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

OFFICIAL STATEMENT
Dated: March 20, 2018

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

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

$49,865,000
FRISCO INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Collin and Denton Counties, Texas)
Unlimited Tax School Building Bonds, Series 2018

Dated Date: April 1, 2018 **Due: August 15, as shown on the inside cover page**

The Frisco Independent School District Unlimited Tax School Building Bonds, Series 2018 (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, an election held in the District on May 10, 2014 and an order (the "Bond Order") authorizing the issuance of the Bonds adopted by the Board of Trustees (the "Board") of the Frisco Independent School District (the "District") on December 11, 2017. In the Bond Order, the Board delegated the authority to certain District officials (the "Pricing Officer") to execute approval of a pricing certificate (the "Pricing Certificate") establishing the pricing terms for the Bonds (the Pricing Certificate, together with the Bond Order, are collectively referred to herein as the "Order"). The Pricing Certificate was executed by the Chief Financial Officer of the District on March 20, 2018, which completed the sale of the Bonds. 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 "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").

Interest on the Bonds will accrue from the Dated Date specified above and will be payable on February 15 and August 15 of each year, commencing August 15, 2018, until stated maturity or prior redemption. The Bonds will be issued in fully registered form in principal denominations of $5,000 or any integral multiple thereof. Principal 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 to (i) acquire, construct, renovate and equip school buildings in the District, including the purchase of new school buses and (ii) pay the costs of issuing the Bonds. (See "THE BONDS - Authorization and Purpose").

The Bonds maturing on or after August 15, 2028 are subject to redemption at the option of the District in whole or in part on February 15, 2028 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").

MATURITY SCHEDULE
(On Inside Cover Page)

The Bonds are offered for delivery when, as and if issued, and received by the initial purchaser at a competitive sale (the "Purchaser") subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. The Bonds are expected to be available for initial delivery through the facilities of DTC on or about April 17, 2018.

$49,865,000
FRISCO INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Collin and Denton Counties, Texas)
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2018

MATURITY SCHEDULE
Base CUSIP No.: 35880C[1]

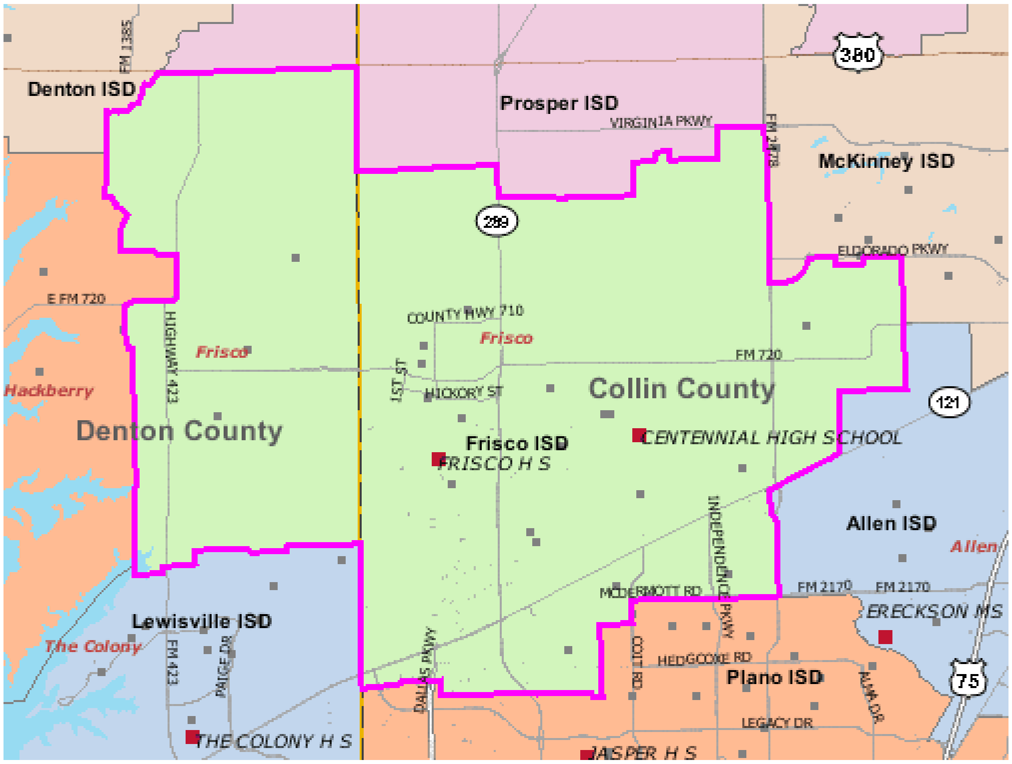
Maturity Date 8/15	Principal Amount	Interest Rate	Initial Yield	CUSIP No. Suffix[1]
2019	$870,000	5.000%	1.60%	XT6
2020	915,000	5.000	1.64	XU3
2021	965,000	5.000	1.77	XV1
2022	1,010,000	5.000	1.95	XW9
2023	1,060,000	5.000	2.10	XX7
2024	1,115,000	5.000	2.20	XY5
2025	1,170,000	5.000	2.32	XZ2
2026	1,230,000	5.000	2.45	YA6
2027	1,285,000	5.000	2.58	YB4
2028	1,355,000	3.000	2.75[2]	YC2
2029	1,395,000	5.000	2.75[2]	YD0
2030	1,465,000	3.000	3.00	YE8
2031	1,510,000	3.000	3.10	YF5
2032	1,555,000	3.000	3.20	YG3
2033	1,600,000	3.125	3.30	YH1
2034	1,650,000	3.125	3.35	YJ7
2035	1,700,000	3.250	3.40	YK4
2036	1,755,000	3.250	3.44	YL2
2037	1,810,000	3.250	3.47	YM0
2038	1,870,000	3.375	3.49	YN8
2039	1,935,000	3.375	3.52	YP3
2040	2,000,000	3.375	3.53	YQ1
2041	2,070,000	3.375	3.54	YR9
2042	2,140,000	3.375	3.55	YS7
2043	2,210,000	3.375	3.56	YT5
2044	2,285,000	3.375	3.57	YU2
2045	2,360,000	3.375	3.58	YV0
2046	2,440,000	3.500	3.59	YW8
2047	2,525,000	3.500	3.60	YX6
2048	2,615,000	3.500	3.61	YY4

(Interest to accrue from the Dated Date)

[1] CUSIP numbers are included solely for the convenience of owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the District, the Financial Advisor, or the Purchaser are responsible for the selection or correctness of the CUSIP numbers set forth herein.

