation of New Accounting Standards

GASB Statement No. 87 *Leases,* was issued in June 2017 and was effective for periods beginning after June 15, 2021. This Statement established 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. The District has incorporated such leases into its capital assets and long-term liabilities on both the face of the financial statements and the note disclosures. A restatement to beginning net position was not necessary as the lease liabilities and right-to-use assets offset each other completely as of the beginning of the fiscal year.

GASB Statement No. 89 *Accounting for Interest Cost Incurred before the end of a Construction Period,* was issued in June 2018 and was effective for periods beginning after December 15, 2020.This Statement requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost was 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. The requirements of this Statement should be handled prospectively. The District has evaluated the effects of this standard and has determined that this Statement does not impact the financial statements.

GASB Statement No. 93 *Replacement of Interbank Offered Rates* was issued in June 2020 and had various effective dates. The Statement establishes accounting and financial reporting requirements related to the replacement of the interbank offered rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. During the current fiscal year paragraphs 13 and 14 were effective and pertained to lease modifications**.** The District has evaluated the effects of this standard and has determined that this Statement does not impact the financial statements.

No. 97 *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32* was issued in June 2020. This Statement provides guidance regarding the financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans. The Statement will also enhance (1) information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all Section 457 plans. Paragraphs 4 and 5 of the Statement were effective immediately whereas the remaining requirements of this Statement are effective for periods beginning after June 15, 2021. The District has evaluated the effects of this standard and has determined that this Statement does not impact the financial statements.

Note 1 - Summary of Significant Accounting Policies (continued)

E. Deposits and Investments

Investments for the District are reported at fair value. The funds of the District must be deposited and invested under the terms of a depository contract, the contents of which are set out in the Depository Contract Law. The depository bank may either place approved pledged securities for safekeeping and trust with the District's agent bank or file a corporate surety bond 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 FDIC insurance. The depository cash balances were covered by FDIC insurance and by collateral held by the District’s agent in the District’s name. The District categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset’s fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. The District’s local government investment pools are recorded at amortized costs as permitted by GASB Statement No. 79 *Certain Investment Pools and Pool Participants*.

F. Receivables and Payables

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

Property tax receivables include unpaid property taxes at year-end and are shown net of an allowance for uncollectable taxes. Allowances for uncollectible taxes receivable are based on the District’s historical experience in collecting property taxes. Revenues from property taxes are recognized when levied to the extent they are available. The District considers property taxes as available when collected. However, not all outstanding property taxes are expected to be collected within one year of the date of the financial statements. Property values are determined by the Harris County Appraisal District as of January 1 of each year. The net assessed/appraised value for school tax purposes for fiscal year 2022 (tax year 2021) was $11,504,203,343. Prior to July 1 of each year, the District must adopt its annual budget and as soon thereafter as practicable, shall adopt a tax rate thus creating the tax levy. The combined tax rate for fiscal year 2022 was 1.2565%, which was made up of 1.0165% for maintenance and operations and 0.2400% for debt service. Property taxes for the current calendar year are levied on approximately October 1 of each year and are payable by January 31 of the following year. The total adjusted levy for fiscal year 2022 was $144,550,315. Property tax receivables are recorded as of the date levied. Unpaid taxes become delinquent on February 1.

G. Inventories and Prepaid Items

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

H. Capital Assets

Capital assets are defined by the District as assets with an initial, individual cost that equals or exceeds $5,000 and an estimated useful life more than one year. As the District constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost (except for intangible right-to-use lease assets). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset’s capacity or efficiency or increase its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Note 1 - Summary of Significant Accounting Policies (continued)

H. Capital Assets (continued)

Land and construction in progress are not depreciated. The other tangible and intangible capital assets of the primary government are depreciated/amortized using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	20 to 65 years
Equipment and vehicles	5 to 20 years
Right-to-use leased equipment	5 to 20 years

I. Compensated Absences

Twelve-month employees with less than ten years of service accrue 0.834 days of vacation each month between July 1 and June 30. Twelve-month employees with greater than 10 years of service accrue 1.25 vacation days each month between July 1 and June 30. Employees may accrue up to a maximum of 35 vacation days. Earned vacation time shall be paid to an employee who voluntarily separates from employment.

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

In lieu of benefits provided in the preceding paragraph, an employee eligible for such benefits may opt to receive a lump sum equivalent to 70 percent of the eligible benefits made available by this policy in exchange for waiving all other benefits owed under this policy. The accrual for accumulated unpaid sick leave and vacation leave benefits has been recorded in the governmentwide financial statements.

J. Long-term Obligations

The District's long-term obligations consist of bonded indebtedness, health insurance, workers' compensation, and compensated absences. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and proprietary fund type statement of net position.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the bonds outstanding method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

The current requirements for compensated absences are accounted for in the general fund. The requirements for health insurance and workers' compensation insurance are accounted for in the internal service fund.

Note 1 - Summary of Significant Accounting Policies (continued)

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and therefore 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. It is the deferred charge on refunding reported in the government-wide statement of net position, deferred amounts related to pension, and deferred amounts related to OPEB. The deferred charge on refunding resulted from the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts related to pension and OPEB relate differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and OPEB related changes.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the government-wide financial statements the District reports deferred amounts related to pension and deferred amounts related to OPEB.

L. 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.

M. 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.

N. Fund Equity

The Districts reports fund balances in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance - amounts that are not in spendable form or are required to be maintained intact. As such, the inventory and prepaid items have been properly classified in the Governmental Funds Balance Sheet (Exhibit C-1). However, if the use of the proceeds from the sale of the inventory is restricted, committed, or assigned, then the applicable amounts are included in the appropriate fund balance classification, rather than nonspendable fund balance.

Note 1 - Summary of Significant Accounting Policies (continued)

N. Fund Equity (continued)

Restricted fund balance - amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors. The fund balances for the Debt Service Fund, Capital Projects Fund, Child Nutrition Fund and other grant funds are classified as restricted.

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

Assigned fund balance - amounts the District intends to use for a specific purpose. Intent can be expressed by the District or by an official or body to which the Board of Trustees delegates the authority.

Unassigned fund balance - amounts that are available for any purpose. Positive numbers are reported only in the general fund.

The District establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. A fund balance commitment is further indicated in the budget document as a commitment of the fund. Per Policy CE local, assigned fund balance amounts are established by the Superintendent or designee. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

O. Encumbrances

The District utilizes encumbrance accounting in its governmental funds. Encumbrances represent commitments related to contracts not yet performed (executory contracts) and are used to control expenditures for the period and to enhance cash management. A school district often issues purchase orders or signs contracts for the purchase of goods and services to be received in the future. At the time these commitments are made, which in its simplest form means when a purchase order is prepared, the appropriate account is checked for available funds.

If an adequate balance exists, the amount of the order is immediately charged to the account to reduce the available balance for control purposes. The encumbrance account does not represent an expenditure for the period, only a commitment to expend resources.

Prior to the end of the fiscal year, every effort should be made to liquidate outstanding encumbrances. When encumbrances are outstanding at fiscal year-end, the school district likely will honor the open purchase orders or contracts that support the encumbrances. For reporting purposes, as noted earlier, outstanding encumbrances are not considered expenditures for the current period. If the school district allows encumbrances to lapse, even though it plans to honor the encumbrances, the appropriations authority expires and the items represented by the encumbrances are usually re-appropriated in the following year's budget.

P. Data Control Codes

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

Note 1 - Summary of Significant Accounting Policies (continued)

Q. Use of Estimates

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

R. Leases

Lessee: The District is a lessee for a noncancellable lease of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of $5,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require are measurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term liabilities on the statement of net position.

Note 2 - Deposits and Investments

As of June 30, 2022, the District had the following investments

	Fair Value / Amortized Cost	Less than 1 year	1-5 years	WAM	Percentage of Portfolio	S&P Credit Rating
Governmental Activities:						
Local Government Investment Pools:						
TexPool	$ 33,209,995	$ 33,209,995	$ -	25	37%	AAAm
Texas CLASS	22,800,072	22,800,072	-	70	26%	AAAm
Texas Range	1,539	1,539	-	24	0%	AAAmmf
Lone Star	22,800,400	22,800,400	-	14	26%	AAAm
Certificates of Deposit	10,000,000	10,000,000	-	208	11%	N/A
	88,812,006	88,812,006	-	54	100%	

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*. In addition, the pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. The pools do not impose any liquidity fees or redemption gates. The District's certificates of deposit are reported at fair value as Level 1 valued using prices quoted in active markets for those investments.

TexPool

TexPool is a public funds investment pool created by the Texas Treasury Safekeeping Trust Company (Trust Company) to provide a safe environment for the placement of local government funds in authorized short-term, fully-collateralized investments, including direct obligations of, or obligations guaranteed by, the United States or State of Texas or their agencies; federally insured certificates of deposit issued by Texas banks or savings and loans; and fully collateralized direct repurchase agreements secured by United States Government agency securities and placed through a primary government securities dealer. The Trust Company was incorporated by the State Treasurer by authority of the Texas Legislature as a special purpose trust company with direct access to the services of the Federal Reserve Bank to manage, disburse, transfer, safe keep, and invest public funds and securities more efficiently and economically. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. TexPool operates in a manner consistent with the Security and Exchange Commission's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost to report net position to compute share prices. The fair value of the position in TexPool is the same as the value of TexPool shares. Accordingly, the District's investments in TexPool are stated at cost, which approximates fair value. TexPool is currently rated AAAm by Standard and Poor's. This rating indicates excellent safety and a superior capacity to maintain principal value and limit exposure to loss.

Texas CLASS

MBIA Texas Class Pool is duly chartered by the State of Texas Interlocal Cooperation Act, is administered and managed by MBIA Municipal Investors Service Corporation. Wells Fargo Bank N.A. is the custodial bank. The primary objectives of MBIA Texas Class Pool, is to maintain safety of principal while providing participating government entities (Participants) with the highest possible rate of return for invested funds. The District's amortized cost in the MBIA Texas Class Pool is the same as the value of the pool shares.

Note 2 - Deposits and Investments (continued)

Lone Star

Lone Star Investment Pool (LSIP) is a Texas public investment pool sponsored by the Texas Association of School Boards (TASB) for investment of funds by state and local government entities, primarily local school districts. The Board has entered into an agreement with First Public, LLC (First Public), a Texas limited liability company and a member of the National Association of Securities Dealers, Securities Investor Protection Corporation, and Municipal Securities Rulemaking Board, pursuant to which First Public serves as administrator of LSIP's operations. American Beacon Advisors, Fort Worth, Texas, and Standish Mellon Asset Management Company, LLC, Pittsburgh, Pennsylvania, provide investment management services to LSIP regarding the investment and reinvestment of the pool's assets. The fund's credit quality is excellent as its portfolio is composed of U. S. government and U. S. agency securities. Investments in LSIP provide for investment in securities with maturities and returns generally greater than money market instruments. LSIP is marked-to-market daily to maintain an accurate net asset value. LSIP is currently rated AAAm by Standard and Poor's. This rating indicates excellent safety and a superior capacity to maintain principal value and limit exposure to loss. The District's amortized cost in LSIP is the same as the value of the pool shares.

Texas Range

The Texas Range Investment Program is an individual investment portfolio established by the Texas Range Advisory Board pursuant to the Texas Range Common Investment Contract that established the pool. Texas Range is a local government investment portfolio that allows governments to pool their funds for investment under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. Texas Range is directed by an advisory board of experienced local government officials, finance directors, and treasurers and is managed by a team of industry leaders that are focused on providing professional investment services to investors. The District's investments managed through Texas Range are valued and recorded at amortized cost in accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the District reduces its exposure to declines in fair values by limiting the weighted average maturity of pooled fund groups to no more than 180 days. Furthermore, no individual investment shall have maturities longer than one year from the time of purchase, with exceptions to debt service funds and capital projects funds, which may have maturities longer than one year provided legal limits are not exceeded.

Credit Risk

The District's policy requires that investment pools must be rated no lower than 'AAA' or 'AAA-m'. Bankers' acceptances must be issued in the United States and carry a rating of 'A1'/'P1' as provided by two of the top nationally recognized rating agencies.

Note 2 - Deposits and Investments (continued)

Custodial Credit Risk

Cash Deposits: The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the District's and the depository banks' agent bank. The pledged securities are approved by the Texas Education Agency and shall be in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. The District's cash deposits at June 30, 2022 of $11,985,934 were fully collateralized by FDIC insurance held by the District's agent in the name of the District in accordance with Texas Government Code, Chapter 2257, Public Funds Collateral Act and the District's Investment Policy. The carrying amount of the deposits as of June 30, 2022 is reported in the financial statements is $6,950,227.

Investments: The District's investment policy is in accordance with the Public Funds Investment Act, the Public Funds Collateral Act, and federal and state laws. The District's investment policy requires that it will seek to safekeep securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, shall be conducted on a delivery versus payment basis or commercial book entry system as utilized by the Federal Reserve and shall be protected through the use of a third-party custody/safekeeping agent.

Concentration of Credit Risk

The District's investment portfolio is diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from overconcentration of assets in a specific class of investments, specific maturity, or specific issuer.

Note 3 - Receivables

Receivables as of June 30, 2022, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Property Taxes	$ 2,402,355	$ 613,720	$ -	$ -	$ 3,016,075
Due from state	1,301,537	-	-	2,608,391	3,909,928
Due from other governments	18,739	3,840	1,374,309	-	1,396,888
Interest	32,181	-	-	-	32,181
Due from others	3,258	-	-	-	3,258
Other	1,402	-	70,934	14,913	87,249
Gross Receivables	3,759,472	617,560	1,445,243	2,623,304	8,445,579
Less allowance for doubtful accounts	(779,400)	(210,300)	-	-	(989,700)
Net Total Receivables	$ 2,980,072	$ 407,260	$ 1,445,243	$ 2,623,304	$ 7,455,879

Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the District reported unearned revenues in the governmental funds in the amount of $131,830 for grant funds received prior to meeting all eligibility requirements.

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2022, was as follows:

	Balance, as Restated July 01, 2021	Additions	(Retirements)	Balance June 30, 2022
Capital Assets, not being depreciated				
Land	$ 10,371,379	$ -	$ -	$ 10,371,379
Total Capital Assets, not being depreciated	10,371,379	-	-	10,371,379
Capital Assets, being depreciated/amortized				
Buildings and improvements	437,548,013	2,297,225	-	439,845,238
Furniture and equipment	27,478,793	1,163,039	-	28,641,832
Right-to-use leased equipment	296,163	-	-	296,163
Total Capital Assets, being depreciated/amortized	465,322,969	3,460,264	-	468,783,233
Less accumulated depreciation/amortization for:				
Buildings and improvements	(122,034,817)	(11,555,868)	-	(133,590,685)
Furniture and Equipment	(19,337,829)	(1,424,942)	-	(20,762,771)
Right-to-use leased equipment	-	(122,873)	-	(122,873)
Total Accumulated Depreciation/Amortization	(141,372,646)	(13,103,683)	-	(154,476,329)
Governmental Capital Assets	$ 334,321,702	$ (9,643,419)	$ -	324,678,283

Less associated bonds and leases	(319,998,041)
Plus unspent bond proceeds	20,245,253
Plus deferred charge on refunding	7,090,757
Less right-to-use leased asset, net	(169,059)
Net Investment in Capital Assets	$ 31,847,193

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

Function	Depreciation/ Amortization Expense
Instruction	$ 10,831,373
Instructional resources & media services	1,424
Curriculum & instructional staff development	5,770
Instructional leadership	26,984
School leadership	1,050
Health services	760
Student (pupil) transportation	272,578
Food services	109,001
Cocurricular/extracurricular activities	664,561
General administration	58,568
Plan maintenance & operations	900,422
Security and monitoring services	58,387
Data processing services	172,805
	$ 13,103,683

The District had no commitments with contractors as of June 30, 2022.

Note 5 - Interfund Receivables, Payables, and Transfers

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

The composition of interfund balances as of June 30, 2022, is as follows:

	Interfund Balances		
	Receivable	Payable	Net
General Fund	$ 2,036,893	$ (631,979)	$ 1,404,914
Capital Projects Fund	53,969	(72,054)	(18,085)
Nonmajor Governmental Funds	515,675	(1,966,843)	(1,451,168)
Internal Service Funds	64,695	(356)	64,339
Total	$ 2,671,232	$ (2,671,232)	$ -

In addition, the District reports amounts due between the District (primary government) and the custodial funds separately in the financial statements. These amounts as of June 30, 2022 are as follows:

	Amounts due between Primary Government and Fiduciary Funds		
	Receivable	Payable	Net
General Fund	$ 3,258	$ (1,424)	$ 1,834
Nonmajor Governmental Funds	-	(958)	(958)
Internal Service Funds	7	-	7
Fiduciary Funds	2,382	(3,265)	(883)
Total	$ 5,647	$ (5,647)	$ -

Interfund transfers are defined as "flows of assets without equivalent flow of assets in return and without a requirement for repayment." During the current fiscal year, the District did not record any interfund transfers.

Note 6 - Long-term Liabilities

The following is a summary of changes in the District's total governmental long-term liabilities for the year:

	Balance, as Restated July 1, 2021	Additions	Retirements	Balance June 30, 2022	Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation bonds	$ 315,810,000	$ -	$ (16,725,000)	$ 299,085,000	$ 17,175,000
Premiums/discounts	23,811,139	-	(2,898,098)	20,913,041	-
	339,621,139	-	(19,623,098)	319,998,041	17,175,000
Other liabilities:					
Compensated absences	1,217,192	101,773	(133,559)	1,185,406	141,967
Leases	296,163	-	(127,104)	169,059	129,770
Net pension liability	22,810,516	-	(11,690,640)	11,119,876	-
Net OPEB liability	22,271,758	327,050	-	22,598,808	-
Accreted interest	11,178,964	-	(269,901)	10,909,063	-
Total Governmental Activities	$ 397,395,732	$ 428,823	$ (31,844,302)	$ 365,980,253	$ 17,446,737

Note 6 - Long-term Liabilities (continued)

In general, the District uses the debt service fund to liquidate governmental long-term liabilities. The liability for compensated absences, the net pension liability, and the net OPEB liability are liquidated by the general fund.

General Obligation Bonds

General obligation bonds are direct obligations and pledge the full faith and credit of the District. These are issued as current interest bonds, and term bonds, with various amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

Date of Issue	Description	Interest Rate Payable	Original Amounts Issued	Amounts Outstanding June 30, 2021	Retired Current Year	Amounts Outstanding June 30, 2022
9/14/2010	Unlimited Tax Schoolhouse Bonds Taxable, Series 2010B (BABs)	3.52-4.64%	$ 18,880,000	$ 16,495,000	$ (2,470,000)	$ 14,025,000
5/17/2012	Unlimited Tax Refunding Bonds, Series 2012	2.00-5.00%	40,685,000	33,700,000	(2,770,000)	30,930,000
10/2/2014	Unlimited Tax School Building Bonds, Series 2014	2.00-5.00%	99,675,000	3,030,000	(1,300,000)	1,730,000
11/18/2014	Unlimited Tax Refunding Bonds, Series 2014	4.38-5.00%	6,090,000	2,330,000	(205,000)	2,125,000
4/6/2015	Unlimited Tax Refunding Bonds, Series 2015	3.00-5.00%	67,760,000	53,725,000	(4,330,000)	49,395,000
8/12/2015	Unlimited Tax School Building Bonds, Series 2015	3.00-5.00%	72,545,000	51,420,000	(2,400,000)	49,020,000
4/19/2016	Unlimited Tax Refunding Bonds, Series 2016	2.50-5.00%	21,370,000	17,515,000	(1,440,000)	16,075,000
6/7/2016	Unlimited Tax School Building Bonds, Series 2016	2.00-5.00%	43,385,000	34,630,000	(400,000)	34,230,000
2/19/2020	Unlimited Tax School Building Bonds, Series 2020	2.00-5.00%	26,550,000	26,550,000	(600,000)	25,950,000
3/9/2021	Unlimited Tax Refunding Bonds, Series 2021	0.00-2.00%	76,415,000	76,415,000	(810,000)	75,605,000
			$ 473,355,000	$ 315,810,000	$ (16,725,000)	$ 299,085,000

Debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Totals
2023	$ 17,175,000	$ 9,720,730	$ 26,895,730
2024	17,750,000	9,014,456	26,764,456
2025	17,895,000	8,187,957	26,082,957
2026	18,600,000	7,452,536	26,052,536
2027	19,375,000	6,677,285	26,052,285
2028 - 2032	100,625,000	22,656,917	123,281,917
2033 - 2037	77,510,000	9,327,157	86,837,157
2038 - 2042	30,155,000	1,166,397	31,321,397
	$ 299,085,000	$ 74,203,435	$ 373,288,435

Prior Years' Refunding of Long-Term Debt

In prior years, the District defeased, certain general obligation debt by placing the proceeds of the new bonds in an irrevocable trust, to provide for all future debt service payments on the refunded debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the District's financial statements. As of June 30, 2022, defeased bonds in the amount of $76,415,000 Unlimited Tax School Building Bonds, Series 2014 remain outstanding.