[2] Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on February 15, 2028, the first optional call date for such Bonds, at a redemption price of par, plus accrued interest to the redemption date.

LOCATION OF FRISCO INDEPENDENT SCHOOL DISTRICT



FRISCO INDEPENDENT SCHOOL DISTRICT

BOARD OF TRUSTEES

Name	Term Expires	Length of Service	Occupation
John Classe, President	2018	3 Years	Financial Planner
Chad Rudy, Vice President	2019	2 Years	Financial Planner
Anne McCausland, Secretary	2020	6 Years	Community/School Volunteer
Bryan Dodson, Member	2019	4 Years	Vice President of Sales
Debbie Gillespie, Member	2020	6 Years	Community/School Volunteer
John Hoxie, Member	2018	8 Years	IT Finance
Steven Noskin, Member	2019	1 Year	Self Employed - Vitrituf

APPOINTED OFFICIALS

Name	Position	Length of Education Service
Dr. Mike Waldrip	Superintendent	36 Years
Kenny Chandler	Deputy Superintendent	33 Years
Dr. Todd Fouche	Deputy Superintendent for Business & Operations	13 Years
Melissa Fouche	Executive Director of Technology	25 Years
Katie Kordel	Chief Academic Officer	19 Years
Ms. Pam Linton	Chief Human Resources Officer	26 Years
Kimberly Pickens	Chief Financial Officer	6 Years
Mr. Doug Zambiasi	Chief Operations Officer	34 Years

CONSULTANTS AND ADVISORS

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

For additional information, contact:

Dr. Todd Fouche
Deputy Superintendent for Business & Operations
Frisco Independent School District
5515 Ohio
Frisco, Texas 75035
(469) 633-6000

Brian Grubbs / Doug Whitt / Robert White
SAMCO Capital Markets, Inc.
5800 Granite Parkway, Suite 210
Plano, Texas 75024
(214) 765-1470
(214) 279-8683 (Fax)

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

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

IN CONNECTION WITH THIS OFFERING, THE INITIAL PURCHASER 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 PURCHASER MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY, NEW YORK, NEW YORK ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM, OR THE AFFAIRS OF THE TEA DESCRIBED UNDER "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM", AS SUCH INFORMATION WAS PROVIDED BY DTC AND TEA, RESPECTIVELY.

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

The agreements of the District and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with the purchasers of the Bonds. INVESTORS SHOULD READ THIS 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 this entire Official Statement.

The District	The Frisco Independent School District (the "District") is a political subdivision of the State of Texas located in Collin and Denton 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 $49,865,000 pursuant to the Constitution and general laws of the State of Texas, including particularly Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, Chapter 1371, Texas Government Code, as amended, an election held in the District on May 10, 2014, and an order (the "Bond Order") authorizing the issuance of the Bonds adopted by the Board on December 11, 2017. In the Bond Order, the Board delegated the authority to certain District officials (the "Pricing Officer") to execute approval of a pricing certificate (the "Pricing Certificate") establishing the pricing terms for the Bonds (the Pricing Certificate, together with the Bond Order, are collectively referred to herein as the "Order"). The Pricing Certificate was executed by the Chief Financial Officer of the District on March 20, 2018, which completed the sale of the Bonds. Proceeds from the sale of the Bonds will be used to (i) acquire, construct, renovate and equip school buildings in the District, including the purchase of new school buses and (ii) pay 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 The Depository Trust Company. (See "BOOK-ENTRY-ONLY SYSTEM" herein).
Security	The Bonds will constitute direct and voted obligations of the District, payable as to principal and interest from ad valorem taxes levied annually against all taxable property located within the District, without legal limitation as to rate or amount. Payments of principal and interest on the Bonds will be further secured by the corpus of the Permanent School Fund of Texas. (See "THE BONDS – Security", "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS", "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").
Optional Redemption	The Bonds maturing on or after August 15, 2028 are subject to redemption at the option of the District in whole or in part on February 15, 2028 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").
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 (defined herein), which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. (See "THE BONDS – Permanent School Fund Guarantee" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM.")
Ratings	The Bonds are rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "AAA" by S&P Global Ratings ("S&P"), based upon the guaranteed repayment thereof under the Permanent School Fund Guarantee Program (as defined herein) of the Texas Education Agency. The District's unenhanced, underlying ratings, including the Bonds, are "Aa1" by Moody's and "AA+" by S&P. (See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – Ratings of Bonds Guaranteed Under the Guarantee Program" and "RATINGS" herein.)
Tax Matters	In the opinion of Bond Counsel for the District, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein. (See "TAX MATTERS" and Appendix C - "Form of Legal Opinion of Bond Counsel.")
Payment Record	The District has never defaulted on the payment of its bonded indebtedness.
Legal Opinion	Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel.
Delivery	When issued, anticipated to be on or about April 17, 2018.

INTRODUCTORY STATEMENT

This Official Statement (the "Official Statement"), which includes the cover page and the Appendices attached hereto, has been prepared by the Frisco Independent School District (the "District"), a political subdivision of the State of Texas (the "State") located in Collin and Denton Counties, Texas, in connection with the offering by the District of its Unlimited Tax School Building Bonds, Series 2018 (the "Bonds") identified on the inside cover page hereof.