Note 6 - Long-term Liabilities (continued)

Leases

The District has two leases for the right to use copy machines and the right to use postage machines. There are no plans to exercise the purchase option at the end of either lease agreement. The following is a summary of the District's lease liabilities:

				Lease Liability		Right to Use Asset		
Description	Start Date	End Date	Interest Rate	Original Amount	Liability as of June 30, 2022	Original Amount	Accumulated Amortization June 30, 2022	Net Amount June 30, 2022
Copy Machines	7/1/2021	8/1/2023	2.85%	$ 265,168	$ 144,813	$ 265,168	$ (116,674)	$ (116,674)
Postage Machines	7/1/2021	6/1/2026	2.85%	30,995	24,246	30,995	(6,199)	(6,199)
				$ 296,163	$ 169,059	$ 296,163	$ (122,873)	$ (122,873)

The future principal and interest lease payments as of June 30, 2022, were as follows:

FY	Principal	Interest	Total
2023	$ 129,770	$ 3,138	$ 132,908
2024	26,563	532	27,095
2025	6,273	281	6,554
2026	6,453	100	6,553
	$ 169,059	$ 4,051	$ 173,110

Note 7 - Revenues from Local, Intermediate, and Out-of-State Sources

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

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Property taxes	$ 120,870,441	$ 30,290,485	$ -	$ -	$ 151,160,926
Less: refunds	(5,597,746)	(1,001,649)	-	-	(6,599,395)
Property taxes, net	115,272,695	29,288,836	-	-	144,561,531
Tax increment reinvestment zone	-	-	1,374,309	-	1,374,309
Food service	-	-	-	472,724	472,724
Investment Earnings	308,169	24,876	69,553	614	403,212
Gifts and Bequests	-	-	-	187,159	187,159
Athletics	113,142	-	-	-	113,142
Tuition/Fees	22,379	-	-	65,462	87,841
Rent	35,981	-	-	-	35,981
Miscellaneous	3,391,546	-	43	367,556	3,759,145
Total	$ 119,143,912	$ 29,313,712	$ 1,443,905	$ 1,093,515	$ 150,995,044

Note 8 - Defined Benefit Pension Plans

A. Plan Description

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

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

B. 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. The report may be obtained on the internet at https://www.trs.texas.gov/TRS%20Documents/acfr-2021.pdf, selecting About TRS then Publications then *Financial Reports* or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698.

C. 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 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.

D. 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.

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 thru 2025.

Note 8 - Defined Benefit Pension Plans (continued)

D. Contributions

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). Contributions for all contributors were as follows:

	Contribution Rates Measurement Year	
	2022	**2021**
Member	8.00%	7.70%
Non-employer contributing agency	7.75%	7.50%
Employers	7.75%	7.50%

	Fiscal Year 2022 Contributions
Employer (District)	2,148,528
Employee (Member)	4,693,563
Non-employer Contributing Entity On-behalf Contributions (State)	3,196,026

As the non-employer contributing entity for public education and junior colleges, 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.

- All public schools, charter schools, and regional educational service centers must contribute 1.6% of the member’s salary beginning fiscal year 2021, 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 change

Note 8 - Defined Benefit Pension Plans (continued)

E. Actuarial Assumptions

The total pension liability in the August 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Component	Result
Valuation Date	August 31, 2020, rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.25%
Long-term Expected Rate	7.25%
Municipal Bond Rate as of August 2020	1.95% - The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index"
Last year ending August 31 in Projection Period (100 years)	2120
Inflation	2.30%
Salary Increases	3.05% to 9.05% including inflation
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2020. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2020.

F. 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 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on those assumptions, 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.

Note 8 - Defined Benefit Pension Plans (continued)

F. Discount Rate (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, 2021 are summarized below:

Asset Class[1]	Target Allocation[2]	Long-Term Expected Geometric Real Rate of Return[3]	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.00%	3.60%	0.94%
Non-U.S. Developed	13.00%	4.40%	0.83%
Emerging Markets	9.00%	4.60%	0.74%
Private Equity	14.00%	6.30%	1.36%
Stable Value			
Government Bonds	16.00%	-0.20%	0.01%
Absolute Return	0.00%	1.10%	0.00%
Stable Value Hedge Funds	5.00%	2.20%	0.12%
Real Return			
Real Estate	15.00%	4.50%	1.00%
Energy, Natural Resources & Infrastructure	6.00%	4.70%	0.35%
Commodities	0.00%	1.70%	0.00%
Risk Parity	8.00%	2.80%	0.28%
Leverage			
Cash	2.00%	-0.70%	-0.01%
Asset Allocation Leverage	-6.00%	-0.50%	0.03%
Inflation Expectation			2.20%
Volatility Drag[4]			-0.95%
Expected Return	100.00%		6.90%

[1] Absolute Return includes Credit Sensitive Investments.

[2] Target allocations are based on the fiscal year 2021 policy model.

[3] Capital Market Assumptions come from Aon Hewitt as of August 31, 2021.

[4] The volatility drag results from the conversion between arithmetic and geometric mean returns.

G. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the Net Pension Liability.

	Discount Rate		
	1% Decrease (6.25%)	Current Rate (7.25%)	1% Increase (8.25%)
District's proportional share of the net pension liability	$ 24,298,693	$ 11,119,876	$ 427,854

Note 8 - Defined Benefit Pension Plans (continued)

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

At June 30, 2022, the District reported a liability of $11,119,876 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	$	40,285,898
State's proportionate share that is associated with the District		68,036,515
Total	$	108,322,413

The net pension liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2020 through August 31, 2021.

At August 31, 2021 the employer's proportion of the collective net pension liability was 0.0437% which was an increase of 0.0011% from its proportion measured as of August 31, 2020.

Changes since the Prior Actuarial Valuation

There were no changes in assumptions since the prior measurement date.

For the year ended June 30, 2022, the District recognized pension expense of $589,702. The District also recognized on-behalf pension expense and revenue of $75,992 for support provided by the State.

At June 30, 2022, 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 experience	$	18,609	$	(782,848)
Changes of assumption		3,930,659		(1,713,430)
Net difference between projected and actual earnings on pension plan investments		-		(9,323,872)
Changes in proportion and differences between District contributions and proportionate share of contributions		654,842		(2,658,758)
District contributions subsequent to the measurement date		1,820,035		-
Total	$	6,424,145	$	(14,478,908)

The deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

Note 8 - Defined Benefit Pension Plans (continued)

H. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Changes since the Prior Actuarial Valuation (continued)

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

Fiscal Year	Pension Expense	Balance of Deferred Outflows (Inflows)
2023	$ (1,798,762)	$ (8,076,036)
2024	(1,896,706)	(6,179,330)
2025	(2,712,040)	(3,467,290)
2026	(3,308,339)	(158,951)
2027	(162,111)	3,160
Thereafter	3,160	-
	$ (9,874,798)	

The District will continue to make the required pension contributions based on the statutorily determined rates established by the Teacher Retirement System of Texas (TRS). TRS will apply the District's contributions to the Net Pension Liability on an annual basis. The contributions are paid by the funds that pay the employees' salaries. These funding sources include the General Fund and Special Revenue funds.

Note 9 - Defined Other Post-Employment Benefit Plans

A. 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.

B. OPEB 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. The report may be obtained on the Internet at https://www.trs.texas.gov/TRS%20Documents/acfr-2021.pdf, selecting About TRS then Publications then *Financial Reports* or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

C. Benefits Provided

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

Note 9 - Defined Other Post-Employment Benefit Plans (continued)

C. Benefits Provided (continued)

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic postemployment benefit changes; including automatic COLAs.

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

TRS-Care Monthly Premium Rates		
	Medicare	Non-Medicare
Retiree or Surviving Spouse	$ 135	$ 200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

D. Contributions

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	Contribution Rates Measurement Year	
	2022	2021
Member	0.65%	0.65%
Non-employer contributing agency	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private funding	1.25%	1.25%

	Fiscal Year 2022 Contributions
Employer (District)	495,705
Employee (Member)	383,759
Non-employer Contributing Entity On-behalf Contributions (State)	871,599

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (*regardless of whether or not they participate in the TRS Care OPEB program)*. When hiring a TRS retiree, employers are required to pay TRS Care, a monthly surcharge of $535 per retiree. TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of $5,520,343 in fiscal year 2021 for consumer protections against medical and health care billing by certain out-of-network providers.

Note 9 - Defined Other Post-Employment Benefit Plans (continued)

E. Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2020. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2021. The actuarial valuation was determined using the following actuarial assumptions:

Component	Result
Valuation Date	August 31, 2020, rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	1.95% as of August 31, 2021
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 claim costs.
Projected Salary Increases	3.05% to 9.05% including inflation
Healthcare Trend Rates	The initial medical trend rates were 8.50 percent for Medicare retirees and 7.10 percent for non-Medicare retirees. There was an initial prescription drug trend rate of 8.50 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 percent over a period of 12 years.
Election Rates	Normal Retirement: 65 percent participation rate prior to age 65 and 40 percent participation rate after age 65. Pre-65 retirees: 25 percent are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were developed in the 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, 2020 TRS pension actuarial valuation that was rolled forward to August 31, 2021: (a) Rates of Mortality, (b) Rates of Retirement, (c) Rates of Termination, (d) Rates of Disability, (e) General Inflation, and (f) Wage Inflation.

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. 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 mortality projection scale MP-2018.

F. Discount Rate

A single discount rate of 1.95% was used to measure the total OPEB liability. There was a decrease of 0.38% in the discount rate since the previous year. 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 used for the long-term rate of return and 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, 2021 using the Fixed Income Market Data/Yield Curve/ Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Note 9 - Defined Other Post-Employment Benefit Plans (continued)

G. Discount Rate Sensitivity Analysis

The following table presents the District's proportional share of the Net OPEB Liability of the plan using the discount rate of 1.95%, and what the NET OPEB Liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	Discount Rate		
	1% Decrease (0.95%)	Current Rate (1.95%)	1% Increase (2.95%)
District's proportional share of the net OPEB liability	$ 27,259,369	$ 22,598,808	$ 18,930,794

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

At June 30, 2022, the District reported a liability of $22,598,808 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	$ 22,598,808
State's proportionate share that is associated with the District	30,277,366
Total	$ 52,876,174

The Net OPEB Liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 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 OPEB relative to the contributions of all employers to the plan for the period September 1, 2020 through August 31, 2021.

At August 31, 2021 the District's proportion of the collective Net OPEB Liability was 0.0586% which equal to its proportion measured as of August 31, 2020.

The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed healthcare cost trend rate:

	Healthcare Cost Trend Rate		
	1% Decrease	Current Rate	1% Increase
District's proportional share of the net OPEB liability	$ 18,304,285	$ 22,598,808	$ 28,360,990

Note 9 - Defined Other Post-Employment Benefit Plans (continued)

H. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs (continued)

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:

- The discount rate changed from 2.33% as of August 31, 2020 to 1.95% as of August 31, 2021. This change increased the Total OPEB Liability.

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

For the year ended June 30, 2022, the District recognized negative OPEB expense of $827,774. The District also recognized negative on-behalf OPEB expense and revenue of $1,117,466 for support provided by the State.

At June 30, 2022, 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 experience	$ 972,986	$ (10,939,404)
Changes of assumption	2,503,083	(4,779,230)
Net difference between projected and actual earnings on OPEB plan investments	24,535	-
Changes in proportion and differences between District contributions and proportionate share of contributions	880,535	(1,696,542)
District contributions subsequent to the measurement date	415,767	-
Total	$ 4,796,906	$ (17,415,176)

The deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023. 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:

Fiscal Year	OPEB Expense Amount	Balance of Deferred Outflows (Inflows)
2023	$ (2,454,263)	$ (10,579,774)
2024	(2,454,816)	(8,124,958)
2025	(2,454,665)	(5,670,293)
2026	(1,859,805)	(3,810,488)
2027	(1,054,467)	(2,756,021)
Thereafter	(2,756,021)	-
	$ (13,034,037)	

The General, Capital Projects and Special Revenue Funds are used to liquidate other post-employment liabilities.

Note 9 - Defined Other Post-Employment Benefit Plans (continued)

I. Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the year ended June 30, 2022, June 30, 2021 and June 30, 2020, the subsidy payments received by TRS-Care on behalf of the District were $184,372, $256,324, and $233,163, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statement of the District.

Note 10 - Risk Management

Property/Liability

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

Workers' Compensation

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

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

Changes in the balances of claims liabilities during the current and past two years are as follows:

Fiscal Year	Beginning of Year Accrual	Current Year Estimates	Claims Payments	End of Year Accrual
2022	$ 465,596	$ 412,591	$ (256,726)	$ 621,461
2021	389,990	143,697	(68,091)	465,596
2020	533,733	144,570	(288,313)	389,990

Contingent Liabilities

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

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

Note 10 - Risk Management (continued)

Contingent Liabilities (continued)

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or not performed correctly, it could result in a substantial liability to the District. The District has engaged an arbitrage consultant to perform the calculations in accordance with IRS rules and regulations. The District has estimated that it has no arbitrage liability as of June 30, 2022.

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

Note 11 - Unemployment Compensation

During the year ended June 30, 2021, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the “Fund”). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund’s Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

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

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund’s Board of Trustees in February of the following year. The Fund’s audited financial statements as of August 31, 2020 are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

Note 12 - Tax Abatements

The District entered into various property tax abatement agreements (the “Agreements”) with local businesses under Texas Tax Code, Title 3. Subtitle B. Chapter 313. Texas Economic Development Act (the ‘Act’). Under the Act, Texas school districts may grant property tax abatements according to the category of taxable value. The qualified property is limited only from maintenance and operation (M&O) property tax. The tax abatements, which are approved by the Texas Comptroller’s office and the District’s Board, are granted for the purpose of enhancing the local community; improving the public education system; creating high-paying jobs; and advancing economic development goals.

The Agreements are for local businesses to invest a minimum capital investment within the District’s boundaries during a qualifying period and to create jobs. Each investment would be limited to taxable value of the lesser of the qualified appraised value or $30,000,000/$80,000,000 depending on the project. The District’s tax abatements expire in increments beginning in 2024 through 2031.

Note 12 - Tax Abatements (continued)

For the fiscal year ended June 30, 2022, the net benefit to the District was approximately $3.11 million resulting from the M&O tax rate of 1.0165% per $100 of taxable value. The qualified property per the Agreement had a taxable value of approximately $1.14 billion and was limited to a taxable value of $260,000,000. However, in foregoing the property tax revenue, the District receives state funding through the Foundation School Program funding formula to offset the loss of property tax revenues. A summary of the District's agreements and related activity is as follows:

Agreement	Project Taxable Value	Value Limit	Net Benefit to Company 2021-2022	Net Benefit to District 2021-2022
ARKEMA (#183)	$ 32,104,250	$ 30,000,000	$ 16,287	$ 12,532
Celanese, LLC (#282)	519,371,730	30,000,000	3,943,815	1,106,348
Equistar Chemicals, LP (#262)	161,525,600	30,000,000	945,706	736,557
Linde Gas North America LLC (#288) - Agreement A	97,684,477	22,755,000	442,466	357,773
Linde Gas North America LLC (#288) - Agreement B	31,101,913	7,245,000	140,878	113,912
Linde Inc. (#1157)	135,740,600	80,000,000	263,258	303,346
Noltex, LLC (#273)	113,198,330	30,000,000	499,431	401,832
Oxiteno USA, LLC (#241)	45,538,450	30,000,000	89,264	76,540
Totals	$ 1,136,265,350	$ 260,000,000	$ 6,341,105	$ 3,108,840

REQUIRED SUPPLEMENTARY INFORMATION

LA PORTE INDEPENDENT SCHOOL DISTRICT

Exhibit G-1

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2022

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget - Positive (Negative)
	Revenues				
5700	Local, intermediate, and out-of-state	$ 122,423,674	$ 119,512,589	$ 119,143,912	$ (368,677)
5800	State program revenues	5,864,479	7,385,000	8,774,291	1,389,291
5900	Federal program revenues	2,050,000	2,392,461	2,768,262	375,801
5020	**Total Revenues**	130,338,153	129,290,050	130,686,465	1,396,415
	Expenditures				
	Current:				
0011	Instruction	44,907,799	44,328,768	43,858,009	470,759
0012	Instruction resources and media services	460,858	440,051	307,205	132,846
0013	Curriculum and instructional staff development	1,505,604	1,467,335	1,387,127	80,208
0021	Instructional leadership	1,104,304	1,108,023	979,913	128,110
0023	School leadership	5,278,065	4,992,767	4,929,103	63,664
0031	Guidance, counseling and evaluation services	2,689,297	2,544,029	2,431,767	112,262
0032	Social work services	292,443	386,728	327,877	58,851
0033	Health services	999,294	1,099,794	988,292	111,502
0034	Student transportation	3,723,459	3,962,795	3,499,985	462,810
0036	Extracurricular activities	1,725,440	1,834,264	1,650,897	183,367
0041	General administration	3,594,141	3,331,741	3,098,216	233,525
0051	Facilities maintenance and operations	5,897,974	5,500,802	5,320,144	180,658
0052	Security and monitoring services	1,842,755	1,932,466	1,784,946	147,520
0053	Data processing services	1,590,302	1,515,030	1,486,883	28,147
0061	Community services	29,630	153,310	136,784	16,526
	Debt service:				
0071	Principal on long-term debt	-	92,855	92,855	-
0072	Interest on long-term debt	-	7,145	4,617	2,528
	Intergovernmental:				
0091	Contracted instructional services	50,419,903	49,787,784	48,427,281	1,360,503
0093	Payments related to shared services arrangements	36,001	22,823	22,823	-
0095	Payments to Juvenile Justice Alt. Ed. Prgm.	59,400	41,400	41,400	-
0097	Payments to tax increment fund	4,200,000	4,355,156	4,355,156	-
0099	Other intergovernmental charges	1,300,000	1,140,000	1,130,620	9,380
6030	**Total Expenditures**	131,656,669	130,045,066	126,261,900	3,783,166
1100	Excess (deficiency) of revenues over expenditures	(1,318,516)	(755,016)	4,424,565	5,179,581
	Other Financing Sources (Uses)				
7913	Proceeds from right to use leased assets	-	204,487	-	(204,487)
7915	Transfers in	-	-	34,294	34,294
8911	Transfers out	(965,629)	-	-	-
7080	**Total Other Financing Sources (Uses)**	(965,629)	204,487	34,294	(170,193)
	Net change in fund balances	(2,284,145)	(550,529)	4,458,859	5,009,388
0100	**Fund Balance - July 1 (Beginning)**	55,795,670	55,795,670	55,795,670	-
3000	**Fund Balance - June 30 (Ending)**	$ 53,511,525	$ 55,245,141	$ 60,254,529	$ 5,009,388

A. Budgets and Budgetary Accounting

The District adopts annual appropriations type budgets for the General Fund, Child Nutrition Fund, and the Debt Service Fund using the same method of accounting as for financial reporting, as required by law. The remaining Special Revenue Funds (primarily federal grant programs) utilize a managerial type budget approved at the fund level by the Board of Trustees upon acceptance of the grants. These grants are subject to Federal, State and locally imposed project length budgets and monitoring through submission of reimbursement reports.

Expenditures may not legally exceed budgeted appropriations at the function or activity level. Expenditure requests which would require an increase in total budgeted appropriations must be approved by the Trustees through formal budget amendment. State law prohibits trustees from making budget appropriations in excess of funds available and estimated revenues. State law also prohibits amendment of the budget after fiscal year end. Supplemental appropriations were made to the General Fund, Child Nutrition Fund, and Debt Service Fund during the fiscal year ended June 30, 2022.

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

The official school budget was prepared for adoption for budgeted governmental fund types by June 30, 2022. The budget was formally adopted by the Board of Trustees at a duly advertised public meeting prior to the expenditure of funds. The final amended budget is filed with the Texas Education Agency (TEA) through inclusion in the annual financial and compliance report.