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

There follows in this Official Statement descriptions of the Bonds and the Order (as defined below) and certain other information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained by writing the Frisco Independent School District, 5515 Ohio, Frisco, Texas 75035 and, during the offering period, from the Financial Advisor, SAMCO Capital Markets, Inc., 5800 Granite Parkway, Suite 210, Plano, Texas 75024, by electronic mail or upon payment of reasonable copying, mailing, and handling charges.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. A copy of this Official Statement relating to the Bonds will be submitted by the initial Purchaser of the Bonds to the Municipal Securities Rulemaking Board, and will be available through its Electronic Municipal Market Access system. See "CONTINUING DISCLOSURE OF INFORMATION" 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 $49,865,000 pursuant to the Constitution and general laws of the State, including particularly Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, Chapter 1371, Texas Government Code, as amended, an election held in the District on May 10, 2014 (the "Election") and an order (the "Bond Order") authorizing the issuance of the Bonds adopted by the Board of Trustees (the "Board") on December 11, 2017. In the Bond Order, the Board delegated the authority to certain District officials (the "Pricing Officer") to execute approval of a pricing certificate (the "Pricing Certificate") establishing the pricing terms for the Bonds (the Pricing Certificate, together with the Bond Order, are collectively referred to herein as the "Order"). The Pricing Certificate was executed by the Chief Financial Officer of the District on March 20, 2018, which completed the sale of the Bonds. Proceeds from the sale of the Bonds will be used to (i) acquire, construct, renovate and equip school buildings in the District, including the purchase of new school buses, and (ii) pay the costs of issuing the Bonds.

General Description

The Bonds are dated April 1, 2018 (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 will be computed on the basis of a 360-day year of twelve 30-day months, and is payable on August 15, 2018 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 registration books at the close of business 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 of and interest on the Bonds will be made as described in "BOOK-ENTRY-ONLY SYSTEM" herein.

If the date for the payment of the principal of or interest on the Bonds is a Saturday, Sunday, legal holiday or a day on which banking institutions in the city where 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 a Saturday, Sunday, legal holiday or a day on which banking institutions are authorized to close; and 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 or after August 15, 2028 are subject to redemption, at the option of the District, in whole or in part, in principal amounts of $5,000 or integral multiples thereof, on February 15, 2028, 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. 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 last business day next preceding the date of mailing such notice.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Order have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption may, at the option of the District, be 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 notice of conditional 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. 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 ALL PRECONDITIONS STATED IN THE NOTICE OF REDEMPTION, IF ANY, HAVING BEEN SATISFIED 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.

Notice of Redemption and DTC Notices

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

Security

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

Permanent School Fund Guarantee

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

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

Legality

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

Payment Record

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

Amendments

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

The Order further provides that a majority of registered owners of the Bonds then outstanding shall have the right from time to time to approve any amendment not described above to the Order if it is deemed necessary or desirable by the District; provided, however, that without the consent of 100% of the holders in principal amount 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 on outstanding Bonds or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Bonds necessary for consent to such amendment. Reference is made to the Order for further provisions relating to the amendment thereof.

Defeasance

The Order provides for the defeasance of the Bonds when payment of the principal amount of the Bonds plus interest accrued on the Bonds to their due date (whether such due date be by reason of stated maturity, redemption or otherwise), is provided by irrevocably depositing with a paying agent, or other authorized escrow agent, in trust (1) money in an amount sufficient to make such payment and/or (2) Defeasance Securities, that will mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The District has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance. The Order provides that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Bonds. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District authorizes the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, 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. Because the 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. Provided, however, the District has reserved the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption at an earlier date those Bonds which have been defeased to their maturity date, if the District (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption, (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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	$	49,865,000.00
Accrued Interest		81,539.44
Net Premium		805,851.40
Total Sources of Funds	$	50,752,390.84
Uses		
Deposit to Construction Fund	$	50,000,000.00
Costs of Issuance		209,101.50
Purchaser's Discount		461,749.90
Deposit to Interest and Sinking Fund (Accrued Interest)		81,539.44
Total Uses of Funds	$	50,752,390.84

REGISTERED OWNERS' REMEDIES

The Order does not specify events of default with respect to the Bonds. If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due or the State fails to honor the Permanent School Fund Guarantee as hereinafter discussed, or the District defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Order, the registered owners may seek a writ of mandamus to compel the District or District officials to carry out the legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or the Order and the District's obligations are not uncertain or disputed, as well as to enforce the rights of payment under the Permanent School Fund Guarantee. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006, 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, Texas Government Code, which pertains to the issuance of public securities by issuers such as the District, permits the District to waive sovereign immunity in the proceedings authorizing its bonds, but in connection with the issuance of the Bonds, the District has not waived sovereign immunity. As a result, bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

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 Purchaser believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption 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 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 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-Only 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 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, physical 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, physical Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's Book-Entry-Only System has been obtained from sources that the District believes to be reliable, but none of the District, the Financial Advisor, nor the Purchaser take any responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement

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

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

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

Successor Paying Agent/Registrar

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

Initial Registration

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

Future Registration

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

Record Date For Interest Payment

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

Limitation on Transfer of Bonds

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

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.

AD VALOREM TAX PROCEDURES

Property Tax Code and County Wide Appraisal District

The Texas Property Tax Code (the "Tax Code") provides for county-wide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board responsible for appraising property for all taxable units within the county. The Collin and Denton Central Appraisal Districts (together, the "Appraisal District") are responsible for appraising property within the District as of January 1 of each year. The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board (the "Appraisal Review Board") which is appointed by the Appraisal District’s Board of Directors. Such appraisal rolls, as approved by the Appraisal Review Board, are used by the District in establishing its tax roll and tax rate.

Property Subject to Taxation by the District

Except for certain exemptions provided by State law, all real and certain tangible personal property with a tax situs in the District is subject to taxation by the District. Principal categories of exempt property (including certain exemptions which are subject to local option by the District) include property owned by the State or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain improvements to real property and certain tangible personal property located in designated reinvestment zones on which the District has agreed to abate ad valorem taxes, certain household goods, family supplies and personal effects; farm products owned by the producers; certain property of a nonprofit corporation used in scientific research and educational activities benefiting a college or university; and designated historic sites. Other principal categories of exempt property include tangible personal property not held or used for production of income; solar and windpowered energy devices; most individually owned automobiles; $10,000 State mandated exemption to residential homesteads of persons ages 65 or over or disabled; a State mandated exemption up to a maximum of $12,000 for real or personal property of disabled veterans or the surviving spouse or children of an individual who died while on active duty in the armed forces; a State mandated $25,000 in market value exemption for all residential homesteads (see “Residential Homestead Exemptions” below); and certain classes of intangible property. The Tax Code provides that a disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100% disability compensation due to a service-connected disability and a rating of 100% disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. Furthermore, following the approval by the voters at a November 8, 2011 statewide election, effective January 1, 2012, the surviving spouse of a deceased veteran who had received a disability rating of 100% is entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries. In addition, except for increases attributable to certain improvements, the District is prohibited by State law from increasing the total ad valorem tax on the residence homestead of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for an exemption based on the age or disability of the owner. The freeze on ad valorem taxes on the homesteads of persons 65 years of age or older and the disabled is also transferable to a different residence homestead. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was 55 or older when the deceased spouse died and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse. Pursuant to a constitutional amendment approved by the voters on May 12, 2007, legislation was enacted to reduce the school property tax limitation imposed by the freeze on taxes paid on residence homesteads of persons 65 years of age or over or of disabled persons to correspond to reductions in local school district tax rates from the 2005 tax year to the 2006 tax year and from the 2006 tax year to the 2007 tax year (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - Overview" herein). The school property tax limitation provided by the constitutional amendment and enabling legislation apply to the 2007 and subsequent tax years. Owners of agricultural and open space land, under certain circumstances, may request valuation of such land on the basis of productive capacity rather than market value. Article VIII, Section 1-j of the Texas Constitution provides for an exemption from ad valorem taxation for “freeport property,” which is defined as goods detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Taxing units that took action prior to April 1, 1990 may continue to tax freeport property and decisions to continue to tax freeport property may be reversed in the future. However, decisions to exempt freeport property are not subject to reversal. Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of “goods-in-transit.” “Goods-in-transit”, defined by the Tax Code as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. The Tax Code provision permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. A taxpayer may receive only one of the freeport or goods-in-transit exemptions for tangible personal property. See “THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT” and “APPENDIX A – FINANCIAL INFORMATION OF THE DISTRICT - ASSESSED VALUATION” for a schedule of the amount of exemptions granted by the District.

A city or county may create a tax increment financing zone (“TIF”) within the city or county with defined boundaries and establish a base value of taxable property in the TIF at the time of its creation. Overlapping taxing units, including school districts, may agree with the city or county to contribute all or part of future ad valorem taxes levied and collected against the “incremental value” (taxable value in excess of the base value) of taxable real property in the TIF to pay or finance the costs of certain public improvements in the TIF, and such taxes levied and collected for and on behalf of the TIF are not available for general use by such contributing taxing units. Prior to September 1, 2001, school districts were allowed to enter into tax abatement agreements to encourage economic development. Under such agreements, a property owner agrees to construct certain improvements on its property. The school district in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. Effective September 1, 2001, school districts may not enter into tax abatement agreements under the general statute that permits cities and counties to initiate tax abatement agreements. In addition, credit will not be given by the Commissioner of Education in determining a district’s property value wealth per student for (1) the appraisal value, in excess of the “frozen” value, of property that is located in a TIF created after May 31, 1999 (except in certain limited circumstances where the city creating the TIF gave notice prior to May 31, 1999 to all other taxing units that levy ad valorem taxes in the TIF of its intention to create the TIF and the TIF was created and had its final project and financing plan approved by the municipality prior to August 31, 1999) or (2) for the loss of value of abated property under any abatement agreement entered into after May 31, 1993.

Notwithstanding the foregoing, in 2001 the Legislature enacted legislation known as the Texas Economic Development Act, which provides incentives for certain school districts to grant limitations on appraised property values and provide ad valorem tax credits to certain corporations and limited liability companies to encourage economic development within the district. Generally, during the last eight years of the ten-year term of a tax limitation agreement, the school district may only levy and collect ad valorem taxes for maintenance and operation purposes on the agreed-to limited appraised property value. The taxpayer is entitled to a tax credit from the school district for the amount of taxes imposed during the first two years of the tax limitation agreement on the appraised value of the property above the agreed-to limited value. Additional State funding is provided to a school district for each year of such tax limitation in the amount of the tax credit provided to the taxpayer. During the first two years of a tax limitation agreement, the school district may not adopt a tax rate that exceeds the district’s rollback tax rate (see “AD VALOREM TAX PROCEDURES – Public Hearing and Rollback Tax Rate”).

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. In determining the market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Tax Code are based on one hundred percent (100%) of market value, except as described below, and no assessment ratio can be applied.

State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence 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 residence homestead for a tax year to an amount that would not exceed the lesser of (1) the property's market value in the most recent tax year in which the market value was determined by the appraisal district or (2) the sum of (a) 10% of the property's appraised value in the preceding tax year, plus (b) the property's appraised value the preceding tax year, plus (c) the market value of all new improvements to the property. In determining the market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method considered most appropriate by the chief appraiser is to be used. State law further requires the appraised value of a residence homestead to be assessed solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property.

Article VII of the Texas Constitution and the Tax Code permit land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. Landowners wishing to avail themselves of the agricultural use designation must apply for the designation, and the appraiser is required by the Tax Code to act on each claimant's right to the designation individually. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes for previous years based on the new value, including three years for agricultural use and five years for agricultural open-space land and timberland prior to the loss of the designation.

The Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three years. The District, at its expense, has the right to obtain from the Appraisal District current estimates of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimates of appraisal values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses to formally include such values on its appraisal rolls.

Residential Homestead Exemptions

Under Section 1-b, Article VIII of the Texas Constitution and State law, the governing body of a political subdivision, at its option, may grant an exemption of not less than $3,000 of the market value of the residence homestead of persons 65 years of age or older or the disabled from all ad valorem taxes thereafter levied by the political subdivision.

Once authorized, such exemption may be repealed or decreased or increased in amount (i) by the governing body of the political subdivision or (ii) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than $3,000 of the market value.

The surviving spouse of an individual who qualifies for the foregoing exemption for the residence homestead of a person 65 or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

Section 11.131 of the Texas Tax Code states that a disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100% disability compensation due to a service-connected disability and a rating of 100% disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. Furthermore, following the approval by the voters at a November 8, 2011 statewide election, effective January 1, 2012, the surviving spouse of a deceased veteran who had received a disability rating of 100% is entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until the surviving spouse remarries.