LA PORTE INDEPENDENT SCHOOL DISTRICT

Exhibit G-2

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST EIGHT MEASUREMENT YEARS [1]

	2021	2020	2019	2018
District's proportion of the net pension liability	0.0437%	0.0426%	0.0507%	0.0519%
District's proportionate share of the net pension liability	$ 11,119,876	$ 22,810,516	$ 26,357,300	$ 28,585,684
State's proportionate share of the net pension liability associated with the District	19,008,181	39,657,003	35,655,846	39,477,362
Total	$ 30,128,057	$ 62,467,519	$ 62,013,146	$ 68,063,046
District's covered payroll (for Measurement Year)	$ 57,438,588	$ 54,791,753	$ 53,578,488	$ 53,503,293
District's proportionate share of the net pension liability as a percentage of it's covered payroll	19.36%	41.63%	49.19%	53.43%
Plan fiduciary net position as a percentage of the total pension liability *	88.79%	75.54%	75.24%	73.74%
Plan's net pension liability as a percentage of covered payroll *	51.08%	110.36%	114.93%	126.11%

	2017	2016	2015	2014
District's proportion of the net pension liability	0.0508%	0.0504%	0.0514%	0.0353%
District's proportionate share of the net pension liability	$ 16,241,030	$ 19,059,283	$ 18,151,082	$ 9,433,339
State's proportionate share of the net pension liability associated with the District	23,985,725	29,292,219	27,003,832	23,350,382
Total	$ 40,226,755	$ 48,351,502	$ 45,154,914	$ 32,783,721
District's covered payroll (for Measurement Year)	$ 52,116,034	$ 50,779,368	$ 47,658,971	$ 46,141,521
District's proportionate share of the net pension liability as a percentage of it's covered payroll	31.16%	37.53%	38.09%	20.44%
Plan fiduciary net position as a percentage of the total pension liability *	82.17%	78.00%	78.43%	83.25%
Plan's net pension liability as a percentage of covered payroll *	75.93%	92.75%	91.94%	72.32%

The amounts are presented for each Plan year which ends the preceding August 31 of the District's fiscal year.

* Per Teacher Retirement System of Texas' annual comprehensive financial report.

[1] Ten years of data should be presented in this schedule but data is unavailable prior to 2014. Net pension liability and related ratios will be presented prospectively as data becomes available.

Changes of Assumptions

Measurement Year 2018: The discount rate changed from 8.0% as of August 31, 2017 to a blended rate of 6.907% as of August 31, 2018. The long-term assumed rate of return changed from 8.0% as of August 31, 2017 to 7.25% as of August 31, 2018. Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.

Measurement Year 2020: The state and employer contribution rate changed from 6.8% to 7.5%. The 1.5% public education employer contribution applied to just employers whose employees were not covered by OASDI in 2019 and it changed in 2020 to apply to all public schools, charter schools and regional education centers irrespective of participation in OASDI.

Measurement Year 2021: The public education employer contribution rate changed from 1.5% in 2020 to 1.6% in 2021.

LA PORTE INDEPENDENT SCHOOL DISTRICT

Exhibit G-3

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST EIGHT FISCAL YEARS [1]

	2022	2021	2020	2019
Contractually required contributions	$ 2,148,528	$ 1,826,677	$ 1,704,530	$ 1,800,737
Contributions in relation to the contractual required contributions	2,148,528	1,826,677	1,704,530	1,800,737
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 59,039,092	$ 57,036,532	$ 54,791,753	$ 53,578,488
Contributions as a percentage of covered payroll	3.64%	3.20%	3.11%	3.36%

	2018	2017	2016	2015
Contractually required contributions	$ 1,739,592	$ 1,603,245	$ 1,520,457	$ 895,354
Contributions in relation to the contractual required contributions	1,739,592	1,603,245	1,520,457	895,354
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 53,503,293	$ 51,900,186	$ 50,468,268	$ 46,141,521
Contributions as a percentage of covered payroll	3.25%	3.09%	3.01%	1.94%

[1] Ten years of data should be presented in this schedule but data is unavailable prior to 2014.

LA PORTE INDEPENDENT SCHOOL DISTRICT

Exhibit G-4

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST FIVE MEASUREMENT YEARS [1]

	2021	2020	2019	2018
District's proportion of the net OPEB liability	0.0586%	0.0586%	0.0615%	0.0621%
District's proportionate share of the net OPEB liability	$ 22,598,808	$ 22,271,758	$ 29,081,453	$ 31,028,940
State's proportionate share of the net OPEB liability associated with the District	30,277,366	29,927,904	38,642,747	46,296,733
Total	$ 52,876,174	$ 52,199,662	$ 67,724,200	$ 77,325,673
District's covered payroll (for Measurement Year)	$ 57,438,588	$ 54,791,753	$ 53,578,488	$ 53,503,293
District's proportionate share of the net OPEB liability as a percentage of it's covered payroll	39.34%	40.65%	54.28%	57.99%
Plan fiduciary net position as a percentage of the total OPEB liability *	6.18%	4.99%	2.66%	1.57%
Plan's net OPEB liability as a percentage of covered payroll *	100.13%	101.46%	135.21%	146.64%

	2017
District's proportion of the net OPEB liability	0.0596%
District's proportionate share of the net OPEB liability	$ 25,909,434
State's proportionate share of the net OPEB liability associated with the District	41,428,528
Total	$ 67,337,962
District's covered payroll (for Measurement Year)	$ 52,116,034
District's proportionate share of the net OPEB liability as a percentage of it's covered payroll	49.71%
Plan fiduciary net position as a percentage of the total OPEB liability *	0.91%
Plan's net OPEB liability as a percentage of covered payroll *	132.55%

The amounts are presented for each Plan year which ends the preceding August 31 of the District's fiscal year.

* Per Teacher Retirement System of Texas' annual comprehensive financial report.

[1]Ten years of data should be presented in this schedule but data is unavailable prior to 2017.

Changes of Assumptions

Measurement Year 2018: The discount rate changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018, updated the health care trend rate assumption, and revised demographic and economic assumptions based on the TRS experience study.

Measurement Year 2019: The discount rate changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019, lowered the participation rates and updated the health care trend rate assumption.

Measurement Year 2020: The discount rate changed from 2.63% as of August 31, 2019 to 2.33% as of August 31, 2020, lowered the participation rate assumption for employees who retire after the age of 65, and lowered the ultimate health care trend rate assumption to reflect the repeal of the excise (Cadillac) tax on high-cost employer health plans.

Measurement Year 2021: The discount rate changed from 2.33% as of August 31, 2020 to 1.95% as of August 31, 2021.

LA PORTE INDEPENDENT SCHOOL DISTRICT

Exhibit G-5

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES GROUP INSURANCE PROGRAM
LAST FIVE FISCAL YEARS [1]

	2022	2021	2020	2019
Contractually required contributions	$ 495,705	$ 452,552	$ 440,264	$ 431,500
Contributions in relation to the contractual required contributions	495,705	452,552	440,264	431,500
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 59,039,092	$ 57,036,532	$ 54,791,753	$ 53,578,488
Contributions as a percentage of covered payroll	0.84%	0.79%	0.80%	0.81%

	2018
Contractually required contributions	$ 411,241
Contributions in relation to the contractual required contributions	411,241
Contribution deficiency (excess)	$ -
District's covered payroll	$ 53,503,293
Contributions as a percentage of covered payroll	0.77%

During the fiscal year 2018, the District adopted GASB Statement No. 75.

[1]Ten years of data should be presented in this schedule but data is unavailable prior to 2015.

OTHER SUPPLEMENTARY INFORMATION

Nonmajor Governmental Funds
Special Revenue Funds

The Special Revenue Funds are used to account for all federal, state and locally funded grants. These grants are awarded to the District with the purpose of accomplishing specific educational goals. Grants included in the Special Revenue Funds are described below.

Fund Number	Fund Name	Fund Purpose
211	ESEA, Title I, Part A - Improving Basic Programs	Funds granted for supplemental service designed to accelerate the academic achievement of economically disadvantaged students, especially in the tested areas, to ensure that state standards are met on identified campuses.
224	IDEA - Part B, Formula	Funds to operate educational programs for children with disabilities.
225	IDEA - Part B, Preschool	Funds to operate educational programs for preschool children with disabilities.
226	IDEA - Part B, Discretionary	Funds to support regional day school programs for the deaf, private residential placements, priority projects, and other emerging needs for children with disabilities.
240	School Breakfast Program and National School Lunch Program	Funds used for food service when the service is subsidized with federal reimbursement revenues from the United States Department of Agriculture.
244	Career and Technical Education - Basic Grant	Funds to provide career and technical education (CTE) and to develop new and/or improve existing CTE programs for paid and unpaid employment.
255	ESEA, Title II, Part A - Teacher and Principal Training and Recruiting	Funds used to improve student academic achievement by improving teacher and principal quality and increasing the number of highly qualified teachers, principals, and assistant principals.
263	Title III, Part A - English Language Acquisition and Language Enhancement	Funds granted to improve the education of children with limited English proficiency by helping the children learn English and meet challenging academic achievement standards.
272	Medicaid Administrative Claiming Program (MAC)	Funds allocated to reimburse eligible administrative costs for activities that implement the Medicaid state plan.
279	Texas COVID Learning Acceleration Supports (TCLAS)	Funds granted for targeted supports to assist LEAs to accelerate student learning due to learning loss caused by the COVID-19 pandemic
280	ARP Homeless Children and Youth	Federal stimulus funds granted to LEAs through the ARP Act to identify and provide homeless children and youth with services in light of the challenges of COVID-19, and to enable homeless children and youth to attend school and participate fully in school activities.

Nonmajor Governmental Funds
Special Revenue Funds
(continued)

Fund Number	Fund Name	Fund Purpose
281	Elementary and Secondary School Emergency Relief Fund II (ESSER II)	Federal stimulus ESSER II funds granted to LEAs through the CRRSA Act to support LEAs' ability to operate, instruct its students, address learning loss, prepare schools for reopening, test, repair, and upgrade projects to improve air quality in school buildings during the coronavirus pandemic.
282	Elementary and Secondary School Emergency Relief Fund III (ESSER III)	Federal stimulus ESSER III funds granted to LEAs through the American Rescue Plan Act to address learning loss and the disproportionate impact of the coronavirus on certain student subgroups, identify and provide homeless children and youth with services in light of challenges of the coronavirus, and enable homeless children and youth to attend school and participate fully in school activities.
284	IDEA - Part B, ARP	Federal stimulus funds granted under the ARP Act to operate educational programs for children with disabilities.
285	IDEA—Part B, Preschool - American Rescue Plan Act of 2021	Federal stimulus funds granted under the ARP Act for preschool children with disabilities.
289	Federally Funded Special Revenue Funds	Funds for drug and violence prevention, character education, community service projects, conflict resolution and peer mediation programs, and other activities.
397	Advanced Placement Incentives	Funds to award campuses for advanced placement examinations.
410	State Instructional Materials Fund	Funds for instructional materials to include textbooks, software, supplemental materials, DVDs, online services, open-source materials, and other means of conveying information electronically.
429	State-Funded Special Revenue Funds	Funds from the State for disaster relief and funds provided by the State through the sale of specialty license plates for public school libraries and to strengthen campus reading programs.
461	Campus Activity Funds	Funds for transactions related to the principals' activity funds.
481	La Porte Education Foundation	Funds from the La Porte Education Foundation for grants awarded to teachers for innovative programs.
483	Local Grants and Donations	Funds from local businesses and grants for specific purposes.
484	SHAC - EKG Grant	Funds to allow EKGs for UIL student participants.

LA PORTE INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
June 30, 2022

Data Control Codes		211 ESEA, Title I, Part A - Improving Basic Programs	224 IDEA - Part B, Formula	225 IDEA - Part B, Preschool	226 IDEA - Part B, Discretionary
	Assets				
1110	Cash and cash equivalents	$ -	$ -	$ -	$ -
	Receivables:				
1240	Due from other governments	307,195	178,569	6,757	148,479
1260	Due from other funds	-	-	-	-
1290	Other receivables	-	-	-	-
1300	Inventories, at cost	-	-	-	-
1000	**Total Assets**	$ 307,195	$ 178,569	$ 6,757	$ 148,479
	Liabilities				
2110	Accounts payable	$ 22,158	$ -	$ -	$ -
2160	Accrued wages payable	27,137	3,968	1,310	-
2170	Due to other funds	257,900	174,601	5,447	148,479
2177	Due to others	-	-	-	-
2180	Due to other governments	-	-	-	-
2200	Accrued expenditures	-	-	-	-
2300	Unearned revenue	-	-	-	-
2000	**Total Liabilities**	307,195	178,569	6,757	148,479
	Fund Balance:				
	Non-Spendable:				
3410	Inventories	-	-	-	-
	Restricted:				
3450	Grant funds	-	-	-	-
	Committed:				
3520	Compensated absences	-	-	-	-
3545	Other purposes	-	-	-	-
3000	**Total Fund Balances**	-	-	-	-
4000	**Total Liabilities and Fund Balances**	$ 307,195	$ 178,569	$ 6,757	$ 148,479

Data Control Codes		240 School Breakfast Program and National School Lunch Program	244 Career and Technical Education - Basic Grant	255 ESEA, Title II, Part A - Teacher and Principal Training and Recruiting	263 Title III, Part A - English Language Acquisition and Language Enhancement
	Assets				
1110	Cash and cash equivalents	$ 874,739	$ -	$ -	$ -
	Receivables:				
1240	Due from other governments	73,447	3,992	50,531	10,819
1260	Due from other funds	515,675	-	-	-
1290	Other receivables	-	-	-	-
1300	Inventories, at cost	81,077	-	-	-
1000	**Total Assets**	$ 1,544,938	$ 3,992	$ 50,531	$ 10,819
	Liabilities				
2110	Accounts payable	$ 15,452	$ -	$ 140	$ -
2160	Accrued wages payable	59,900	-	10,253	2,061
2170	Due to other funds	102,336	3,992	40,138	8,758
2177	Due to others	-	-	-	-
2180	Due to other governments	-	-	-	-
2200	Accrued expenditures	-	-	-	-
2300	Unearned revenue	70,484	-	-	-
2000	**Total Liabilities**	248,172	3,992	50,531	10,819
	Fund Balance:				
	Non-Spendable:				
3410	Inventories	-	-	-	-
	Restricted:				
3450	Grant funds	1,272,356	-	-	-
	Committed:				
3520	Compensated absences	24,410	-	-	-
3545	Other purposes	-	-	-	-
3000	**Total Fund Balances**	1,296,766	-	-	-
4000	**Total Liabilities and Fund Balances**	$ 1,544,938	$ 3,992	$ 50,531	$ 10,819

LA PORTE INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
June 30, 2022

Data Control Codes		272 Medicaid Administrative Claiming Program (MAC)	279 Texas COVID Learning Acceleration Supports (TCLAS)	280 ARP Homeless Children and Youth	281 Elementary and Secondary School Emergency Relief Fund II (ESSER II)
	Assets				
1110	Cash and cash equivalents	$ -	$ -	$ -	$ -
	Receivables:				
1240	Due from other governments	-	15,970	2,025	619,499
1260	Due from other funds	-	-	-	-
1290	Other receivables	-	-	-	-
1300	Inventories, at cost	-	-	-	-
1000	**Total Assets**	$ -	$ 15,970	$ 2,025	$ 619,499
	Liabilities				
2110	Accounts payable	$ -	$ 135	$ -	$ 190,500
2160	Accrued wages payable	-	3,148	-	-
2170	Due to other funds	-	12,687	2,025	428,999
2177	Due to others	-	-	-	-
2180	Due to other governments	-	-	-	-
2200	Accrued expenditures	-	-	-	-
2300	Unearned revenue	-	-	-	-
2000	**Total Liabilities**	-	15,970	2,025	619,499
	Fund Balance:				
	Non-Spendable:				
3410	Inventories	-	-	-	-
	Restricted:				
3450	Grant funds	-	-	-	-
	Committed:				
3520	Compensated absences	-	-	-	-
3545	Other purposes	-	-	-	-
3000	**Total Fund Balances**	-	-	-	-
4000	**Total Liabilities and Fund Balances**	$ -	$ 15,970	$ 2,025	$ 619,499

ALL NONMAJOR GOVERNMENTAL FUNDS
June 30, 2022

Data Control Codes		282 Elementary and Secondary School Emergency Relief Fund III (ESSER III)	284 IDEA - Part B, ARP	285 IDEA—Part B, Preschool - American Rescue Plan Act of 2021	289 Federally Funded Special Revenue Funds
	Assets				
1110	Cash and cash equivalents	$ -	$ -	$ -	$ -
	Receivables:				
1240	Due from other governments	800,060	308,044	9,672	73,332
1260	Due from other funds	-	-	-	-
1290	Other receivables	-	-	-	-
1300	Inventories, at cost	-	-	-	-
1000	**Total Assets**	$ 800,060	$ 308,044	$ 9,672	$ 73,332
	Liabilities				
2110	Accounts payable	$ 6,900	$ -	$ -	$ 400
2160	Accrued wages payable	348,437	54,325	-	1,924
2170	Due to other funds	444,723	253,719	9,672	71,008
2177	Due to others	-	-	-	-
2180	Due to other governments	-	-	-	-
2200	Accrued expenditures	-	-	-	-
2300	Unearned revenue	-	-	-	-
2000	**Total Liabilities**	800,060	308,044	9,672	73,332
	Fund Balance:				
	Non-Spendable:				
3410	Inventories	-	-	-	-
	Restricted:				
3450	Grant funds	-	-	-	-
	Committed:				
3520	Compensated absences	-	-	-	-
3545	Other purposes	-	-	-	-
3000	**Total Fund Balances**	-	-	-	-
4000	**Total Liabilities and Fund Balances**	$ 800,060	$ 308,044	$ 9,672	$ 73,332

ALL NONMAJOR GOVERNMENTAL FUNDS
June 30, 2022

Data Control Codes		397 Advanced Placement Incentives	410 State Instructional Materials Fund	429 State-Funded Special Revenue Funds	461 Campus Activity Funds
	Assets				
1110	Cash and cash equivalents	$ 748	$ 175,705	$ 3,887,873	$ 470,733
	Receivables:				
1240	Due from other governments	-	-	-	-
1260	Due from other funds	-	-	-	-
1290	Other receivables	-	-	-	14,913
1300	Inventories, at cost	-	-	-	1,506
1000	**Total Assets**	$ 748	$ 175,705	$ 3,887,873	$ 487,152
	Liabilities				
2110	Accounts payable	$ -	$ 143,283	$ -	$ 25,001
2160	Accrued wages payable	-	-	-	12,093
2170	Due to other funds	-	-	-	2,359
2177	Due to others	-	-	-	958
2180	Due to other governments	-	-	-	285
2200	Accrued expenditures	-	-	-	-
2300	Unearned revenue	748	32,422	-	14,913
2000	**Total Liabilities**	748	175,705	-	55,609
	Fund Balance:				
	Non-Spendable:				
3410	Inventories	-	-	-	1,506
	Restricted:				
3450	Grant funds	-	-	-	-
	Committed:				
3520	Compensated absences	-	-	-	-
3545	Other purposes	-	-	3,887,873	430,037
3000	**Total Fund Balances**	-	-	3,887,873	431,543
4000	**Total Liabilities and Fund Balances**	$ 748	$ 175,705	$ 3,887,873	$ 487,152

LA PORTE INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
June 30, 2022

Data Control Codes		481 La Porte Education Foundation	483 Local Grants and Donations	484 SHAC - EKG Grant	Total Nonmajor Governmental Funds
	Assets				
1110	Cash and cash equivalents	$ 42,823	$ 45,846	$ 6,308	$ 5,504,775
	Receivables:				
1240	Due from other governments	-	-	-	2,608,391
1260	Due from other funds	-	-	-	515,675
1290	Other receivables	-	-	-	14,913
1300	Inventories, at cost	-	-	-	82,583
1000	**Total Assets**	$ 42,823	$ 45,846	$ 6,308	$ 8,726,337
	Liabilities				
2110	Accounts payable	$ 2,658	$ 192	$ -	$ 406,819
2160	Accrued wages payable	-	-	-	524,556
2170	Due to other funds	-	-	-	1,966,843
2177	Due to others	-	-	-	958
2180	Due to other governments	-	-	-	285
2200	Accrued expenditures	23,707	-	-	23,707
2300	Unearned revenue	13,263	-	-	131,830
2000	**Total Liabilities**	39,628	192	-	3,054,998
	Fund Balance:				
	Non-Spendable:				
3410	Inventories	-	-	-	1,506
	Restricted:				
3450	Grant funds	-	-	-	1,272,356
	Committed:				
3520	Compensated absences	-	-	-	24,410
3545	Other purposes	3,195	45,654	6,308	4,373,067
3000	**Total Fund Balances**	3,195	45,654	6,308	5,671,339
4000	**Total Liabilities and Fund Balances**	$ 42,823	$ 45,846	$ 6,308	$ 8,726,337