In addition to any other exemptions provided by the Tax Code, the governing body of a political subdivision, at its option, may grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of $5,000.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created. Voters in the State approved a constitutional amendment on November 3, 2015 increasing the mandatory homestead exemption for school districts from $15,000 to $25,000, and requiring that the tax limitation for taxpayers who are age 65 and older or disabled be reduced to reflect the additional exemption. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM"

The governing body of a political subdivision is prohibited from repealing or reducing the amount of an optional homestead exemption that was in place for the 2014 tax year (fiscal year 2015) during the period ending December 31, 2019.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a petition for review in district court within 45 days after notice is received that a final order has been entered. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party, or through binding arbitration, if requested by the taxpayer. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Tax Code.

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. By the later of September 30th or 60 days after the certified appraisal roll is delivered to the District, the rate of taxation must be set by the Board based upon the valuation of property within the District as of the preceding January 1 and the amount required to be raised for debt service and maintenance and operations purposes. 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 from six percent (6%) to twelve percent (12%) of the amount of the tax, depending on the time of payment, and accrues interest at the rate of one percent (1%) per month. If the tax is not paid by the following July 1, an additional penalty of up to twenty percent (20%) may under certain circumstances be imposed by the District. The Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances.

Public Hearing and Rollback Tax Rate

In setting its annual tax rate, the governing body of a school district generally cannot adopt a tax rate exceeding the district's "rollback tax rate" without approval by a majority of the voters voting at an election approving the higher rate. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures and (2) a rate for debt service. The rollback tax rate for a school district is the lesser of (A) the sum of (1) the product of the district's "State Compression Percentage" for that year multiplied by $1.50, (2) the rate of $0.04, (3) any rate increase above the rollback tax rate in prior years that were approved by voters, and (4) the district's current debt rate, or (B) the sum of (1) the district's effective maintenance and operations tax rate, (2) the product of the district's State Compression Percentage for that year multiplied by $0.06; and (3) the district's current debt rate (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Funding for School Districts" for a description of the "State Compression Percentage"). If for the preceding tax year a district adopted a Maintenance & Operation ("M&O") tax rate that was less than its effective M&O tax rate for that preceding tax year, the district's rollback tax for the current year is calculated as if the district had adopted an M&O tax rate for the preceding tax year equal to its effective M&O tax rate for that preceding tax year.

The "effective maintenance and operations tax rate" for a school district is the tax rate that, applied to the current tax values, would provide local maintenance and operating funds, when added to State funds to be distributed to the district pursuant to Chapter 42 of the Texas Education Code for the school year beginning in the current tax year, in the same amount as would have been available to the district in the preceding year if the funding elements of wealth equalization and State funding for the current year had been in effect for the preceding year.

Section 26.05 of the Tax Code provides that the governing body of a taxing unit is required to adopt the annual tax rate for the unit before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the taxing unit, and a failure to adopt a tax rate by such required date will result in the tax rate for the taxing unit for the tax year to be the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the taxing unit for the preceding tax year. 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 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 district if the 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) 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 district delivers substantially all of its tax bills. A district may adopt its budget after adopting a tax rate for the tax year in which the fiscal year covered by the budget begins if the district elects to adopt its tax rate before receiving the certified appraisal roll. A 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.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property. The District has no lien for unpaid taxes on personal property but does have a lien for unpaid taxes upon real property, which lien is discharged upon payment. On January 1 of each year, such tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The District's tax lien is on a parity with the tax liens of other such taxing units. A tax lien on real property taxes takes priority over the claims 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. The automatic stay in bankruptcy will prevent the automatic attachment of tax liens with respect to post-petition tax years unless relief is sought and granted by the bankruptcy judge. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

Except with respect to taxpayers who are 65 years of age or older, 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, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights, or by bankruptcy proceedings which restrict the collection of taxpayer debts.

THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT

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

The District does not grant a local option exemption to the market value of the residence homestead of persons who are 65 years of age or older; and, the District does not grant a local option exemption to the market value of the residence homestead of the disabled.

The District has not granted any part of the local option, additional exemption of up to 20% of the market value of residence homesteads.

Split payments are not permitted. Discounts are not permitted.

The District does not tax freeport property. For the 2017/18 fiscal year, property valued at $52,453,349 was eligible for the freeport exemption. See "Appendix A – Financial Information of the District, Assessed Valuation" for a listing of the amounts of the exemptions described above.

The District has taken action to tax goods-in-transit.

The District has not granted any tax abatements.

The District does not tax non-business personal property.

Ad valorem taxes are not levied by the District against the exempt value of residence homesteads for the payment of debt.

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 Board has approved a resolution initiating an additional 20% penalty to defray attorney costs in the collection of delinquent taxes over and above the penalty automatically assessed under the Property Tax Code. Charges for penalties and interest on the unpaid balance of delinquent taxes are as follows:

Charges for penalties and interest on the unpaid balance of delinquent taxes are as follows:

Date	Penalty	Interest	Cumulative Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, the penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, State law allows that, if an account is delinquent in July, an amount up to 20% attorney's collection fee may be added to the total tax penalty and interest charge.

The District does participate in a tax increment reinvestment zone. The City of Frisco, Texas (the "City"), pursuant to Texas Tax Code, Chapter 311 has designated an area within the City as a reinvestment zone known as Reinvestment Zone Number One, City of Frisco, Texas (the "Zone") to promote development within the area. In designating the area as a reinvestment zone, the City has provided for certain improvements to be constructed using tax increment financing, i.e., a tax increment base is established for real property in the area within the reinvestment zone as of the year of its designation and property taxes levied by the city creating the reinvestment zone and other participating overlapping taxing units against the taxable values of such real property in excess of the tax increment base (the "Captured Appraised Value") are deposited into a tax increment fund ("TIF") to fund projects within the reinvestment zone in accordance with a "Project Plan" and "Financing Plan" approved for the reinvestment zone. The tax increment base value of the Zone for the District is $16,059,872 and the Captured Appraised Value in the Zone for the 2017/2018 tax year is approximately $1,461,791,918. The District has agreed to participate in the Zone by contributing 100% of its taxes collected against the Captured Appraised Value in the TIF and such taxes remitted to the TIF will not be available for operations of the District. The Zone was created by the City in accordance with the requirements of Section 403.302(d) of the Texas Government Code. Accordingly, the Commissioner of Education does not include the Captured Appraised Value of property that is located in the Zone in determining the District's property value wealth per student. See "AD VALOREM TAX PROCEDURES – Property Subject to Taxation by the District."

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 Financing 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 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 41 through 46 of the Texas Education Code, as amended.

Funding for school districts in the State is provided primarily from State and local sources. State funding for all school districts is provided through a set of funding formulas comprising the "Foundation School Program", as well as two facilities funding programs. Generally, the Finance System is designed to promote wealth equalization among school districts by balancing State and local sources of funds available to school districts. In particular, because districts with relatively high levels of property wealth per student can raise more local funding, such districts receive less State aid, and in some cases, are required to disburse local funds to equalize their overall funding relative to other school districts. Conversely, because districts with relatively low levels of property wealth per student have limited access to local funding, the Finance System is designed to provide more State funding to such districts. Thus, as a school district's property wealth per student increases, State funding to the school district is reduced. As a school district's property wealth per student declines, the Finance System is designed to increase that district's State funding. The Finance System provides a similar equalization system for facilities funding wherein districts with the same tax rate for debt service raise the same amount of combined State and local funding. Facilities funding for debt incurred in prior years is expected to continue in future years; however, State funding for new school facilities has not been consistently appropriated by the Texas Legislature, as further described below.

Local funding is derived from collections of ad valorem taxes levied on property located within each district's boundaries. School districts are authorized to levy two types of property taxes: a limited M&O tax to pay current expenses and an unlimited interest and sinking fund ("I&S") tax to pay debt service on bonds. Generally, under current law, M&O tax rates are subject to a statutory maximum rate of $1.17 per $100 of taxable value for most school districts (although a few districts can exceed the $1.17 limit as a result of authorization approved in the 1960s). Current law also requires school districts to demonstrate their ability to pay debt service on outstanding indebtedness through the levy of an ad valorem tax at a rate of not to exceed $0.50 per $100 of taxable property at the time bonds are issued. Once bonds are issued, however, districts may levy a tax to pay debt service on such bonds unlimited as to rate or amount (see "TAX RATE LIMITATIONS" herein). As noted above, because property values vary widely among school districts, the amount of local funding generated by the same tax rate is also subject to wide variation among school districts.

Local Funding for School Districts

The primary source of local funding for school districts is collections from ad valorem taxes levied against taxable property located in each school district. Prior to reform legislation that became effective during the 2006-2007 fiscal year (the "Reform Legislation"), the maximum M&O tax rate for most school districts was generally limited to $1.50 per $100 of taxable value. At the time the Reform Legislation was enacted, the majority of school districts were levying an M&O tax rate of $1.50 per $100 of taxable value. The Reform Legislation required each school district to "compress" its tax rate by an amount equal to the "State Compression Percentage". The State Compression Percentage is set by legislative appropriation for each State fiscal biennium or, in the absence of legislative appropriation, by the Commissioner. For the 2018-19 State fiscal biennium, the State Compression Percentage has been 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. School districts are permitted, however, to generate additional local funds by raising their M&O tax rate by up to $0.04 above the compressed tax rate without voter approval (for most districts, up to $1.04 per $100 of taxable value). In addition, if the voters approve a tax rate increase through a local referendum, districts may, in general, increase their M&O tax rate up to a maximum M&O tax rate of $1.17 per $100 of taxable value and receive State equalization funds for such taxing effort (see "AD VALOREM TAX PROCEDURES – Public Hearing and Rollback Tax Rate"). Elections authorizing the levy of M&O taxes held in certain school districts under older laws, however, may subject M&O tax rates in such districts to other limitations (See "TAX RATE LIMITATIONS" herein).

State Funding for School Districts

State funding for school districts is provided through the Foundation School Program, which provides each school district with a minimum level of funding (a "Basic Allotment") for each student in average daily attendance ("ADA"). The Basic Allotment is calculated for each school district using various weights and adjustments based on the number of students in average daily attendance and also varies depending on each district's compressed tax rate. This Basic Allotment formula determines most of the allotments making up a district's basic level of funding, referred to as "Tier One" of the Foundation School Program. The basic level of funding is then "enriched" with additional funds known as "Tier Two" of the Foundation School Program. Tier Two provides a guaranteed level of funding for each cent of local tax effort that exceeds the compressed tax rate (for most districts, M&O tax rates above $1.00 per $100 of taxable value). The 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. In 2017, the 85th Texas Legislature appropriated funds in the amount of $1,378,500,000 for the 2018-19 State fiscal biennium 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 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. Tier One and Tier Two allotments and existing EDA and IFA allotments are generally required to be funded each year by the Texas Legislature. Since future-year IFA awards were not funded by the Texas Legislature for the 2018-19 State fiscal biennium and debt service assistance on school district bonds that are not yet eligible for EDA is not available, debt service on new bonds issued by districts to construct, acquire and improve facilities must be funded solely from local I&S taxes.

Tier One allotments are intended to provide all districts a basic level of education necessary to meet applicable legal standards. Tier Two allotments are intended to guarantee each school district that is not subject to the wealth transfer provisions described below an opportunity to supplement that basic program at a level of its own choice; however, Tier Two allotments may not be used for the payment of debt service or capital outlay.

As described above, the cost of the basic program is based on an allotment per student known as the "Basic Allotment". For the 2018-19 State fiscal biennium, the Basic Allotment is $5,140 for each student in average daily attendance. The Basic Allotment is then adjusted for all districts by several different weights to account for inherent differences between school districts. These weights consist of (i) a cost adjustment factor intended to address varying economic conditions that affect teacher hiring known as the "cost of education index", (ii) district-size adjustments for small and mid-size districts, and (iii) an adjustment for the sparsity of the district's student population. The cost of education index, district-size and population sparsity adjustments, as applied to the Basic Allotment, create what is referred to as the "Adjusted Allotment". The Adjusted Allotment is used to compute a "regular program allotment", as well as various other allotments associated with educating students with other specified educational needs.