LA PORTE INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2022

Data Control Codes		211 ESEA, Title I, Part A - Improving Basic Programs	224 IDEA - Part B, Formula	225 IDEA - Part B, Preschool	226 IDEA - Part B, Discretionary
	Revenues				
5700	Local, intermediate, and out-of-state	$ -	$ -	$ -	$ -
5800	State program revenues	-	-	-	-
5900	Federal program revenues	1,160,918	1,343,554	31,479	148,479
5020	**Total Revenues**	1,160,918	1,343,554	31,479	148,479
	Expenditures				
	Current:				
0011	Instruction	910,559	147,651	31,479	148,479
0012	Instruction resources and media services	44	-	-	-
0013	Curriculum and instructional staff development	41,381	-	-	-
0021	Instructional leadership	-	92,491	-	-
0023	School leadership	1,882	-	-	-
0031	Guidance, counseling and evaluation services	82,637	945,335	-	-
0032	Social work services	105,018	-	-	-
0033	Health services	-	-	-	-
0034	Student transportation	-	-	-	-
0035	Food services	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0051	Facilities maintenance and operations	-	-	-	-
0053	Data processing services	-	-	-	-
0061	Community services	19,397	-	-	-
	Debt service:				
0071	Principal on long-term debt	-	-	-	-
0072	Interest on long-term debt	-	-	-	-
	Intergovernmental:				
0093	Payments related to shared services arrangements	-	158,077	-	-
6030	**Total Expenditures**	1,160,918	1,343,554	31,479	148,479
1100	Excess (deficiency) of revenues over expenditures	-	-	-	-
	Other Financing Sources (Uses)				
8911	Transfers out	-	-	-	-
7080	**Total Other Financing Sources (Uses)**	-	-	-	-
1200	Net change in fund balances	-	-	-	-
0100	**Fund Balance - July 1 (Beginning)**	-	-	-	-
3000	**Fund Balance - June 30 (Ending)**	$ -	$ -	$ -	$ -

LA PORTE INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

Data Control Codes		240 School Breakfast Program and National School Lunch Program	244 Career and Technical Education - Basic Grant	255 ESEA, Title II, Part A - Teacher and Principal Training and Recruiting	263 Title III, Part A - English Language Acquisition and Language Enhancement
	Revenues				
5700	Local, intermediate, and out-of-state	$ 478,094	$ -	$ -	$ -
5800	State program revenues	5,353	-	-	-
5900	Federal program revenues	4,954,645	81,293	235,179	68,837
5020	**Total Revenues**	5,438,092	81,293	235,179	68,837
	Expenditures				
	Current:				
0011	Instruction	-	76,593	-	23,518
0012	Instruction resources and media services	-	-	-	-
0013	Curriculum and instructional staff development	-	4,700	145,039	44,161
0021	Instructional leadership	-	-	89	-
0023	School leadership	-	-	405	-
0031	Guidance, counseling and evaluation services	-	-	86,350	-
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0034	Student transportation	-	-	-	-
0035	Food services	4,258,459	-	-	-
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	3,296	-
0051	Facilities maintenance and operations	44,682	-	-	-
0053	Data processing services	-	-	-	-
0061	Community services	-	-	-	1,158
	Debt service:				
0071	Principal on long-term debt	1,006	-	-	-
0072	Interest on long-term debt	50	-	-	-
	Intergovernmental:				
0093	Payments related to shared services arrangements	-	-	-	-
6030	**Total Expenditures**	4,304,197	81,293	235,179	68,837
1100	Excess (deficiency) of revenues over expenditures	1,133,895	-	-	-
	Other Financing Sources (Uses)				
8911	Transfers out	-	-	-	-
7080	**Total Other Financing Sources (Uses)**	-	-	-	-
1200	Net change in fund balances	1,133,895	-	-	-
0100	**Fund Balance - July 1 (Beginning)**	162,871	-	-	-
3000	**Fund Balance - June 30 (Ending)**	$ 1,296,766	$ -	$ -	$ -

LA PORTE INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

Data Control Codes		272 Medicaid Administrative Claiming Program (MAC)	279 Texas COVID Learning Acceleration Supports (TCLAS)	280 ARP Homeless Children and Youth	281 Elementary and Secondary School Emergency Relief Fund II (ESSER II)
	Revenues				
5700	Local, intermediate, and out-of-state	$ -	$ -	$ -	$ -
5800	State program revenues	-	-	-	-
5900	Federal program revenues	-	31,412	2,025	3,441,592
5020	**Total Revenues**	-	31,412	2,025	3,441,592
	Expenditures				
	Current:				
0011	Instruction	-	-	-	-
0012	Instruction resources and media services	-	-	-	-
0013	Curriculum and instructional staff development	-	-	-	-
0021	Instructional leadership	-	31,412	-	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling and evaluation services	-	-	-	-
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0034	Student transportation	-	-	2,025	-
0035	Food services	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0051	Facilities maintenance and operations	-	-	-	3,441,592
0053	Data processing services	-	-	-	-
0061	Community services	-	-	-	-
	Debt service:				
0071	Principal on long-term debt	-	-	-	-
0072	Interest on long-term debt	-	-	-	-
	Intergovernmental:				
0093	Payments related to shared services arrangements	-	-	-	-
6030	**Total Expenditures**	-	31,412	2,025	3,441,592
1100	Excess (deficiency) of revenues over expenditures	-	-	-	-
	Other Financing Sources (Uses)				
8911	Transfers out	(34,294)	-	-	-
7080	**Total Other Financing Sources (Uses)**	(34,294)	-	-	-
1200	Net change in fund balances	(34,294)	-	-	-
0100	**Fund Balance - July 1 (Beginning)**	34,294	-	-	-
3000	**Fund Balance - June 30 (Ending)**	$ -	$ -	$ -	$ -

LA PORTE INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2022

Data Control Codes		282 Elementary and Secondary School Emergency Relief Fund III (ESSER III)	284 IDEA - Part B, ARP	285 IDEA—Part B, Preschool - American Rescue Plan Act of 2021	289 Federally Funded Special Revenue Funds
	Revenues				
5700	Local, intermediate, and out-of-state	$ -	$ -	$ -	$ -
5800	State program revenues	-	-	-	-
5900	Federal program revenues	2,273,825	308,044	12,821	147,096
5020	**Total Revenues**	2,273,825	308,044	12,821	147,096
	Expenditures				
	Current:				
0011	Instruction	1,275,095	15,130	12,821	9,107
0012	Instruction resources and media services	88,910	-	-	-
0013	Curriculum and instructional staff development	239,976	-	-	-
0021	Instructional leadership	7,981	26,962	-	-
0023	School leadership	60,321	-	-	-
0031	Guidance, counseling and evaluation services	48,370	265,952	-	75,447
0032	Social work services	-	-	-	-
0033	Health services	24,025	-	-	18,652
0034	Student transportation	-	-	-	-
0035	Food services	-	-	-	-
0036	Extracurricular activities	13,747	-	-	-
0041	General administration	1,606	-	-	-
0051	Facilities maintenance and operations	491,968	-	-	43,890
0053	Data processing services	21,826	-	-	-
0061	Community services	-	-	-	-
	Debt service:				
0071	Principal on long-term debt	-	-	-	-
0072	Interest on long-term debt	-	-	-	-
	Intergovernmental:				
0093	Payments related to shared services arrangements	-	-	-	-
6030	**Total Expenditures**	2,273,825	308,044	12,821	147,096
1100	Excess (deficiency) of revenues over expenditures	-	-	-	-
	Other Financing Sources (Uses)				
8911	Transfers out	-	-	-	-
7080	**Total Other Financing Sources (Uses)**	-	-	-	-
1200	Net change in fund balances	-	-	-	-
0100	**Fund Balance - July 1 (Beginning)**	-	-	-	-
3000	**Fund Balance - June 30 (Ending)**	$ -	$ -	$ -	$ -

LA PORTE INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

Data Control Codes		397 Advanced Placement Incentives	410 State Instructional Materials Fund	429 State-Funded Special Revenue Funds	461 Campus Activity Funds
	Revenues				
5700	Local, intermediate, and out-of-state	$ -	$ -	$ -	$ 457,792
5800	State program revenues	735	479,960	15,724	-
5900	Federal program revenues	-	-	-	-
5020	**Total Revenues**	735	479,960	15,724	457,792
	Expenditures				
	Current:				
0011	Instruction	-	475,404	6,507	100,073
0012	Instruction resources and media services	-	-	-	24,305
0013	Curriculum and instructional staff development	735	2,595	-	1,544
0021	Instructional leadership	-	-	-	-
0023	School leadership	-	-	-	10,392
0031	Guidance, counseling and evaluation services	-	1,961	9,217	5,679
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	325
0034	Student transportation	-	-	-	1,624
0035	Food services	-	-	-	-
0036	Extracurricular activities	-	-	-	301,692
0041	General administration	-	-	-	-
0051	Facilities maintenance and operations	-	-	-	838
0053	Data processing services	-	-	-	249
0061	Community services	-	-	-	6,979
	Debt service:				
0071	Principal on long-term debt	-	-	-	-
0072	Interest on long-term debt	-	-	-	-
	Intergovernmental:				
0093	Payments related to shared services arrangements	-	-	-	-
6030	**Total Expenditures**	735	479,960	15,724	453,700
1100	Excess (deficiency) of revenues over expenditures	-	-	-	4,092
	Other Financing Sources (Uses)				
8911	Transfers out	-	-	-	-
7080	**Total Other Financing Sources (Uses)**	-	-	-	-
1200	Net change in fund balances	-	-	-	4,092
0100	**Fund Balance - July 1 (Beginning)**	-	-	3,887,873	427,451
3000	**Fund Balance - June 30 (Ending)**	$ -	$ -	$ 3,887,873	$ 431,543

LA PORTE INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2022

Data Control Codes		481 La Porte Education Foundation	483 Local Grants and Donations	484 SHAC - EKG Grant	Total Nonmajor Governmental Funds
	Revenues				
5700	Local, intermediate, and out-of-state	$ 118,792	$ 33,962	$ 4,875	$ 1,093,515
5800	State program revenues	-	-	-	501,772
5900	Federal program revenues	-	-	-	14,241,199
5020	**Total Revenues**	118,792	33,962	4,875	15,836,486
	Expenditures				
	Current:				
0011	Instruction	118,792	27,875	-	3,379,083
0012	Instruction resources and media services	-	-	-	113,259
0013	Curriculum and instructional staff development	-	5,272	-	485,403
0021	Instructional leadership	-	-	-	158,935
0023	School leadership	-	1,440	-	74,440
0031	Guidance, counseling and evaluation services	-	1,440	-	1,522,388
0032	Social work services	-	-	-	105,018
0033	Health services	-	125	-	43,127
0034	Student transportation	-	-	-	3,649
0035	Food services	-	-	-	4,258,459
0036	Extracurricular activities	-	2,680	857	318,976
0041	General administration	-	-	-	4,902
0051	Facilities maintenance and operations	-	-	-	4,022,970
0053	Data processing services	-	-	-	22,075
0061	Community services	-	-	-	27,534
	Debt service:				
0071	Principal on long-term debt	-	-	-	1,006
0072	Interest on long-term debt	-	-	-	50
	Intergovernmental:				
0093	Payments related to shared services arrangements	-	-	-	158,077
6030	**Total Expenditures**	118,792	38,832	857	14,699,351
1100	Excess (deficiency) of revenues over expenditures	-	(4,870)	4,018	1,137,135
	Other Financing Sources (Uses)				
8911	Transfers out	-	-	-	(34,294)
7080	**Total Other Financing Sources (Uses)**	-	-	-	(34,294)
1200	Net change in fund balances	-	(4,870)	4,018	1,102,841
0100	**Fund Balance - July 1 (Beginning)**	3,195	50,524	2,290	4,568,498
3000	**Fund Balance - June 30 (Ending)**	$ 3,195	$ 45,654	$ 6,308	$ 5,671,339

Internal Service Funds

The Internal Service Funds are used to account for the financing of goods or services provided by one program to other programs on a cost reimbursement basis. The programs included within these funds are as follows:

Fund Number	Fund Name	Fund Purpose
711	Child Care	Transactions related to the operation of a District child care center.
752	Print Shop	Transactions related to print shop services to other organizational units of the District and organizations outside the District.
753	Workers' Compensation	Transactions related to self-insurance for workers' compensation.

LA PORTE INDEPENDENT SCHOOL DISTRICT

Exhibit H-3

COMBINING STATEMENTS OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2022

	Child Care	Print Shop	Workers' Compensation	Total Internal Service Funds
Assets:				
Current assets:				
Cash and cash equivalents	$ 30,969	$ 7,517	$ 3,082,802	$ 3,121,288
Due from other funds	-	1,974	62,721	64,695
Due from others	-	7	-	7
Inventories, at cost	-	27,651	-	27,651
Prepaid items	7,560	921	-	8,481
Total current assets	38,529	38,070	3,145,523	3,222,122
Noncurrent Assets:				
Right-to-use leased equipment	-	45,323	-	45,323
Total Assets	$ 38,529	$ 83,393	$ 3,145,523	$ 3,267,445
Liabilities:				
Current liabilities:				
Accounts payable	$ 2,251	$ 878	$ -	$ 3,129
Due to other funds	356	-	-	356
Payable to other governments	-	92	-	92
Accrued expenses	-	-	621,461	621,461
Leases payable - current	-	33,940	-	33,940
Total current liabilities	2,607	34,910	621,461	658,978
Noncurrent liabilities:				
Leases payable	-	10,276	-	10,276
Total Liabilities	$ 2,607	$ 45,186	$ 621,461	$ 669,254
Net Position:				
Unrestricted	$ 35,922	$ 38,207	$ 2,524,062	$ 2,598,191
Total Net Position	$ 35,922	$ 38,207	$ 2,524,062	$ 2,598,191

LA PORTE INDEPENDENT SCHOOL DISTRICT *Exhibit H-4*

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

INTERNAL SERVICE FUNDS

For the Year June 30, 2022

	Child Care	Print Shop	Workers' Compensation	Total Internal Service Funds
Operating Revenues				
Charges for Services	$ 412,432	$ 126,951	$ 717,173	$ 1,256,556
Total Operating Revenues	412,432	126,951	717,173	1,256,556
Operating Expenses				
Payroll costs	456,499	21,581	-	478,080
Professional and contracted services	12	14,821	412,591	427,424
Supplies and materials	12,649	28,034	-	40,683
Other operating expense	60,097	60	-	60,157
Amortization of right-to-use leased equipment	-	32,136	-	32,136
Total Operating Expenses	529,257	96,632	412,591	1,038,480
Operating Income (Loss)	(116,825)	30,319	304,582	218,076
Non-Operating Revenues (Expenses)				
Intergovernmental	152,747	-	-	152,747
Earnings on investments	-	-	4,707	4,707
Interest expense	-	(1,653)	-	(1,653)
Total Non-Operating Revenues (Expenses)	152,747	(1,653)	4,707	155,801
Change in Net Position	35,922	28,666	309,289	373,877
Net Position - July 1 (Beginning)	-	9,541	2,214,773	2,224,314
Net Position - June 30 (Ending)	$ 35,922	$ 38,207	$ 2,524,062	$ 2,598,191

LA PORTE INDEPENDENT SCHOOL DISTRICT

Exhibit H-5

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2022

	Child Care	Print Shop	Workers' Compensation	Total Internal Service Funds
Cash Flows from Operating Activities:				
Cash received from interfund services provided	$ 390,683	$ 124,977	$ 714,323	$ 1,229,983
Cash payments for insurance claims	-	-	(256,726)	(256,726)
Cash payments to employees	(456,499)	(21,581)	-	(478,080)
Cash payments to suppliers for goods and services	(8,470)	(66,583)	-	(75,053)
Cash payments for other operating expenses	(47,492)	9	-	(47,483)
Net Cash Provided by (Used for) Operating Activities	(121,778)	36,822	457,597	372,641
Cash Flows from Non-Capital Financing Activities:				
Operating grants	152,747	-	-	152,747
Net Cash Provided by (Used for) Non-Capital Financing Activities	152,747	-	-	152,747
Cash Flows from Capital and Related Financing Activities:				
Principal paid on leased equipment	-	(33,243)	-	(33,243)
Interest paid on leased equipment	-	(1,653)	-	(1,653)
Net Cash Provided by (Used for) Capital and Related Financing Activities	-	(34,896)	-	(34,896)
Cash Flows from Investing Activities:				
Proceeds from earnings on investments	-	-	4,707	4,707
Net Cash Provided by (Used for) Investing Activities	-	-	4,707	4,707
Net Increase (Decrease) in Cash and Cash Equivalents	30,969	1,926	462,304	495,199
Cash and Cash Equivalents, Beginning of Year	-	5,591	2,620,498	2,626,089
Cash and Cash Equivalents, End of Year	$ 30,969	$ 7,517	$ 3,082,802	$ 3,121,288
Operating Income (Loss)	$ (116,825)	$ 30,319	$ 304,582	$ 218,076
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Amortization of right-to-use leased equipment	-	32,136	-	32,136
Decrease (increase) in interfund receivables	-	(1,974)	(2,850)	(4,824)
Decrease (increase) in receivables from others	-	(7)	-	(7)
Decrease (increase) in other receivables	12,605	-	-	12,605
Decrease (increase) in inventory	-	(1,950)	-	(1,950)
Decrease (increase) in prepaid items	1,940	(32)	-	1,908
Increase (decrease) in accounts payable	2,251	(21,746)	-	(19,495)
Increase (decrease) in interfund payables	(21,749)	-	-	(21,749)
Decrease (increase) in payables to other governments	-	76	-	76
Increase (decrease) in claims payable	-	-	155,865	155,865
Total adjustments	(4,953)	6,503	153,015	154,565
Net Cash Provided by (Used for) Operating Activities	$ (121,778)	$ 36,822	$ 457,597	$ 372,641

REQUIRED TEA SCHEDULES

LA PORTE INDEPENDENT SCHOOL DISTRICT

Exhibit J-1

SCHEDULE OF DELINQUENT TAXES RECEIVABLE

For the Year Ended June 30, 2022

	1	2	3	10	20	31	32	40	50
	Tax Rates		Net Assessed/ Appraised Value For School	Beginning Balance	Current Year's	Maintenance Total	Debt Service Total	Entire Year's	Ending Balance
Fiscal Year	Maintenance	Debt Service	Tax Purposes	7/01/2021	Total Levy	Collections	Collections	Adjustments	6/30/2022
2013 and prior	Various	Various	Various	$ 267,811	$ -	$ 28,551	$ 5,485	(43,652)	$ 190,123
2014	1.0400	0.2900	$ 6,601,456,565	85,936	-	3,481	970	(376)	81,109
2015	1.0400	0.4100	7,047,165,791	120,472	-	4,630	1,826	(410)	113,606
2016	1.0400	0.4100	8,118,723,905	200,643	-	1,620	639	(581)	197,803
2017	1.0400	0.3800	9,431,612,882	159,247	-	10,006	3,656	467	146,052
2018	1.0400	0.3400	9,820,930,163	194,329	-	20,381	6,663	11,132	178,417
2019	1.1700	0.2100	10,199,854,026	276,320	-	(174,416)	(31,305)	(231,558)	250,483
2020	1.0400	0.2400	10,311,631,951	287,565	-	(715,045)	(165,010)	(917,239)	250,381
2021	1.0397	0.2300	11,225,134,047	1,791,575	-	(1,219,195)	(269,707)	(2,699,729)	580,748
2022	1.0165	0.2400	11,504,203,343	-	144,550,315	116,463,343.00	29,600,530.00	2,540,911	1,027,353
1000 Totals				$ 3,383,898	$ 144,550,315	$ 114,423,356	$ 29,153,747	$ (1,341,035)	$ 3,016,075
9000 Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code (Function 97)						$ 4,355,156	$ -		

LA PORTE INDEPENDENT SCHOOL DISTRICT

Exhibit J-2

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – CHILD NUTRITION FUND
For the Year Ended June 30, 2022

	Budgeted Amounts			
	Original	**Final**	**Actual**	**Variance with Final Budget - Positive (Negative)**
Revenues				
Local revenues	$ 1,280,500	$ 415,781	$ 478,094	$ 62,313
State program revenues	24,000	5,353	5,353	-
Federal program revenues	2,756,597	4,352,135	4,954,645	602,510
Total Revenues	4,061,097	4,773,269	5,438,092	664,823
Expenditures				
Current:				
Food services	4,778,776	4,778,776	4,258,459	520,317
Facilities maintenance and operations	50,000	60,000	44,682	15,318
Debt Service:				
Principal on long-term debt	-	1,006	1,006	-
Interest on long-term debt	-	594	50	544
Total Expenditures	4,828,776	4,840,376	4,304,197	536,179
Excess (deficiency) of revenues over expenditures	(767,679)	(67,107)	1,133,895	1,201,002
Other Financing Sources (Uses)				
Transfers in	767,679	2,216	-	2,216
Total Other Financing Sources (Uses)	767,679	2,216	-	2,216
Net change in fund balances	-	(64,891)	1,133,895	1,203,218
Fund Balances - Beginning	162,871	162,871	162,871	-
Fund Balances - Ending	$ 162,871	$ 97,980	$ 1,296,766	$ 1,203,218

LA PORTE INDEPENDENT SCHOOL DISTRICT

Exhibit J-3

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – DEBT SERVICE FUND
For the Year Ended June 30, 2022

	Budgeted Amounts			
	Original	**Final**	**Actual**	**Variance with Final Budget - Positive (Negative)**
Revenues				
Local and intermediate sources	$ 28,054,297	$ 28,054,297	$ 29,313,712	$ 1,259,415
State program revenues	-	-	203,870	203,870
Total Revenues	28,054,297	28,054,297	29,517,582	1,463,285
Expenditures				
Debt Service:				
Principal on long-term debt	16,725,000	16,725,000	16,725,000	-
Interest on long-term debt	10,786,899	10,786,899	10,786,899	-
Other debt service fees	20,000	20,000	8,000	12,000
Total Expenditures	27,531,899	27,531,899	27,519,899	12,000
Net change in fund balances	522,398	522,398	1,997,683	1,475,285
Fund Balances - Beginning	7,478,866	7,478,866	7,478,866	-
Fund Balances - Ending	$ 8,001,264	$ 8,001,264	$ 9,476,549	$ 1,475,285

COMPENSATORY EDUCATION PROGRAM AND BILINGUAL EDUCATION PROGRAM COMPLIANCE RESPONSES

For the Year Ended June 30, 2022

Data Codes	Section A: Compensatory Education Programs	Responses
AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	$5,319,853
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	$4,149,495
	Section B: Bilingual Education Programs	
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	$ 447,504
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	$ 559,680

STATISTICAL SECTION
(UNAUDITED)

LA PORTE INDEPENDENT SCHOOL DISTRICT
STATISTICAL SECTION

The statistical section of the La Porte Independent School District's Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's economic condition and overall financial health. To assist financial statement users, the information contained within this section is categorized as follows:

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Financial Trends	
These schedules contain trend information to show how the District's financial performance and position have changed over time	95
Revenue Capacity	
These schedules contain information to help assess the factors affecting the District's most significant local revenue source, the property tax.	102
Debt Capacity	
These schedules present information to help assess the affordability of the District's current debt burden and its ability to issue additional debt in the future.	108
Demographic and Economic Information	
These schedules provide demographic and economic indicators to help in understanding the environment in which the District operates and to facilitate in comparisons over time.	112
Operating Information	
These schedules provide information about the District's operations and resources to assist in using the financial statement information to better understand and assess the District's economic condition.	113

Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports for the relevant year.

LA PORTE INDEPENDENT SCHOOL DISTRICT

Table 1

NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(Unaudited)

Primary Government	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Governmental Activities										
Net investment in										
capital assets	$ 31,847,193	$ 29,800,582	$ 27,121,161	$ 31,956,441	$ 30,910,969	$ 33,311,721	$ 35,725,150	$ 44,176,078	$ 49,715,550	$ 61,780,754
Restricted	7,527,191	3,782,757	8,785,778	6,796,928	14,810,662	11,551,291	11,272,475	8,586,196	7,899,261	5,177,592
Unrestricted	2,387,365	(4,634,520)	5,182,104	(5,027,574)	(8,714,372)	22,128,205	22,800,483	10,206,293	13,511,147	7,598,907
Total Governmental										
Activities Net Position	$ 41,761,749	$ 28,948,819	$ 41,089,043	$ 33,725,795	$ 37,007,259	$ 66,991,217	$ 69,798,108	$ 62,968,567	$ 71,125,958	$ 74,557,253

Source of Information: Source: La Porte Independent School District's Audit Reports

LA PORTE INDEPENDENT SCHOOL DISTRICT

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(Unaudited)

	2022	2021	2020	2019	2018
Expenses					
Governmental Activities:					
Instruction	$ 54,040,203	$ 59,499,677	$ 61,008,278	$ 58,059,849	$ 38,856,109
Instructional resources and media services	379,858	364,753	383,664	371,144	348,770
Curriculum development and instructional staff development	1,695,388	1,141,627	941,971	985,087	693,000
Instructional leadership	1,062,816	1,134,417	1,229,030	1,155,213	615,858
School leadership	4,545,559	5,119,390	5,132,269	4,852,010	2,853,808
Guidance, counseling, and evaluation services	3,346,675	4,131,751	4,237,356	3,960,798	1,824,276
Social work services	403,331	279,879	247,234	268,286	228,045
Health services	924,736	985,641	994,588	1,002,204	591,858
Student transportation	3,577,674	3,520,314	3,085,934	3,068,613	2,383,859
Food services	3,991,533	3,786,927	4,069,215	4,567,997	3,250,726
Extracurricular activities	2,507,755	2,595,396	2,614,667	2,726,363	2,122,573
General administration	2,757,018	3,380,066	3,688,217	3,339,518	2,707,853
Facilities maintenance and operations	12,352,765	12,261,399	11,457,636	11,491,142	10,070,631
Security and monitoring services	1,886,837	2,060,554	1,813,636	1,933,772	1,243,185
Data processing services	2,881,930	3,281,911	3,903,305	2,896,056	2,435,287
Community services	659,409	144,481	66,847	28,609	20,614
Interest on long-term debt	8,608,463	24,255,145	11,785,492	12,473,266	13,000,225
Facilities acquisition and construction	-	-	-	8,000	8,000
Contracted instructional services between public schools	48,427,281	48,381,443	41,571,997	46,925,331	33,224,648
Payments to member districts of shared service arrangements	180,900	161,730	171,317	128,845	111,516
Payments to juvenile justice alternative education programs	41,400	59,400	59,400	59,400	19,800
Payments to tax increment fund	4,355,156	4,141,276	3,810,140	2,779,617	1,141,045
Other intergovernmental charges	1,130,620	1,099,268	1,068,592	1,037,446	993,774
Total Governmental Activities Expenses	159,757,307	181,786,445	163,340,785	164,118,566	118,745,460
Program Revenues					
Governmental Activities:					
Charges for Services					
Instruction	44,225	84,877	114,561	163,919	91,553
Student transportation	355	554	211	1,411	-
Food services	467,815	313,160	939,988	1,303,054	1,113,247
Extracurricular activities	179,004	257,838	333,992	290,255	102,690
General administration	-	501	92	6,618	-
Facilities maintenance and operations	41,073	908	551	1,403	74,181
Operating Grants and Contributions	16,979,950	10,214,299	9,666,866	9,574,383	(4,549,099)
Total Program Revenues	$ 17,712,422	$ 10,872,137	$ 11,056,261	$ 11,341,043	$ (3,167,428)
Net (Expense)/Revenue					
Governmental activities	(142,044,885)	(170,914,308)	(152,284,524)	(152,777,523)	(121,912,888)
Total Net (Expense)/Revenue	$ (142,044,885)	$ (170,914,308)	$ (152,284,524)	$ (152,777,523)	$ (121,912,888)
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Property Taxes, Levied for General Purposes	$ 114,992,438	$ 114,501,149	$ 105,161,625	$ 105,918,780	$ 96,468,292
Property Taxes, Levied for Debt Service	29,230,470	27,673,548	26,805,586	21,204,806	32,937,911
State-Aid Formula Grants	4,669,846	7,903,262	18,959,584	11,823,223	5,701,540
Investment Earnings	407,919	238,711	1,374,315	1,829,958	1,238,456
Miscellaneous Local and Intermediate Revenue	5,133,909	8,457,414	6,670,886	5,987,237	1,066,686
Special Item - Gain on Sale of Asset	-	-	-	-	-
Transfers	-	-	675,776	2,732,055	-
Total General Revenues and Other Changes in Net Position	$ 154,434,582	$ 158,774,084	$ 159,647,772	$ 149,496,059	$ 137,412,885
Change in Net Position					
Governmental activities	$ 12,389,697	$ (12,140,224)	$ 7,363,248	$ (3,281,464)	$ 15,499,997
Prior period adjustment	-	-	-	-	(45,483,955)
Total Change in Net Position	$ 12,389,697	$ (12,140,224)	$ 7,363,248	$ (3,281,464)	$ (29,983,958)

Source of Information: Source: La Porte Independent School District's Audit Reports

LA PORTE INDEPENDENT SCHOOL DISTRICT

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(Unaudited)

	2017	2016	2015	2014	2013
Expenses					
Governmental Activities:					
Instruction	$ 52,296,542	$ 49,759,289	$ 44,530,011	$ 42,995,224	$ 41,356,893
Instruction resources and media services	454,722	458,306	484,361	482,710	501,443
staff development	1,025,854	1,329,946	1,282,550	734,170	641,689
Instruction leadership	1,025,658	925,493	839,282	1,170,527	1,142,625
School leadership	4,374,173	4,302,695	3,991,291	3,913,052	3,681,792
services	2,997,386	2,887,377	2,574,355	2,456,356	2,253,409
Social work services	231,094	207,172	204,158	195,190	165,195
Health services	875,217	839,418	813,607	736,101	691,172
Student transportation	3,024,166	3,619,700	3,422,132	3,109,273	3,078,612
Food services	4,517,973	4,269,781	4,001,664	3,879,868	3,821,034
Extracurricular activities	2,320,363	2,374,697	2,171,413	2,130,598	1,863,511
General Administration	3,155,391	3,255,560	2,949,663	3,103,491	2,946,863
Facilities maintenance and operations	10,633,698	11,431,976	9,929,472	10,193,730	10,146,172
Security and monitoring services	1,300,140	551,098	524,177	542,011	519,364
Data processing services	3,577,687	3,899,246	3,736,801	2,518,335	2,584,811
Community services	38,258	39,369	75,006	68,500	52,049
Interest on long-term debt	13,762,377	14,074,233	12,548,106	8,474,442	8,788,707
Facilities acquisition and construction	29,396	44,521	9,506	73,997	232,769
Contracted instructional services between public schools	31,237,688	24,531,648	20,877,309	17,754,454	16,808,844
service arrangements	108,101	118,619	130,571	120,968	99,000
education programs	19,800	19,800	19,800	19,620	19,620
Payments to tax increment fund	2,054,938	1,671,451	1,407,985	1,253,630	877,868
Other intergovernmental charges	964,114	886,598	788,330	661,254	660,402
Total Governmental Activities Expenses	140,024,736	131,497,993	117,311,550	106,587,501	102,933,844
Program Revenues					
Governmental Activities:					
Charges for Services					
Instruction	100,103	36,083	31,727	36,253	53,863
Student transportation	-	-	-	-	-
Food services	1,467,338	1,549,946	1,664,582	1,664,048	1,705,036
Extracurricular activities	146,275	115,921	119,255	106,928	134,466
General administration	-	-	-	-	-
Facilities maintenance and operations	72,836	70,918	73,480	98,187	114,583
Operating Grants and Contributions	10,009,652	11,674,605	9,702,933	10,043,558	9,441,913
Total Program Revenues	$ 11,796,204	$ 13,447,473	$ 11,591,977	$ 11,948,974	$ 11,449,861
Net (Expense)/Revenue					
Governmental activities	(128,228,532)	(118,050,520)	(105,719,573)	(94,638,527)	(91,483,983)
Total Net (Expense)/Revenue	$ (128,228,532)	$ (118,050,520)	$ (105,719,573)	$ (94,638,527)	$ (91,483,983)
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Property Taxes, Levied for General Purposes	$ 94,533,779	$ 85,819,764	$ 79,067,056	$ 67,863,048	$ 63,383,117
Property Taxes, Levied for Debt Service	35,688,808	33,374,353	23,617,432	20,270,780	18,932,619
State-Aid Formula Grants	5,962,210	3,046,813	3,286,104	3,182,174	4,772,137
Investment Earnings	897,470	488,351	90,049	96,660	134,986
Miscellaneous Local and Intermediate Revenue	2,853,468	2,257,067	2,351,123	1,576,588	1,162,789
Special Item - Gain on Sale of Asset	-	-	(2,500)	-	-
Transfers	(14,514,094)	(106,287)	-	-	-
Total General Revenues and Other Changes in Net Position	$ 125,421,641	$ 124,880,061	$ 108,409,264	$ 92,989,250	$ 88,385,648
Change in Net Position					
Governmental activities	$ (2,806,891)	$ 6,829,541	$ 2,689,691	$ (1,649,277)	$ (3,098,335)
Prior period adjustment	-	-	(10,847,082)	(1,782,018)	-
Total Change in Net Position	$ (2,806,891)	$ 6,829,541	$ (8,157,391)	$ (3,431,295)	$ (3,098,335)

Source of Information: Source: La Porte Independent School District's Audit Reports

LA PORTE INDEPENDENT SCHOOL DISTRICT

Table 3

FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(Unaudited)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
General Fund										
Nonspendable	$ 1,931,697	$ 1,786,748	$ 1,577,904	$ 1,330,676	$ 1,310,465	$ 1,008,312	$ 1,055,954	$ 1,081,967	$ 1,320,438	$ 1,612,141
Committed	2,160,997	2,191,023	2,214,153	2,156,054	2,067,367	1,986,505	2,215,787	2,177,197	2,059,320	2,016,430
Assigned	-	-	-	-	35,828	-	-	-	-	-
Unassigned	56,161,835	51,817,899	50,595,041	36,869,997	31,494,926	30,245,650	25,827,182	25,053,340	27,436,294	29,565,826
Total General Fund	$ 60,254,529	$ 55,795,670	$ 54,387,098	$ 40,356,727	$ 34,908,586	$ 33,240,467	$ 29,098,923	$ 28,312,504	$ 30,816,052	$ 33,194,397
All Other										
Governmental Funds										
Nonspendable:										
Inventories	$ 39,157	$ 55,166	$ 109,202	$ 39,584	$ 14,580	$ 22,999	$ 32,204	$ 51,812	$ 25,697	$ 48,189
Prepaid items	240,508	203,304	64,673	53,021	63,389	96,400	291,682	567,936	57,768	56,924
Restricted:										
Grant funds	1,272,356	125,053	300,162	897,476	1,103,082	1,437,143	1,775,411	2,043,567	1,888,968	1,666,962
Capital acquisitions	19,967,094	27,134,154	32,198,068	9,413,335	14,652,235	31,925,319	97,351,152	87,578,978	8,195,876	12,691,463
Debt service	9,476,549	7,478,866	9,543,909	10,817,405	18,245,027	14,883,619	14,209,608	10,236,018	8,774,566	6,407,019
Committed:										
Compensated absences	24,410	26,170	26,516	25,177	29,746	26,820	29,415	-	-	-
Other purposes	4,373,067	4,369,827	4,405,387	4,429,631	4,335,639	4,342,599	4,390,052	4,387,056	4,603,191	4,595,283
Total All Other										
Governmental Funds	$ 35,393,141	$ 39,392,540	$ 46,647,917	$ 25,675,629	$ 38,443,698	$ 52,734,899	$ 118,079,524	$ 104,865,367	$ 23,546,066	$ 25,465,840

Source of Information: La Porte Independent School District's Audit Reports.

LA PORTE INDEPENDENT SCHOOL DISTRICT

Table 4
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CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(Unaudited)

	2022	2021	2020	2019	2018
Revenues:					
Local, intermediate, and out-of-state	$ 150,995,044	$ 148,908,331	$ 142,328,632	$ 137,172,176	$ 134,069,758
State program revenues	9,479,933	8,592,823	17,679,008	9,723,516	8,321,677
Federal program revenues	17,009,461	10,856,726	7,427,546	8,695,464	7,294,080
Total Revenues	177,484,438	168,357,880	167,435,186	155,591,156	149,685,515
Expenditures:					
Current:					
Instruction	48,281,337	47,780,818	46,010,402	44,116,535	44,431,254
Instruction resources and media services	420,464	358,681	363,370	355,043	452,218
Curriculum and instructional staff development	1,872,530	1,122,137	862,801	923,521	926,444
Instructional leadership	1,138,848	1,082,000	1,070,943	1,028,291	1,048,954
School leadership	5,003,543	5,008,914	4,686,767	4,505,331	4,443,357
Guidance, counseling and evaluation services	3,954,155	4,001,694	3,709,103	3,550,004	3,200,710
Social work services	432,895	278,554	241,850	264,097	248,452
Health services	1,031,419	961,480	898,792	927,539	898,597
Student transportation	4,411,588	3,276,342	3,650,241	3,010,915	2,793,250
Food services	4,258,459	3,601,671	3,653,925	4,218,728	4,058,859
Extracurricular activities	1,969,873	1,873,796	1,783,221	1,926,045	1,882,915
General administration	3,268,424	3,321,195	3,485,305	3,123,268	3,310,708
Facilities maintenance and operations	12,010,858	11,660,891	10,597,227	10,995,172	10,926,378
Security and monitoring services	1,889,553	2,016,653	1,725,488	2,384,135	1,427,474
Data processing services	2,873,089	2,984,787	3,442,002	2,410,775	2,365,772
Community services	164,318	64,400	46,655	28,591	20,632
Debt service:					
Principal on long-term debt	16,818,861	15,340,000	15,385,000	15,465,000	15,530,000
Interest on long-term debt	10,791,566	14,616,435	13,141,060	13,862,199	14,554,292
Bond issuance costs and fees	8,000	795,884	236,690	8,000	8,000
Capital outlay:					
Facilities acquisition and construction	2,289,841	797,057	1,592,675	1,609,311	14,289,548
Intergovernmental charges	54,135,357	53,843,117	46,681,446	50,930,639	35,490,783
Total Expenditures	177,024,978	174,786,506	163,264,963	165,643,139	162,308,597
Excess (Deficiency) of Revenues Over (Under) Expenditures	459,460	(6,428,626)	4,170,223	(10,051,983)	(12,623,082)
Other Financing Sources (Uses):					
Refunding bonds issued	-	76,415,000	-	-	-
Capital-related debt issued (regular bonds)	-	-	26,550,000	-	-
Transfers in	34,294	11,178,891	3,682,441	-	-
Transfers out	(34,294)	(206,813)	(236,325)	(2,450)	(8,517)
Sale of real or personal property	-	-	824,770	2,732,055	-
Transfers in	-	-	11,550	2,450	8,517
Other uses	-	(86,805,257)	-	-	-
Total Other Financing Sources (Uses)	-	581,821	30,832,436	2,732,055	-
Net Change in Fund Balances	$ 459,460	$ (5,846,805)	$ 35,002,659	$ (7,319,928)	$ (12,623,082)
Debt Service as a percentage of Noncapital Expenditu	15.91%	17.25%	17.75%	18.01%	20.33%

Source of Information: La Porte Independent School District's Audit Reports.