Tier Two supplements the basic funding of Tier One and provides two levels of enrichment with different guaranteed yields (i.e., guaranteed levels of funding by the State) depending on the district's local tax effort. The first six cents of tax effort that exceeds the compressed tax rate (for most districts, M&O tax rates ranging from $1.00 to $1.06 per $100 of taxable value) will, for most districts, generate a guaranteed yield of $99.41 and $106.28 per cent per weighted student in average daily attendance ("WADA") in the 2017-18 and 2018-19 State fiscal years, respectively. The second level of Tier Two is generated by tax effort that exceeds the district's compressed tax rate plus six cents (for most districts eligible for this level of funding, M&O tax rates ranging from $1.06 to $1.17 per $100 of taxable value) and has a guaranteed yield per cent per WADA of $31.95 for the 2018-19 State fiscal biennium. Property-wealthy school districts that have an M&O tax rate that exceeds the district's compressed tax rate plus six cents are subject to recapture above this tax rate level at the equivalent wealth per student of $319,500 (see "Wealth Transfer Provisions" below).

Previously, a district with a compressed tax rate below $1.00 per $100 of taxable value (known as a "fractionally funded district") received a Basic Allotment which was reduced proportionately to the degree that the district's compressed tax rate fell short of $1.00. Beginning in the 2017-2018 fiscal year, the compressed tax rate of a fractionally funded district now includes the portion of such district's current M&O tax rate in excess of the first six cents above the district's compressed tax rate until the district's compressed tax rate is equal to the state maximum compressed tax rate of $1.00. Thus, for fractionally funded districts, each eligible one cent of M&O tax levy above the district's compressed tax rate plus six cents will have a guaranteed yield based on Tier One funding instead of the Tier Two yield, thereby reducing the penalty against the Basic Allotment.

In addition to the operations funding components of the Foundation School Program discussed above, the Foundation School Program provides a facilities funding component consisting of the Instructional Facilities Allotment (IFA) program and the Existing Debt Allotment (EDA) program. These programs assist school districts in funding facilities by, generally, equalizing a district's I&S tax effort. The IFA guarantees each awarded school district a specified amount per student (the "IFA Guaranteed Yield") in State and local funds for each cent of tax effort to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate or improve instructional facilities. The guaranteed yield per cent of local tax effort per student in ADA 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 the State Legislature allocates appropriated funds for new IFA awards, a school district must apply to the Commissioner in accordance with rules adopted by the Commissioner before issuing the bonds to be paid with IFA state assistance. The total amount of debt service assistance over a biennium for which a district may be awarded is limited to the lesser of (1) the actual debt service payments made by the 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 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. The 85th State Legislature did not appropriate any funds for new IFA awards for the 2018-2019 State fiscal biennium; 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") was the same as the IFA Guaranteed Yield ($35 per cent of local tax effort per student in ADA). The 85th Texas Legislature changed the EDA Yield to the lesser of (i) $40 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 districts would have been entitled to if the EDA Yield were $35. The yield for the 2017-2018 fiscal year is approximately $37. The portion of a district's local debt service rate that qualifies for EDA assistance is limited to the first 29 cents of debt service tax (or a greater amount for any year provided by appropriation by the Texas Legislature). In general, a district's bonds are eligible for EDA assistance if (i) the district made payments on the bonds during the final fiscal year of the preceding State fiscal biennium, or (ii) the 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 district may not receive EDA funding for the principal and interest on a series of otherwise eligible bonds for which the district receives IFA funding.

A district may also qualify for a NIFA allotment, which provides assistance to districts for operational expenses associated with opening new instructional facilities. The 85th Texas Legislature appropriated funds in the amount of $23,750,000 for each of the 2017-18 and 2018-19 State fiscal years for NIFA allotments.

2006 Legislation

Since the enactment of the Reform Legislation in 2006, most school districts in the State have operated with a "target" funding level per student ("Target Revenue") that is based upon the "hold harmless" principles embodied in the Reform Legislation. This system of Target Revenue was superimposed on the Foundation School Program and made existing funding formulas substantially less important for most school districts. The Reform Legislation was intended to lower M&O tax rates in order to give school districts "meaningful discretion" in setting their M&O tax rates, while holding school districts harmless by providing them with the same level of overall funding they received prior to the enactment of the Reform Legislation. To make up for this shortfall, the Reform Legislation authorized Additional State Aid for Tax Reduction ("ASATR") for each school district in an amount equal to the difference between the amount that each district would receive under the Foundation School Program and the amount of each district's Target Revenue funding level. However, in subsequent legislative sessions, the Texas Legislature has gradually reduced the reliance on ASATR by increasing the funding formulas, and beginning with the 2017-18 school year, the statutes authorizing ASATR are repealed (eliminating revenue targets and ASATR funding).

2017 Legislation

The 85th Texas Legislature, including the regular session which concluded on May 29, 2017 and the special session which concluded on August 15, 2017, did not enact substantive changes to the Finance System. However, certain bills during the regular session and House Bill 21, which was passed during the special session and signed by the Governor on August 16, 2017, revised certain aspects of the formulas used to determine school district entitlements under the Finance System. In addition to amounts previously discussed, the 85th Texas Legislature additionally appropriated funds to (i) establish a Financial Hardship Transition Program, which provides grants ("Hardship Grants") to those districts which were heavily reliant on ASATR funding, and (ii) provide an Adjustment for Rapid Decline in Taxable Value of Property ("DPV Decline Adjustment") for districts which experienced a decline in their tax base of more than four percent for tax years 2015 and 2016. A district may receive either a Hardship Grant or a DPV Decline Adjustment, but cannot receive both. In a case where a district would have been eligible to receive funding under both programs, the district will receive the greater of the two amounts.