LA PORTE INDEPENDENT SCHOOL DISTRICT

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(Unaudited)

	2017	2016	2015	2014	2013
Revenues:					
Local, intermediate, and out-of-state	$ 136,414,687	$ 123,940,130	$ 106,967,548	$ 92,060,038	$ 86,324,262
State program revenues	7,832,361	6,539,522	6,380,373	6,240,932	6,882,569
Federal program revenues	6,533,129	6,275,753	6,598,936	6,417,978	6,784,709
Total Revenues	150,780,177	136,755,405	119,946,857	104,718,948	99,991,540
Expenditures:					
Current:					
Instruction	42,649,201	42,725,036	39,983,002	37,956,249	36,703,186
Instruction resources and media services	455,095	449,017	483,055	481,502	499,708
Curriculum and instructional staff development	1,018,560	1,276,907	1,279,256	730,821	641,380
Instructional leadership	1,015,259	892,790	811,019	1,164,769	1,134,434
School leadership	4,331,402	4,109,820	4,041,551	3,913,097	3,668,061
Guidance, counseling and evaluation services	2,892,230	2,770,528	2,592,682	2,447,110	2,249,211
Social work services	231,422	207,178	206,208	194,897	164,796
Health services	863,729	821,738	818,826	736,770	691,033
Student transportation	2,880,812	3,254,781	4,518,528	2,921,010	2,835,617
Food services	4,265,215	4,170,770	3,880,325	4,312,726	3,870,741
Extracurricular activities	1,566,840	1,569,493	1,488,549	1,476,177	1,490,065
General administration	3,076,752	3,077,179	2,874,950	2,993,062	2,922,056
Facilities maintenance and operations	10,085,701	11,271,596	9,903,980	9,695,257	9,627,818
Security and monitoring services	1,296,131	550,551	524,607	542,059	519,360
Data processing services	3,175,788	4,203,028	3,519,556	2,119,760	2,249,310
Community services	38,184	32,944	69,503	62,092	46,876
Debt service:					
Principal on long-term debt	20,355,000	17,365,000	17,570,000	8,255,000	8,210,000
Interest on long-term debt	14,796,017	13,248,523	10,378,396	8,748,930	8,653,933
Bond issuance costs and fees	8,750	1,529,646	1,617,541	4,850	4,850
Capital outlay:					
Facilities acquisition and construction	62,596,529	103,801,648	23,065,236	451,003	4,513,155
Intergovernmental charges	34,384,641	27,228,116	23,223,995	19,809,926	18,465,734
Total Expenditures	211,983,258	244,556,289	152,850,765	109,017,067	109,161,324
Excess (Deficiency) of Revenues Over (Under) Expenditures	(61,203,081)	(107,800,884)	(32,903,908)	(4,298,119)	(9,169,784)
Other Financing Sources (Uses):					
Refunding bonds issued	-	115,930,000	73,850,000	-	-
Capital-related debt issued (regular bonds)	-	21,620,711	99,675,000	-	-
Transfers in	-	8,101,456	18,587,626	-	-
Transfers out	(6,300)	-	(5,123)	-	-
Sale of real or personal property	-	-	-	-	-
Transfers in	6,300	-	2,623	-	-
Other uses	-	(23,850,707)	(80,390,465)	-	-
Total Other Financing Sources (Uses)	-	121,801,460	111,719,661	-	-
Net Change in Fund Balances	$ (61,203,081)	$ 14,000,576	$ 78,815,753	$ (4,298,119)	$ (9,169,784)
Debt Service as a percentage of Noncapital Expenditu	23.54%	22.84%	22.78%	15.67%	16.12%

Source of Information: La Porte Independent School District's Audit Reports.

LA PORTE INDEPENDENT SCHOOL DISTRICT

PROPERTY TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS
(PER $100 OF ASSESSED VALUE)
LAST TEN FISCAL YEARS

Taxing Authority	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
La Porte Independent School District										
Maintenance & Operations	$ 1.0165	$ 1.0397	$ 1.0400	$ 1.1700	$ 1.0400	$ 1.0400	$ 1.0400	$ 1.0400	$ 1.0400	$ 1.0400
Debt Service	0.2400	0.2300	0.2400	0.2100	0.3400	0.3800	0.4100	0.4100	0.2900	0.2900
Total	$ 1.2565	$ 1.2697	$ 1.2800	$ 1.3800	$ 1.3800	$ 1.4200	$ 1.4500	$ 1.4500	$ 1.3300	$ 1.3300
County										
Chambers [1]	$ 0.5395	$ 0.5395	$ 0.5421	$ 0.5425	$ 0.5425	$ 0.5527	$ 0.5403	$ 0.5327	$ 0.5221	$ 0.4968
Harris	0.3769	0.3912	0.4071	0.4186	0.4180	0.4166	0.4192	0.4173	0.4146	0.4002
Harris Co Department of Education	0.0050	0.0050	0.0050	0.0052	0.0052	0.0052	0.0054	0.0060	0.0064	0.0066
Harris Co Flood Control Dist	0.0334	0.0314	0.0279	0.0288	0.0283	0.0283	0.0273	0.0274	0.0283	0.0281
Port of Houston Authority	0.0087	0.0099	0.0107	0.0116	0.0126	0.0133	0.0134	0.0513	0.0172	0.0195
San Jacinto Jr. College District	0.1680	0.1694	0.1782	0.1793	0.1833	0.1824	0.1758	0.1856	0.1856	0.1856
Cities										
Deer Park	0.7200	0.7200	0.7200	0.7200	0.7200	0.7200	0.7144	0.7200	0.7200	0.7200
La Porte	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100
Morgan's Point	0.9506	0.9491	0.8810	0.8883	0.8911	0.9118	0.8191	0.8191	0.6362	0.6460
Pasadena	0.5159	0.5337	0.5703	0.6154	0.5754	0.5754	0.5754	0.5769	0.5916	0.5916
Water Districts										
Clear Lake City Water Authority	0.2602	0.2700	0.2700	0.2700	0.2700	0.2700	0.2700	0.2800	0.2800	0.2800

Source of Information: Harris County Truth in Taxation Summary

[1] 100% of the property located in Chambers County is submerged.
Harris County Appraisal District - Chambers County Appraisal District
The District has no facilities and does not serve any students in Chambers County

LA PORTE INDEPENDENT SCHOOL DISTRICT

Table 6

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(Unaudited)

Fiscal Year Ended June 30,	Appraised Value Real Property	Appraised Value Personal Property	Total Taxable Assessed Value [2]	Total Direct Tax Rate [1]
2013	$ 5,178,358,804	$ 1,030,342,901	$ 6,208,701,705	$ 1.3300
2014	5,994,901,356	606,555,209	6,601,456,565	1.3300
2015	5,234,296,126	1,812,869,665	7,047,165,791	1.4500
2016	6,099,088,029	2,019,635,876	8,118,723,905	1.4500
2017	6,409,074,023	3,022,538,859	9,431,612,882	1.4200
2018	7,933,845,192	1,887,084,971	9,820,930,163	1.3800
2019	7,152,159,589	3,047,694,437	10,199,854,026	1.3800
2020	7,819,428,707	3,536,064,873	11,355,493,580	1.2800
2021	8,641,591,301	3,575,479,876	12,217,071,177	1.2697
2022	9,084,249,544	3,482,057,385	12,566,306,929	1.2565

Source: Goose Creek CISD Tax Services Tax Roll Summary Report

[1] Tax rates are per $100 of taxable assessed value.

[2] Total Estimated Taxable Value is net of exemptions

LA PORTE INDEPENDENT SCHOOL DISTRICT

Table 7

PRINCIPAL TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

	2022			2013		
Taxpayer	**Taxable Assessed Value**	**Rank**	**Percentage of Total Taxable Assessed Value**	**Taxable Assessed Value**	**Rank**	**Percentage of Total Taxable Assessed Value**
Equistar Chemical LP	$ 634,165,429	1	5.05%	$ 375,252,292	1	6.04%
Braskem America Inc.	602,645,417	2	4.80%	89,637,732	10	1.44%
Enterprise Products	600,485,148	3	4.78%	-		0.00%
Fairway Methanol	531,015,240	4	4.23%	-		0.00%
Air Liquide America Corporation	361,548,090	5	2.88%	295,086,462	2	4.75%
Kuraray America, Inc.	291,681,173	6	2.32%	-		0.00%
Praxair Inc.	235,543,110	7	1.87%	-		0.00%
Liberty Property	232,002,941	8	1.85%	-		0.00%
Sreit Underwood Industrial	182,973,702	9	1.46%	-		0.00%
Lyondell Chemical Co.	170,666,612	10	1.36%	123,868,397	6	2.00%
Albermarle Catalysts Co.	-		0.00%	155,494,840	3	2.50%
Kaneka Texas Corp.	-		0.00%	155,092,520	4	2.50%
Celanese LTD	-		0.00%	137,555,964	5	2.22%
Conoco Phillips Co	-		0.00%	108,971,408	7	1.76%
Air Product	-		0.00%	104,337,383	8	1.68%
Haldor Topsoe Inc.	-		0.00%	96,378,173	9	1.55%
Totals	$3,842,726,862		30.58%	$ 1,641,675,171		26.44%
Total taxable assessed value, net of exemptions	$ 12,566,306,929			$ 6,208,701,705		

Source of Information: Municipal Advisory Council (MAC)

Note: Due to time constraints and updated tax rolls being unavailable until late fall, instead of reporting tax year 2019 data on this schedule, the District will be reporting data for the tax year related to the fiscal year under audit.

LA PORTE INDEPENDENT SCHOOL DISTRICT

Table 8

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

Fiscal Year	Total Tax Levy for Fiscal Year [1]	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2013	$ 82,998,592	$ 81,772,811	98.52%	$ 1,145,768	$ 82,918,579	99.90%
2014	87,683,942	86,946,201	99.16%	730,819	87,677,020	99.99%
2015	102,609,803	101,666,537	99.08%	912,415	102,578,952	99.97%
2016	117,701,618	116,785,513	99.22%	818,352	117,603,865	99.92%
2017	119,265,281	118,673,840	99.50%	413,067	119,086,907	99.85%
2018	123,396,019	121,706,460	98.63%	140,631	121,847,091	98.74%
2019	128,005,460	126,153,254	98.55%	(57,537)	126,095,717	98.51%
2020	133,136,156	131,531,550	98.79%	(949,135)	130,582,415	98.08%
2021	142,525,527	140,733,952	98.74%	(1,488,902)	139,245,050	97.70%
2022	147,091,225	146,063,872	99.30%	-	146,063,872	99.30%

Source of Information: Goose Creek CISD Tax Office and City of La Porte Tax Office

LA PORTE INDEPENDENT SCHOOL DISTRICT

Table 9

PROPERTY TAX COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
2013	$ 2,641	$ 2,036	$ 1,797	$ 3,878	$ 8,538	$ (158,135)	$ 328,527	$ 171,646	$ 780,461	$ 81,772,811
2014	4,451	7,336	33,358	8,258	13,777	(108,665)	436,336	202,822	86,946,201	-
2015	6,455	11,407	42,808	141,404	35,687	147,276	435,568	101,666,537	-	-
2016	2,259	15,049	96,037	233,215	85,230	392,509	116,785,513	-	-	-
2017	13,662	17,714	34,447	227,266	125,270	118,673,840	-	-	-	-
2018	27,043	(180,910)	179,670	114,828	121,706,460	-	-	-	-	-
2019	(205,721)	106,794	41,389	126,153,254	-	-	-	-	-	-
2020	(880,055)	(69,081)	131,531,550	-	-	-	-	-	-	-
2021	(1,488,902)	140,733,952	-	-	-	-	-	-	-	-
2022	146,063,872	-	-	-	-	-	-	-	-	-

	2022	2021	2020	2019	2018
Assessed Value					
All property	$ 12,566,306,929	$ 12,217,071,177	$ 11,355,493,580	$ 10,199,854,026	$ 9,820,930,163
Net Bonded Debt					
Gross bonded debt	319,998,041	339,621,139	353,695,936	341,038,095	358,587,198
Less debt service funds	(6,254,835)	(3,657,704)	(4,908,863)	(5,899,452)	(18,245,027)
Total Net Bonded Debt	$ 313,743,206	$ 335,963,435	$ 348,787,073	$ 335,138,643	$ 340,342,171
Ratio of Net Bonded Debt to Assessed Value	2.50%	2.75%	3.07%	3.29%	3.47%
Average Daily Attendance (ADA)	6,339	6,451	6,493	6,798	7,210
Ratio of Net Bonded Debt per ADA	49,494	52,079	53,717	49,300	47,204
Population	34,976	34,976	34,976	34,976	35,423
Net Bonded Debt per Capita	8,970	9,606	9,972	9,582	9,608

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

	2017	2016	2015	2014	2013
Assessed Value					
All property	$ 9,341,612,882	$ 8,118,723,905	$ 7,047,165,791	$ 6,601,456,565	$ 6,208,701,705
Net Bonded Debt					
Gross bonded debt	376,589,109	399,494,016	296,199,845	198,049,993	207,007,460
Less debt service funds	(14,883,619)	(14,209,608)	(10,236,018)	(8,774,586)	(6,407,019)
Total Net Bonded Debt	$ 361,705,490	$ 385,284,408	$ 285,963,827	$ 189,275,407	$ 200,600,441
Ratio of Net Bonded Debt to Assessed Value	3.87%	4.75%	4.06%	2.87%	3.23%
Average Daily Attendance (ADA)	7,183	7,128	7,127	7,129	7,218
Ratio of Net Bonded Debt per ADA	50,356	54,052	40,124	26,550	27,792
Population	35,371	35,086	35,148	35,039	34,654
Net Bonded Debt per Capita	10,226	10,981	8,136	5,402	5,789

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

LA PORTE INDEPENDENT SCHOOL DISTRICT

Table 11

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

Legal Debt Margin Calculation for Fiscal Year 2022	
Assessed value	$ 12,566,306,929
Debt limit (percentage of 2020 - 2021 school year assessed value)*	10.00%
Maximum legal debt	1,256,630,693
Amount of debt applicable to debt limit**	319,998,041
Legal Debt Margin	$ 936,632,652

* This debt limit is established by law as stated in Vernon's Statutes, Article 835p.

** Does not include capital lease obligations and is net of reserve for retirement of bonded debt

Fiscal Year	Debt Limit	Amount of Debt Applicable to Debt Limit	Legal Debt Margin	Total Net Debt Applicable to the Limit as a Percentage of Debt Limit
2013	$ 620,870,170	$ 194,227,981	$ 426,642,189	31.28%
2014	660,145,656	183,605,414	476,540,242	27.81%
2015	704,716,579	263,598,982	441,117,597	37.40%
2016	811,872,390	357,125,392	454,746,998	43.99%
2017	934,161,288	336,096,381	598,064,907	35.98%
2018	982,093,016	317,204,973	664,888,043	32.30%
2019	1,019,985,403	319,985,000	700,000,403	31.37%
2020	1,135,549,358	331,150,000	804,399,358	29.16%
2021	1,221,707,118	339,621,139	882,085,979	27.80%
2022	1,256,630,693	319,998,041	936,632,652	25.46%

LA PORTE INDEPENDENT SCHOOL DISTRICT

Table 12

COMPUTATION OF ESTIMATED DIRECT AND OVERLAPPING DEBT
FOR THE FISCAL YEAR ENDING JUNE 30, 2022

Governmental Unit	Net Debt Amount	Percentage Overlapping*	Amount of Overlapping Debt
Overlapping:			
Chambers County	$ 85,945,000	0.01%	$ 8,595
Harris County	1,682,992,125	2.06%	34,669,638
Harris County Department of Education	20,185,000	2.06%	415,811
Harris County Flood Control District	584,900,000	2.06%	12,048,940
Harris County Hospital District	76,385,000	2.06%	1,573,531
Harris County MUD #561	19,200,000	100.00%	19,200,000
Port of Houston Authority	469,434,397	2.06%	9,670,349
San Jacinto Jr. College District	551,322,427	19.03%	104,916,658
City of Deer Park	102,665,000	26.91%	27,627,152
City of La Porte	36,000,000	93.31%	33,591,600
City of Morgan's Point	10,045,000	100.00%	10,045,000
City of Pasadena	177,255,000	5.47%	9,695,849
City of Shoreacres	4,155,000	100.00%	4,155,000
Clear Lake City Water Authority	117,475,000	5.38%	6,320,155
			273,938,278
District direct debt	319,998,041	100.00%	319,998,041
Total Direct and Overlapping Debt			$ 593,936,319
Population (District)			34,976
Per Capita Debt-Direct and Overlapping			$ 16,981

Sources: Texas Municipal Report issued by the Municipal Advisory Council of Texas

* The "Percentage Overlapping" is determined by dividing the City's certified taxable value within the taxing jurisdiction by the certified taxable value of the taxing jurisdiction.

LA PORTE INDEPENDENT SCHOOL DISTRICT

Table 13

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Population Information										
Fiscal Year	Estimated Population	Land Area	Density Per Square Mile	Population Change	Personal Income* (in Thousands)	Population* (Persons)	Per Capita Personal* Income	Total Unemployment	Percentage Unemployed County	Percentage Unemployed State
2013	34,654	55	630	-9.2%	$ 230,462,963	4,353,517	$ 52,937	132,300	6.0%	6.2%
2014	35,039	55	637	1.1%	252,694,912	4,452,695	56,751	110,802	4.9%	5.1%
2015	35,148	55	639	0.3%	252,694,912	4,551,362	55,521	103,637	4.6%	4.4%
2016	35,086	55	638	-0.2%	249,989,494	4,617,041	54,145	119,025	5.3%	4.6%
2017	35,371	55	643	0.8%	249,989,500	4,652,980	53,727	108,287	5.1%	4.3%
2018	35,423	55	644	0.1%	249,989,500	4,652,980	53,727	108,287	4.4%	4.2%
2019	34,976	55	636	-1.3%	265,351,328	4,698,619	56,474	100,021	3.8%	3.5%
2020*	34,976	55	636	0.0%	285,160,839	4,738,253	60,183	203,052	9.0%	7.7%
2021*	34,976	55	636	0.0%	285,160,839	4,738,253	60,183	147,489	6.5%	5.7%
2022*	34,976	55	636	0.0%	285,160,839	4,738,253	60,183	114,196	4.9%	4.4%

* Estimated population is only available through 2020, therefore, the same data was used for 2021 and 2022

Source: United States Census Bureau

LA PORTE INDEPENDENT SCHOOL DISTRICT

Table 14

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

2022			2013		
Employer	**Employees**	**Percentage of Principal Employers**	**Employer**	**Employees**	**Percentage of Principal Employers**
La Porte ISD	1,069	5.87%	Total Petrochemicals USA, Inc	1,500	8.23%
Dupont Chemical	545	2.99%	La Porte ISD	1,075	5.90%
Force Corporation	453	2.49%	International Plant Services LLC	1,000	5.49%
J V Piping	440	2.41%	Rockwood Service Corporation	700	3.84%
Total Pertochemicals & Rfining	409	2.24%	Longview Inspections, Inc.	664	3.64%
City of La Porte	398	2.18%	JP&D Digital Satellite Systems, Inc.	600	3.29%
Ineos	385	2.11%	E. I. Du Pont De Menours and Company	500	2.74%
Brand Safway	382	2.10%	Katoen Natie USA, Inc.	500	2.74%
Katoen Natie Houston USA	350	1.92%	Sulzer Turbo Systems Intl	400	2.19%
CCC Group	300	1.65%	City of La Porte	388	2.13%
Total	4,731		**Total**	7,327	
Total City of La Porte Employment	18,224		**Total City of La Porte Employment**	31,664	

Source: City of La Porte Comprehensive Annual Financial Report for the Year Ended September 30,2021, Texas Workforce Commission (Texas LMI)

LA PORTE INDEPENDENT SCHOOL DISTRICT

Table 15

FULL-TIME EQUIVALENT DISTRICT EMPLOYEES

LAST TEN FISCAL YEARS

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Governmental Activities										
Teachers	461	483	479	489	501	495	495	470	464	462
Professional Support	122	100	96	97	93	101	101	94	90	89
Campus Administration	32	32	32	31	32	30	29	30	30	30
Central Administration	11	10	10	12	12	11	8	10	10	11
Education Aides	130	136	132	139	131	121	117	110	106	103
Auxiliary Staff	309	309	298	292	294	284	289	294	292	293
Total	1,065	1,069	1,046	1,059	1,061	1,042	1,040	1,008	991	988

Source: Texas Education Agency TAPR (Texas Academic Performance Report)

LA PORTE INDEPENDENT SCHOOL DISTRICT

Table 16

OPERATING STATISTICS
LAST TEN FISCAL YEARS

	Governmental Fund Expenditures				Government-wide Expenses				
Fiscal Year	Average Daily Attendance	Operating Expenditures [1]	Cost per Student	Percentage Change	Governmental Activities Expenses	Cost per Student	Percentage Change	Teachers	Student / Teacher Ratio
2013	7,218	$ 83,950,073	$ 11,631	1.00%	$ 103,594,578	$ 14,352	-2.19%	482	15.0
2014	7,129	91,557,284	12,843	10.42%	102,933,844	14,439	0.61%	461	15.5
2015	7,127	100,219,592	14,062	9.49%	106,587,501	14,955	3.57%	464	15.4
2016	7,128	108,611,472	15,237	8.36%	117,311,550	16,458	10.05%	470	15.2
2017	7,183	114,226,962	15,902	4.36%	131,497,993	18,307	11.23%	495	14.5
2018	7,210	117,926,757	16,356	2.85%	118,745,460	16,470	-10.03%	501	14.4
2019	6,798	117,926,757	17,347	6.06%	118,745,460	17,468	6.06%	501	13.6
2020	6,493	132,909,538	20,470	18.00%	163,340,785	25,156	44.01%	479	13.6
2021	6,451	143,237,130	22,204	8.47%	181,786,445	28,180	12.02%	483	13.4
2022	6,339	145,946,287	23,024	3.69%	141,621,652	22,341	-20.72%	461	13.8

Source: District Records

[1] Governmental operating expenditures are total expenditures less debt service and capital outlay (to the extent capitalized for the government-wide statement of net position) and expenditures for capitalized assets included within the functional expenditures categories.

LA PORTE INDEPENDENT SCHOOL DISTRICT

Table 17

TEACHER BASE SALARIES
LAST TEN FISCAL YEARS

Fiscal Year	Minimum Salary [1]	Maximum Salary [1]	Region Average Salary [2]	Statewide Average
2013	$ 46,250	$ 70,432	$ 50,968	$ 48,821
2014	48,950	72,795	52,222	49,692
2015	50,400	74,350	54,157	50,715
2016	51,600	76,120	55,580	51,891
2017	52,600	78,842	55,992	52,525
2018	53,100	79,590	57,076	53,334
2019	54,000	81,793	54,524	54,122
2020	55,200	84,508	60,292	54,923
2021	57,200	87,608	60,798	57,091
2022	58,000	88,914	62,590	58,887

Source: District Records

[1] Amounts do not include additional salary steps based on experience or academic credentials, nor fringe benefits such as pension, health insurance, disability, etc.

LA PORTE INDEPENDENT SCHOOL DISTRICT

Table 18

ATTENDANCE DATA

LAST TEN FISCAL YEARS

		Average Daily Attendance		
Fiscal Year	**Total Enrollment**	**Amount**	**Percentage Increase (Decrease)**	**Percentage of Attendance**
2013	7,747	7,218	-0.60%	93.17%
2014	7,628	7,129	-1.23%	93.46%
2015	7,648	7,127	-0.02%	93.19%
2016	7,753	7,128	0.01%	91.94%
2017	7,713	7,183	0.77%	93.13%
2018	7,588	7,210	0.38%	95.02%
2019	7,384	6,798	-5.71%	92.06%
2020	7,361	6,493	-4.49%	88.21%
2021	6,980	6,451	-0.65%	92.42%
2022	6,938	6,339	-1.74%	91.37%

Source: Texas Education Agency Website - PEIMS (Snapshot) and Near Final Summary of Finance Reports and Data > Financial Reports > School Funding Reports and Data > Near Final ADA Adjustments

Building:	2022	2021	2020	2019	2018
ELEMENTARY					
Bayshore Elementary					
Square feet	111,000	111,000	111,000	111,000	111,000
Capacity	750	750	750	750	750
Enrollment	382	398	472	571	579
College Park Elementary					
Square feet	77,910	77,910	77,910	77,910	77,910
Capacity	696	696	696	696	696
Enrollment	438	438	486	454	453
Heritage Elementary					
Square feet	100,000	100,000	100,000	100,000	100,000
Capacity	750	750	750	750	750
Enrollment	516	490	514	468	519
Jennie Reid Elementary					
Square feet	72,450	72,450	72,450	72,450	72,450
Capacity	600	600	600	600	600
Enrollment	388	395	419	432	456
La Porte Elementary					
Square feet	94,064	94,064	94,064	94,064	94,064
Capacity	700	700	700	700	700
Enrollment	548	474	523	518	546
Lomax Elementary					
Square feet	101,987	101,987	101,987	101,987	101,987
Capacity	729	729	729	729	729
Enrollment	470	454	491	462	487
Rizzuto Elementary					
Square feet	85,563	85,563	85,563	85,563	85,563
Capacity	750	750	750	750	750
Enrollment	386	435	499	558	592
INTERMEDIATE					
Baker 6th Grade Campus					
Square feet	125,937	125,937	125,937	125,937	125,937
Capacity	925	925	925	925	925
Enrollment	504	541	576	590	547
JUNIOR HIGH SCHOOLS					
La Porte Junior High School					
Square feet	153,200	153,200	153,200	153,200	153,200
Capacity	725	725	725	725	725
Enrollment	555	515	518	510	568
Lomax Junior High School					
Square feet	125,645	125,645	125,645	125,645	125,645
Capacity	780	780	780	780	780
Enrollment	583	597	604	608	609

Building:	2017	2016	2015	2014	2013
ELEMENTARY					
Bayshore Elementary					
Square feet	111,000	111,000	111,000	111,000	111,000
Capacity	750	750	750	750	750
Enrollment	557	537	522	530	577
College Park Elementary					
Square feet	77,910	77,910	75,301	75,301	75,301
Capacity	696	696	650	650	650
Enrollment	470	490	472	461	465
Heritage Elementary					
Square feet	100,000	100,000	100,000	100,000	100,000
Capacity	750	750	750	750	750
Enrollment	550	560	595	599	610
Jennie Reid Elementary					
Square feet	72,450	72,450	72,450	72,450	72,450
Capacity	600	600	600	600	600
Enrollment	471	462	492	486	487
La Porte Elementary					
Square feet	94,064	94,064	94,064	94,064	94,064
Capacity	700	700	700	700	700
Enrollment	554	549	494	491	502
Lomax Elementary					
Square feet	101,987	101,987	86,795	86,495	86,495
Capacity	729	729	700	700	700
Enrollment	511	542	528	519	523
Rizzuto Elementary					
Square feet	85,563	85,563	85,563	85,563	85,563
Capacity	750	750	750	750	750
Enrollment	585	591	595	588	582
INTERMEDIATE					
Baker 6th Grade Campus					
Square feet	125,937	125,937	140,060	140,060	140,060
Capacity	925	925	700	700	700
Enrollment	580	575	550	533	625
JUNIOR HIGH SCHOOLS					
La Porte Junior High School					
Square feet	153,200	153,200	148,044	148,044	148,044
Capacity	725	725	725	725	725
Enrollment	595	549	554	555	536
Lomax Junior High School					
Square feet	125,645	125,645	125,645	125,645	125,645
Capacity	780	780	780	780	780
Enrollment	597	612	605	608	611

Building:	2022	2021	2020	2019	2018
HIGH SCHOOL					
La Porte High School					
Square feet	633,140	633,140	633,140	633,140	633,140
Capacity	3,100	3,100	3,100	3,100	3,100
Enrollment	1,997	1,877	1,922	2,104	2,083
ALTERNATIVE SCHOOL					
DeWalt Alternative School					
Square feet	37,796	37,796	37,796	37,796	37,796
Capacity	250	250	250	250	250
Enrollment	168	203	175	109	60
Total Square Footage	1,718,692	1,718,692	1,718,692	1,718,692	1,718,692
Total Capacity	10,755	10,755	10,755	10,755	10,755
Total Enrollment	6,935	6,817	7,199	7,384	7,499

Source: District records

Building:	2017	2016	2015	2014	2013
HIGH SCHOOL					
La Porte High School					
Square feet	633,140	591,126	504,652	504,652	504,652
Capacity	3,100	2,923	2,923	2,923	2,923
Enrollment	2,176	2,218	2,162	2,190	2,168
ALTERNATIVE SCHOOL					
DeWalt Alternative School					
Square feet	37,796	37,796	37,796	37,796	37,796
Capacity	250	250	250	250	250
Enrollment	57	54	60	68	61
GRAND TOTAL	1,718,692	1,676,678	1,581,370	1,581,070	1,581,070
	10,755	10,578	10,278	10,278	10,278
	7,703	7,739	7,629	7,628	7,747

Source: District records

LA PORTE INDEPENDENT SCHOOL DISTRICT

REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS

For the Fiscal Year Ended June 30, 2022

SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered **to not have made** timely payments.) Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued. Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.	Yes
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	$ 10,909,063

NOTE: This schedule is to be included as part of the annual financial audit report (AFR) submission on the required due date and published as a part of the school district's AFR. This schedule should be submitted in the data feed file and submitted as an Adobe Acrobat portable document file (pdf).

FEDERAL AWARDS SECTION

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
La Porte Independent School District
La Porte, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of La Porte Independent School District (the "District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated November 8, 2022.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

To the Board of Trustees
La Porte Independent School District

Purpose of this Report

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

Whitley Penn LLP

Houston, Texas
November 8, 2022

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees
La Porte Independent School District
La Porte, Texas

Report on Compliance for Each Major Federal Program

Opinion On Each Major Program

We have audited La Porte Independent School District's (the "District") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District's complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion On Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

To the Board of Trustees
La Porte Independent School District

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

To the Board of Trustees
La Porte Independent School District

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Whitley Penn LLP

Houston, Texas
November 8, 2022

LA PORTE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency (ies) identified that is not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency (ies) identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance with major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

Name of Federal Program or Cluster	Assistance Listing Numbers
U.S. Department of Agriculture	
Child Nutrition Cluster:	
USDA Commodities (Non-cash assistance)	10.555
School Breakfast Program	10.553
National School Lunch Program	10.555
Supply Chain Assistance Fund	10.555
U.S. Department of Education	
COVID-19 - ARP ESSER III	84.425U
COVID-19 - ARP Homeless II (ESSER)	84.425W
COVID-19 - CRRSA - ESSER II	84.425D
COVID-19 - TCLASS-ESSER III	84.425U

Dollar Threshold Considered Between Type A and Type B Federal Programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

II. Financial Statement Findings

None Reported

III. Federal Awards Findings and Questioned Costs

None reported

LA PORTE INDEPENDENT SCHOOL DISTRICT

Exhibit K-1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2022

Fund	(2A) Pass Through Entity Identifying Number	(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Assistance Listing Number	(3) Federal Expenditures
		U.S. Department of Agriculture		
		Passed Through Texas Department of Agriculture:		
240	101916	*USDA Commodities (Non-cash assistance)*	10.555	$ 291,951
240	226TX400N8903	*Supply Chain Assistance Fund*	10.555	147,597
		Passed Through Texas Education Agency:		
240	71402201	*School Breakfast Program*	10.553	953,766
240	71302201	*National School Lunch Program*	10.555	3,558,268
		Total Child Nutrition Cluster (ALN 10.555, 10.553)		4,951,582
		Passed Through Texas Department of Agriculture:		
240	226TX109S9009	*COVID-19 - Pandemic Electronic Benefit Transfer (P-EBT)*	10.649	3,063
		Total Department of Agriculture		**4,954,645**
		U.S. Department of Justice		
289	2018-YS-BX-0117	*STOP School Violence*	16.839	1,014
		Total U.S. Department Of Justice		**1,014**
		U.S. Department of Education		
		Passed Through Texas Education Agency:		
211	21610101101916	*ESEA, Title I, Part A*	84.010A	3,430
211	22610101101916	*ESEA, Title I, Part A*	84.010A	1,157,488
		Total ALN 84.010		1,160,918
224	226600011019166600	*IDEA - Part B, Formula*	84.027A	1,343,554
225	216610011019166610	*IDEA - Part B, Preschool*	84.173A	313
225	226610011019166610	*IDEA - Part B, Preschool*	84.173A	31,166
226	66002106	*IDEA B - Capacity Grant*	84.027A	148,479
284	225350011019165350	*IDEA-B Formula ARP*	84.027A	308,044
285	225360011019165360	*IDEA-B Preschool ARP*	84.173X	12,821
		Total Special Education Cluster (ALN 84.027, 84.173)		1,844,377
244	22420006101916	*Carl D. Perkins Basic Grant*	84.048A	81,293
255	21694501101916	*ESEA Title II, Part A, Supporting Effective Instruction*	84.367A	7,507
255	22694501101916	*ESEA Title II, Part A, Supporting Effective Instruction*	84.367A	227,672
		Total ALN 84.367		235,179
263	21671001101916	*ESEA Title III , Part A, ELA*	84.365A	2,210
263	22671001101916	*ESEA Title III , Part A, ELA*	84.365A	66,627
		Total ALN 84.365		68,837
282	2158001101916	*COVID-19 - ARP ESSER III*	84.425U	2,273,825
280	21533002101916	*COVID-19 - ARP Homeless II (ESSER)*	84.425W	2,025
281	21521001101916	*COVID-19 - CRRSA - ESSER II*	84.425D	3,441,592
279	21528042101916	*COVID-19 - TCLASS-ESSER III*	84.425U	31,412
		Total ALN 84.425		5,748,854
289	21680101101916	*Title IV, Part A*	84.424A	3,137
289	22680101101916	*Title IV, Part A*	84.424A	79,974
		Total ALN 84.424		83,111
199	69552002	*LEP Summer School*	84.369	1,475
		Total U.S. Department of Education		**9,224,044**
		U.S. Department of Health and Human Services		
		Passed Through Texas Health and Human Services:		
289	39352201101916	*COVID-19 School Health Support*	93.323	62,971
199	N/A	*Medicaid Administrative Claims*	93.778	90,028
		Total Medicaid Cluster (ALN 93.778)		90,028
		Total U.S. Department of Health And Human Services		**152,999**
		Total Expenditures of Federal Awards		**$ 14,332,702**

Note 1 - Summary of Significant Accounting Policies

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

Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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

All federal grants are subject to review by the grantor agencies. Any expenditures identified by the grantor agencies as disallowed could require reimbursement to the grantor agency from the District's general fund.

Note 2 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the District under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 3 - Reconciliation to Basic Financial Statements

The following is a reconciliation of expenditures of federal awards program per Exhibit K-1 and expenditures reported on Exhibit C-3:

Total shown on Schedule of Expenditures of Federal Awards	$ 14,332,702
Other Federal Revenue Accounted for in Governmental Funds:	
Medicaid SHARS	2,082,924
Junior ROTC	66,729
E-rate	238,263
Interest Rate Subsidy on Build America Bonds	288,843
	2,676,759
Total Federal Revenue - Exhibit C-3	$ 17,009,461

Note 4 - General Fund Expenditures

Federal Awards reported in the general fund are summarized as follows:

Medicaid SHARS	$ 2,082,924
E-rate	238,263
Junior ROTC	66,729
Interest Rate Subsidy on Build America Bonds	288,843
LEP Summer School	1,475
Medicaid Administrative Claims	90,028
	$ 2,768,262

LA PORTE INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2022

Federal regulations, Title 2 U.S. Code of Federal Regulations Section 200.511 states, “The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings.” The summary schedule of prior audit findings must report the status of the following:

- All audit findings included in the prior audit’s schedule of findings and questioned costs and
- All audit findings reported in the prior audit’s summary schedule of prior audit findings except audit findings listed as corrected.

I. Prior Audit Findings

None Noted

Federal regulations, Title 2 U.S. Code of Federal Regulations §200.511 states, “At the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in §200.516 Audit findings, a corrective action plan to address each audit finding included in the current year auditor's reports.”

I. Corrective Action Plan

Not Applicable

APPENDIX E

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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, and other authorized changes are expected to be implemented in phases 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.

The regular session of the 88th Texas Legislature (the "Legislature") is scheduled from January 10, 2023 to May 29, 2023. Thereafter, the Texas Governor may call one or more additional special sessions. During this time, the Legislature may enact laws that materially change current law as it relates to the Guarantee Program, the TEA, the SBOE, the Act, the PSF Corporation, and Texas school finance generally. No representation is made regarding any actions the Legislature may take, but the TEA, SBOE, and PSF Corporation intend to monitor proposed legislation for any developments applicable thereto.

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 in 1845 and received its first significant funding with a $2,000,000 appropriation by 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 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 also 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, 2022, as filed with the MSRB in accordance with the PSF undertaking and agreement made in accordance with Rule 15c2-12 ("Rule 15c2-12") of the federal Securities and Exchange Commission (the "SEC"), as described below, is hereby incorporated by reference into this disclosure. Information included herein for the year ended August 31, 2022 is derived from the audited financial statements of the PSF, which are included in the Annual Report 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, 2022 and for a description of the financial results of the PSF for the year ended August 31, 2022, the most recent year for which audited financial information regarding the Fund is available. The 2022 Annual Report speaks only as of its date and the TEA has not obligated itself to update the 2022 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 PSF Corporation's Investment Policy Statement (the "IPS"), 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. 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 a discussion of the PSF Corporation audit. At its November 2022 quarterly board meeting, the SBOE considered new regulations for the administration of the Bond Guarantee Program. Two readings and a publication period are required for modifications to the Texas Administrative Code, and such process (the "Regulatory Recodification") was completed in February 2023, with the new regulations becoming effective March 1, 2023. The Regulatory Recodification was taken as an acknowledgment of the new role and powers that are delegated to the PSF Corporation. Among other regulations affecting the Fund that were restructured include the Statement of Investment Objectives, Policies and Guidelines of the Texas Permanent School Fund, which is codified at 19 Texas Administrative Code, Chapter 33 (recodified in part and replaced in part by the IPS).

Management and Administration of the Fund

The following discussion describes some legal and management aspects of the structure of the Fund prior to full implementation of SB 1232. SB 1232 is being implemented in phases. See "Management Transition to the PSF Corporation" for summaries of certain laws applicable to the Fund pursuant to the Texas Constitution and SB 1232 as well as certain prior actions 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, but SB 1232 authorized the SBOE to delegate management of the Fund to the Corporation, which, as noted above, has been done. 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").

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 IPS provides that the PSF shall be managed consistently with respect to the following: support for public free schools in Texas, real growth in Fund asset values, protection of Fund capital, and the provision of sustained income distributions to current 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 PSF Corporation has also engaged outside counsel to advise it as to its duties with respect to 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. TEA's General Counsel provides legal advice to the SBOE but will not provide legal advice directly to the PSF Corporation.

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 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.

Prior to the enactment of SB 1232, Texas law assigned to the SLB control of the Fund's land and mineral rights and authority to invest in certain real assets. Administrative duties related to these assets have in the past resided with the GLO, which is under the guidance of the elected commissioner of the GLO (the "Land Commissioner").

In 2019, the Texas Legislature enacted legislation that created a "permanent school fund liquid account" (the "Liquid Account") in the PSF for the purpose of the SBOE receiving, administering, and investing funds transferred from the SLB on a quarterly basis that are not then invested by the SLB or needed within the forthcoming quarter. On January 1, 2023, management of the Liquid Account transferred from the SBOE to the PSF Corporation. The bill grants the PSF Corporation authority and discretion to abolish the Liquid Account when its purpose has been resolved and transfer any remaining balance to the Fund.

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 noted above, on January 1, 2023 the investment management responsibilities for the Fund transferred to the PSF Corporation and the merger of Fund assets previously managed by the SLB with those previously managed by the SBOE.

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 governed by a nine-member board of directors (the "PSFC Board"), which consists 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 (one of which is currently vacant) with confirmation by the Senate.

At the inaugural meeting of the PSFC Board in January 2022, the PSFC 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 PSFC Board adopted bylaws governing how it will manage its affairs and conduct business. The chief executive officer reports to the PSFC Board. Any amendments to the PSF Corporation's articles of formation and bylaws will be adopted by the PSFC Board but are subject to approval by the SBOE. At its March 2023 meeting, the PSFC Board approved its securities lending policy.

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 is no longer authorized to make investments into funds; however, the SLB will still be able to invest in land, mineral and royalty interests, and individual 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.

Not less than once each year, the PSFC 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. The first audit of the PSF Corporation will be conducted following the close of the 2022-2023 fiscal year on August 31, 2023.

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.

With respect to the 2024-2025 State biennium, and for subsequent biennia, the PSF Corporation is required to submit a legislative appropriations request ("LAR") to the LBB and the Office of the Governor that details a request for appropriation of funds to enable the PSF Corporation to carry out its responsibilities for the investment management of the Fund. The requested funding, budget structure, and riders are sufficient to fully support all operations of the PSF Corporation in state fiscal years 2024 and 2025. As described therein, the LAR is designed to provide the PSF Corporation with the ability to operate as a stand-alone state entity in the State budget while retaining the flexibility to fulfill its fiduciary duty and provide oversight and transparency to the Legislature and Governor.

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 PSF Corporation and TEA 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	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
PSF(SBOE) Distribution	$1,021	$839	$839	$1,056	$1,056	$1,236	$1,236	$1,102	$1,102	$1,731
PSF(SLB) Distribution	$300	$0	$0	$0	$0	$0	$300	$600	$600[2]	$415
Per Student Distribution	$281	$175	$173	$215	$212	$247	$306	$347	$341	$432

1 In millions of dollars. Source: PSF Annual Report for year ended August 31, 2022.

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 2022, the SBOE approved a $3.1 billion distribution to the ASF for State fiscal biennium 2024-2025. In making its determination of the 2024-2025 Distribution Rate, the SBOE took into account the announced planned distribution to the ASF by the SLB of $1.2 billion 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	2024-25
SBOE Distribution Rate[1]	3.5%	2.5%	4.2%	3.3%	3.5%	3.7%	2.974%	4.18%	3.32%[2]

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. In addition, the SLB approved transfers of $600 million per year directly to the ASF for fiscal biennium 2024-25.

[2] The distribution rate approved by the SBOE for fiscal biennium 2024-25 was based on a number of assumptions, including a mid- to long-term expected return rate for the Fund of 6.35% and a rate of inflation measured by the consumer price index of 2.70% according to the policy adopted by the SBOE in June 2022.

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 historically reviewed 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 June 2022. The IPS (effective January 1, 2023) provides for minimum and maximum ranges among the components of each of the asset classifications: equities, fixed income, and alternatives. The alternatives category includes absolute return, private equity, real estate, emerging manager program, real return, natural resources, and infrastructure components. Alternative asset classes diversify the managed assets of the PSF 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 traditional investments, it is expected that the Fund will reflect the general performance returns of the markets in which the Fund is invested.

Prior to the effective date of the IPS, the most recent asset allocation of the PSF(SBOE), was approved by the SBOE in June 2022, and is set forth below, along with the asset allocations of the PSF(SLB) and Liquid Account that were effective June 2022.

PSF 2022 Strategic Asset Allocations

	PSF(SBOE)	PSF(SLB)	Liquid Account
Equity Total	55%	0%	77%
Public Equity Total	37%	0%	77%
Large Cap US Equity	14%	0%	38%
Small/Mid Cap US Equity	6%	0%	10%
International Equities	14%	0%	29%
Emerging Markets Equity	3%	0%	0%
Private Equity	18%	0%	0%
Fixed Income Total	22%	0%	21%
Core Bonds	12%	0%	16%
Non-Core Bonds (High Yield & Bank Loans)	4%	0%	0%
Emerging Markets Debt	3%	0%	0%
Treasuries	3%	0%	0%
TIPS	0%	0%	5%
Short Duration	0%	0%	0%
Alternative Investments Total	22%	100%	0%

Absolute Return	7%	0%	0%
Real Estate	11%	33%	0%
Real Return	4%	0%	0%
Energy	0%	31%	0%
Infrastructure	0%	36%	0%
Emerging Manager Program	1%	0%	0%
Cash	0%	0%	2%

PSF Corporation 2023 Strategic Asset Allocation

Effective January 1, 2023, the IPS includes a combined asset allocation for all Fund assets (consisting of assets transferred for management to the PSF Corporation from the SBOE, the SLB and the Liquid Account). The IPS provides that the Fund's investment objectives are as follows:

- Generate distributions for the benefit of public schools in Texas;
- Maintain the purchasing power of the Fund, after spending and inflation, in order to maintain intergenerational equity with respect to distributions from the Fund;
- Provide a maximum level of return consistent with prudent risk levels, while maintaining sufficient liquidity needed to support Fund obligations; and
- Maintain a AAA credit rating, as assigned by a nationally recognized securities rating organization.

The table below sets forth the asset allocation of the Fund beginning January 1, 2023.

Asset Class	Strategic Asset Allocation	Range
Equities		
Large Cap US Equity	15%	+/- 3.0%
Small/Mid-Cap US Equity	6%	+/- 1.0%
Non-US Developed Equity	10%	+/- 3.0%
Emerging Market Equity	6%	+/- 1.0%
Total Equity	37%	
Fixed Income		
Core Bonds	11%	+/- 2.0%
Non-Core Bonds (High Yield & Bank Loans)	3%	+/- 3.0%
Emerging Market Debt (Local Currency)	2%	+/- 2.0%
U.S. Treasuries	2%	+/- 2.0%
Total Fixed Income	18%	
Cash Equivalents	0%	
Alternatives		
Absolute Return	6%	+/- 1.0%
Private Equity	15%	+/- 4.0%
Real Estate	12%	+/- 4.0%
Emerging Manager Program (Private Equity/Real Estate)	1%	+/- 1.0%

Real Return (Commodities & U.S. Treasury Inflation Protected Securities (TIPS))	4%	+/- 1.5%
Private Real Assets – Natural Resources	3%	+/- 2.0%
Private Real Assets - Infrastructure	4%	+/- 2.0%
Total Alternatives	45%	

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

The table below sets forth the comparative investments of the PSF(SBOE) for the years ending August 31, 2021 and 2022, as set forth in the PSF Annual Reports for those years. As of January 1, 2023, the assets of the PSF(SBOE) and the PSF (SLB) were generally combined for investment management and accounting purposes.

Comparative Investment Schedule - PSF(SBOE)[1]

Fair Value (in millions) August 31, 2022 and 2021				
ASSET CLASS	August 31, 2022	August 31, 2021	Amount of Increase (Decrease)	Percent Change
EQUITY				
Domestic Small Cap	$ 2,358.4	$ 2,597.3	$ (238.9)	-9.2%
Domestic Large Cap	4,730.4	6,218.7	(1,488.3)	-23.9%
Total Domestic Equity	7,088.8	8,816.0	(1,727.2)	-19.6%
International Equity	5,972.5	8,062.1	(2,089.6)	-25.9%
TOTAL EQUITY	13,061.3	16,878.1	(3,816.8)	-22.6%
FIXED INCOME				
Domestic Fixed Income	4,563.3	4,853.1	(289.8)	-6.0%
U.S. Treasuries	1,140.2	1,243.3	(103.1)	-8.3%
High Yield Bonds	1,142.5	-	1,142.5	N/A
Emerging Market Debt	1,142.5	2,683.7	(1,492.8)	-55.6%
TOTAL FIXED INCOME	8,036.9	8,780.1	(743.2)	-8.5%
ALTERNATIVE INVESTMENTS				
Absolute Return	2,932.3	3,546.0	(613.7)	-17.3%
Real Estate	4,365.7	3,706.0	659.7	17.8%
Private Equity	7,933.1	7,724.6	208.5	2.7%
Emerging Manager Program	29.9	-	29.9	N/A
Real Return	1,412.0	1,675.5	(263.5)	-15.7%
TOT ALT INVESTMENTS	16,673.0	16,652.1	20.9	0.1%
UNALLOCATED CASH	196.5	262.9	(66.4)	-25.3%
TOTAL PSF(SBOE) INVESTMENTS	$ 37,967.7	$ 42,573.2	$ (4,605.5)	-10.8%

Source: PSF Annual Report for year ended August 31, 2022.

[1] The investments shown in the table above at August 31, 2022 do not fully reflect the changes made to the PSF Strategic Asset Allocation in June 2022, as those changes were still being phased in at the end of the fiscal year.

The table below sets forth the investments of the Liquid Account for the year ended August 31, 2022.

Liquid Account Fair Value at August 31, 2022[1]

Fair Value (in millions) August 31, 2022 and 2021

ASSET CLASS	August 31, 2022	August 31, 2021	Amount of Increase (Decrease)	Percent Change
Equity				
Domestic Small/Mid Cap	$ 500.0	$228.3	$271.7	119.0%
Domestic Large Cap	1,671.7	578.6	1,093.1	188.9%
Total Domestic Equity	2,171.7	806.9	1,364.8	169.1%
International Equity	1,225.5	392.6	832.9	212.1%
TOTAL EQUITY	3,397.2	1,199.5	2,197.7	183.2%
Fixed Income				
Short-Term Fixed Income	797.4	1,074.8	(277.4)	-25.8%
Core Bonds	506.8	413.1	93.7	22.7%
TIPS	208.2	213.9	(5.7)	-2.7%
TOTAL FIXED INCOME	1,512.4	1,701.8	(189.4)	-11.1%
Unallocated Cash	35.2	1,420.5	(1,385.3)	-97.5%
Total Liquid Account Investments	$4,944.8	$4,321.8	$623.0	14.4%

[1] In millions of dollars.
Source: PSF Annual Report for year ended August 31, 2022.

The table below sets forth the comparative investments of the PSF(SLB) for the years ending August 31, 2022 and 2021.

Comparative Investment Schedule - PSF(SLB)

Fair Value (in millions) August 31, 2022 and 2021

Asset Class	As of 8-31-22	As of 8-31-21	Increase (Decrease)	Percent Change
Discretionary Real Assets Investments				
Externally Managed				
Real Assets Investment Funds[1]				
Energy/Minerals	$2,718.6	$1,707.5	$1,011.1	59.2%
Infrastructure	1,622.7	1,652.3	(29.6)	-1.8%
Real Estate	1,921.2	1,276.8	644.4	50.5%
Internally Managed Direct Real Estate Investments	271.5	223.9	47.6	21.3%
Total Discretionary Real Assets Investments	6,534.0	4,860.5	1,673.5	34.4%
Dom. Equity Rec'd as In-Kind Distribution	-	1.7	(1.7)	-100.0%
Sovereign and Other Lands	428.3	405.4	22.9	5.6%
Mineral Interests	5,622.2	2,720.4	2,901.8	106.7%
Cash at State Treasury[2]	1,257.5	699.2	558.3	79.8%

Total PSF(SLB) Investments	$13,842.0	$8,687.2	$5,154.8	59.3%

[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 PSF Corporation from time to time based upon a number of factors, including recommendations to the PSF Corporation 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; 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. 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. As noted, above, in connection with the Regulatory Recodification, the SDBGP Rules are now codified in the Texas Administrative Code at 19 TAC section 33.6 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"). As noted, above, in connection with the Regulatory Recodification, the CDBGP Rules are now codified at 19 TAC section 33.7 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 2023 (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 7.36%. At March 20, 2023, there were 188 active open-enrollment charter schools in the State and there were 1,095 charter school campuses authorized under such charters, though as of such date, 190 of such campuses are not currently serving students for various reasons; therefore, there are 905 charter school campuses actively serving students in Texas. Section 12.101, Texas Education Code, limits the number of charters that the Education Commissioner may grant 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.

In the event of default, holders of guaranteed charter district bonds will receive all payments due from the corpus of the PSF. Following a determination that a charter district will be or is unable to pay maturing or matured principal or interest on any guaranteed bond, the Act requires a charter district to notify the Education Commissioner not later than the fifth day before the stated maturity date of such bond or interest payment and 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. 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 lesser 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. That limitation was a dynamic number that depended in large part on the market value of the Fund from time to time. 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 (a static number). 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 principal amount of guaranteed bonds outstanding.

The State Capacity Limit increased from $135,449,634,408 on August 31, 2021 to $148,789,725,175 on August 31, 2022 (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 March 1, 2023, the Act, as amended through the Regulatory Recodification, provides that the SBOE may establish a percentage of the Capacity Limit to be reserved from use in guaranteeing bonds (the "Capacity Reserve"). The SDBGP Rules provide for a maximum Capacity Reserve for the overall Guarantee Program of 5% and provide that the amount of the Capacity Reserve may be increased or decreased by a majority vote of the SBOE based on changes in the cost value, asset allocation, and risk in the portfolio, or may be increased or decreased by the Education Commissioner as necessary to prudently manage fund capacity and preserve the AAA credit rating of the Guarantee Program (subject to ratification or rejection by the SBOE at the next meeting for which an item can be posted). The CDBGP Rules provide for an additional reserve of CDBGP Capacity determined by calculating an equal percentage as established by the SBOE for the Capacity Reserve, applied to the CDBGP Capacity. Effective March 1, 2023, the Capacity Reserve is 0.25%. The 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 of January 2023, the monthly updates with respect to the capacity of the Guarantee Program on the TEA web site projected a remaining capacity under the IRS Limit of $194.1 million out of the approximately $117.3 billion of authorized capacity. Effective March 1, 2023, the change in the Capacity Reserve from 5% to 0.25%, as discussed above, freed up approximately $5.9 billion in Guarantee Program capacity. No representation is made as to how quickly the additional capacity from changing the Capacity Reserve will remain available, and the capacity of the Guarantee Program is subject to change due to a number of factors, including changes in bond issuance volume throughout the State and some bonds receiving guarantee approvals may not close. Additional capacity could become available for new applicants from time to time, through, among other measures, the principal retirement of outstanding guaranteed bonds. As the amount of guaranteed bonds approaches the IRS Limit, the SBOE continues to seek changes to the existing federal tax law requirements regarding the Guarantee Program with the objective of obtaining an increase in the IRS Limit. Such changes include regulatory modifications and implementation of federal legislation, and no assurances can be given as to the timing of the foregoing or the SBOE's success in that undertaking.

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.

The percentage of the charter district scholastic population to the overall public school scholastic population has grown from 3.53% in September 2012 to 7.36% in March 2023. 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 also require the Education Commissioner to make an investigation of the accreditation status and financial status for a charter district applying for a bond guarantee.

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 17, 2023, the Charter District Reserve Fund contained $85,259,403, which represented approximately 2.18% of the guaranteed charter district bonds. The Reserve Fund is held and invested as a non-commingled fund under the administration of the PSF Corporation 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, to serve as a 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.

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 February 2023, 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.

Ratings of Bonds Guaranteed Under the Guarantee Program

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

Valuation of the PSF and Guaranteed Bonds

Permanent School Fund Valuations

Fiscal Year Ended 8/31	Book Value[1]	Market Value[1]
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	38,699,895,545	55,582,252,097
2022[2]	42,511,350,050	56,754,515,757

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[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 current, unaudited values for PSF investment portfolios and cash held by the SLB are used. 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 Corporation by the SLB.

The SLB reports that information to the PSF Corporation 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, 2022, mineral assets, sovereign and other lands and discretionary internal investments, investments with external managers, and cash managed by the SLB had book values of approximately $13.4 million, $180.6 million, $5,433.0 million, and $1,257.5 million, respectively, and market values of approximately $5,622.2 million, $699.8 million, $6,262.5 million, and $1,257.52 million, respectively.

Permanent School Fund Guaranteed Bonds

At 8/31	Principal Amount[1]
2018	$79,080,901,069
2019	84,397,900,203
2020	90,336,680,245
2021	95,259,161,922
2022	103,239,495,929[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, 2022 (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 $156,825,227,335, of which $53,585,731,406 represents interest to be paid. As shown in the table above, at August 31, 2022, there were $103,239,495,929 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 17, 2023, 7.36% of the Guarantee Program's capacity was available to the Charter District Bond Guarantee Program. As of March 17, 2023, the amount of outstanding bond guarantees represented 89.46% of the Capacity Limit (which is currently the IRS Limit). March 17, 2023 values are based on unaudited data, which is subject to adjustment.

Permanent School Fund Guaranteed Bonds by Category[1]

	School District Bonds		Charter District Bonds		Totals	
Fiscal Year Ended 8/31	No. of Issues	Principal Amount ($)	No. of Issues	Principal Amount ($)	No. of Issues	Principal Amount ($)
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	3,346	91,951,175,922	83	3,307,986,000	3,429	95,259,161,922
2022[2]	3,348	99,528,099,929	94	3,711,396,000	3,442	103,239,495,929

(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 17, 2023 (based on unaudited data, which is subject to adjustment), there were $104,953,879,666 in principal amount of bonds guaranteed under the Guarantee Program, representing 3,296 school district issues, aggregating $101,038,728,666 in principal amount and 99 charter district issues, aggregating $3,915,151,000 in principal amount. At March 17, 2023 the projected guarantee capacity available was $5,413,975,055 (based on unaudited data, which is subject to adjustment).

Discussion and Analysis Pertaining to Fiscal Year Ended August 31, 2022

The following discussion is derived from the Annual Report for the year ended August 31, 2022, 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, 2022, 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 2022, the Fund balance was $56.8 billion, an increase of $1.2 billion from the prior year. This increase is primarily due to overall net increases in value of the various 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, 2022, net of fees, were -6.80%, 6.54% and 7.33%, respectively, and the Liquid(SBOE) annual rate of return for the one-year and three-year periods ending August 31, 2022, net of fees, was -10.24% and -1.23% (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 32.29%, 8.42%, and 7.40%, respectively.

The Fund is invested in global markets and experiences volatility commensurate with the related indices. The Fund is broadly diversified and benefits from the cost structure of its investment program. Changes continue to be researched, crafted and implemented to make the cost structure more effective and efficient. See "Comparative Investment Schedule - PSF(SBOE)" for the PSF(SBOE) holdings as of August 31, 2022.

As of August 31, 2022, the SBOE has approved, and the Fund made capital commitments to, externally managed real estate investment funds in a total amount of $7.3 billion and capital commitments to private equity limited partnerships for a total of $10.1 billion. Unfunded commitments at August 31, 2022, totaled $2.4 billion in real estate investments and $2.9 billion in private equity investments.

PSF Returns Fiscal Year Ended 8-31-2022[1]

Portfolio	Return	Benchmark Return[2]
Total PSF(SBOE) Portfolio	(6.80)%	(6.37)%
Domestic Large Cap Equities(SBOE)	(11.08)	(11.23)
Domestic Small/Mid Cap Equities(SBOE)	(10.96)	(10.90)
International Equities(SBOE)	(19.72)	(19.52)
Emerging Market Equity(SBOE)	(22.85)	(21.80)
Fixed Income(SBOE)	(12.16)	(11.52)
Treasuries	(22.82)	(22.64)
Absolute Return(SBOE)	(0.55)	(5.66)
Real Estate(SBOE)	23.31	20.56
Private Equity(SBOE)	3.17	8.43
Real Return(SBOE)	2.98	3.09
Emerging Market Debt(SBOE)	(17.95)	(19.43)
Liquid Large Cap Equity(SBOE)	(10.39)	(11.23)
Liquid Small Cap Equity(SBOE)	(10.63)	(10.90)
Liquid International Equity(SBOE)	(19.34)	(19.52)
Liquid Short-Term Fixed Income(SBOE)	(4.27)	(4.01)
Liquid Core Bonds(SBOE)	(11.30)	(11.52)
Liquid TIPS(SBOE)	(5.78)	(5.98)
Liquid Transition Cash Reserves(SBOE)	1.65	0.38
Liquid Combined(SBOE)	(10.24)	(10.88)
PSF(SLB)	(32.29)	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, 2022.
[2] Benchmarks are as set forth in the PSF Annual Report for year ended August 31, 2022.

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, 2022, the remaining commitments totaled approximately $1.94 billion.

For fiscal year 2022, total revenues, inclusive of unrealized gains and losses and net of security lending rebates and fees, totaled $3.5 billion, a decrease of $7.3 billion from fiscal year 2021 earnings of $10.8 billion. The total change in the fair value of the Fund investments is consistent with the change in value of the markets in which those investments were made. In fiscal year 2022, revenues earned by the Fund included gains realized on the sale of land and real estate owned by the Fund; 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 externally managed real assets investment funds; 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 3.0% for the fiscal year ending August 31, 2022. 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, as well as increases in operational costs.

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 2021 and 2022, the distribution from the SBOE to the ASF totaled $1.1 billion and $1.7 billion, respectively. Distributions from the SLB to the ASF for fiscal years 2021 and 2022 totaled $600 and $415 million, respectively.

At the end of the 2022 fiscal year, PSF assets guaranteed $103.2 billion in bonds issued by 898 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 8,554 school district and charter district bond issues totaling $239.7 billion in principal amount. During the 2022 fiscal year, the number of outstanding issues guaranteed under the Guarantee Program totaled 3,442. The dollar amount of guaranteed school and charter bond issues outstanding increased by $7.98 billion or 8.4%. The State Capacity Limit increased by $13.3 billion, or 9.8%, during fiscal year 2022 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 2022 as the IRS Limit was reached in a prior fiscal year, and it is the lower of the two 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. The SBOE code of ethics provides ethical standards for SBOE members, the Education Commissioner, TEA staff, and persons who provide services to the SBOE relating to the Fund. As part of the Regulatory Recodification, the PSF Corporation developed its own ethics policy as required by SB 1232, which provides basic ethical principles, guidelines, and standards of conduct relating to the management and investment of the Fund in accordance with the requirements of §43.058 of the Texas Education Code, as amended. The SBOE code of ethics is codified in the Texas Administrative Code at 19 TAC sections 33.4 et seq. and is available on the TEA web site at https://tea.texas.gov/sites/default/files/ch033a.pdf. The PSF Corporation's ethics policy is posted to the PSF Corporation's website at texaspsf.org.

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

As of August 31, 2022, 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 Regulatory Recodification included the codification of the TEA's undertaking pursuant to Rule 15c2-12 (the "TEA Undertaking") pertaining to the PSF and the Guarantee Program. As of March 1, 2023, the TEA Undertaking is codified at 19 TAC 33.8, which relates to the Guarantee Program and is available at available at https://tea.texas.gov/sites/default/files/ch033a.pdf.

Through the codification of the TEA Undertaking and its commitment to guarantee bonds, the TEA 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 Undertaking obligates the TEA to make any filings or disclosures with respect to guaranteed bonds, as the obligations of the TEA under the TEA Undertaking 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 Undertaking, 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 offering document 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 are required to be 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 this offering document.

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.

Financial Advisory Services
Provided By:

SAMCO Capital