Wealth Transfer Provisions

Some districts have sufficient property wealth per student in WADA ("wealth per student") to generate their statutory level of funding through collections of local property taxes alone. Districts whose wealth per student generates local property tax collections in excess of their statutory level of funding are referred to as "Chapter 41" districts because they are subject to the wealth equalization provisions contained in Chapter 41 of the Texas Education Code. Chapter 41 districts may receive State funds for certain competitive grants and a few programs that remain outside the Foundation School Program. Otherwise, Chapter 41 districts are not eligible to receive State funding. Furthermore, Chapter 41 districts must exercise certain measures in order to reduce their wealth level to equalized wealth levels of funding, as determined by formulas set forth in the Reform Legislation. For most Chapter 41 districts, this equalization process entails paying the portion of the district's local taxes collected in excess of the equalized wealth levels of funding to the State (for redistribution to other school districts) or directly to other school districts with a wealth per student that does not generate local funds sufficient to meet the statutory level of funding, a process known as "recapture".

The equalized wealth levels that subject Chapter 41 districts to recapture for the 2018-2019 State fiscal biennium are set at (i) $514,000 per student in WADA with respect to that portion of a district's M&O tax effort that does not exceed its compressed tax rate (for most districts, the first $1.00 per $100 of taxable value) and (ii) $319,500 per WADA with respect to that portion of a district's M&O tax effort that is beyond its compressed rate plus $.06 (for most districts, M&O taxes levied above $1.06 per $100 in taxable value). So long as the State's equalization program under Chapter 42 of the Texas Education Code is funded to provide tax revenue equivalent to that raised by the Austin Independent School District on the first six pennies of tax effort that exceed the compressed tax rate, then M&O taxes levied above $1.00 but at or below $1.06 per $100 of taxable value ("Golden Pennies") are not subject to the wealth equalization provisions of Chapter 41. Because funding at the Austin Independent School District level is currently being provided to school districts under Chapter 42 of the Texas Education Code, no recapture is currently associated with the Golden Pennies. Chapter 41 districts with a wealth per student above the lower equalized wealth level but below the higher equalized wealth level must equalize their wealth only with respect to the portion of their M&O tax rate, if any, in excess of $1.06 per $100 of taxable value. Under Chapter 41, a district has five options to reduce its wealth per student so that it does not exceed the equalized wealth levels: (1) a district may consolidate by agreement with one or more districts to form a consolidated district; all property and debt of the consolidating districts vest in the consolidated district; (2) a district may detach property from its territory for annexation by a property-poor district; (3) a district may purchase attendance credits from the State; (4) a district may contract to educate nonresident students from a property-poor district by sending money directly to one or more property-poor districts; or (5) a district may consolidate by agreement with one or more districts to form a consolidated taxing district solely to levy and distribute either M&O taxes or both M&O taxes and I&S taxes. A Chapter 41 district may also exercise any combination of these remedies. Options (3), (4) and (5) require prior approval by the Chapter 41 district's voters.

A district may not adopt a tax rate until its effective wealth per student is at or below the equalized wealth level. If a district fails to exercise a permitted option, the Commissioner must reduce the district's property wealth per student to the equalized wealth level by detaching certain types of property from the district and annexing the property to a property-poor district or, if necessary, consolidate the district with a property-poor district. Provisions governing detachment and annexation of taxable property by the Commissioner do not provide for assumption of any of the transferring district's existing debt. The Commissioner has not been required to detach property in the absence of a district failing to select another wealth-equalization option.

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

The District's wealth per student for the 2017-18 school year is greater than the equalized wealth value. Accordingly, the District has been required to exercise one of the permitted wealth equalization options. As a district with wealth per student in excess of the equalized wealth value, the District has reduced its wealth per student by sending payments directly to the state to purchase weighted average daily attendance credits (Option 3) under Chapter 41, Texas Education Code, for the purpose of achieving property wealth equalization.

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

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

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

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

History and Purpose

The PSF was created with a $2,000,000 appropriation by the Texas Legislature (the "Legislature") in 1854 expressly for the benefit of the public schools of Texas. The Constitution of 1876 stipulated that certain lands and all proceeds from the sale of these lands should also constitute the PSF. Additional acts later gave more public domain land and rights to the PSF. In 1953, the U.S. Congress passed the Submerged Lands Act that relinquished to coastal states all rights of the U.S. navigable waters within state boundaries. If the state, by law, had set a larger boundary prior to or at the time of admission to the Union, or if the boundary had been approved by Congress, then the larger boundary applied. After three years of litigation (1957-1960), the U. S. Supreme Court on May 31, 1960, affirmed Texas' historic three marine leagues (10.35 miles) seaward boundary. Texas proved its submerged lands property rights to three leagues into the Gulf of Mexico by citing historic laws and treaties dating back to 1836. All lands lying within that limit belong to the PSF. The proceeds from the sale and the mineral-related rental of these lands, including bonuses, delay rentals and royalty payments, become the corpus of the Fund. Prior to the approval by the voters of the State of an amendment to the constitutional provision under which the Fund is established and administered, which occurred on September 13, 2003 (the "Total Return Constitutional Amendment"), and which is further described below, the PSF had as its main sources of revenues capital gains from securities transactions and royalties from the sale of oil and natural gas. The Total Return Constitutional Amendment provides that interest and dividends produced by Fund investments will be additional revenue to the PSF. The State School Land Board ("SLB") maintains the land endowment of the Fund on behalf of the Fund and is authorized to manage the investments of the capital gains, royalties and other investment income relating to the land endowment. The SLB is a three member board, the membership of which consists of the Commissioner of the Texas General Land Office (the "Land Commissioner") and two citizen members, one appointed by the Governor and one by the Texas Attorney General (the "Attorney General"). As of August 31, 2017, the General Land Office (the "GLO") managed approximately 21% of the PSF, as reflected in the fund balance of the PSF at that date.

The Texas Constitution describes the PSF as "permanent." Prior to the approval by Total Return Constitutional Amendment, only the income produced by the PSF was to be used to complement taxes in financing public education.

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

In 2011, legislation was enacted that established the Charter District Bond Guarantee Program as a new component of the Guarantee Program. That legislation authorized the use of the PSF to guarantee revenue bonds issued by or for the benefit of certain open-enrollment charter schools that are designated as "charter districts" by the Commissioner. On approval by the Commissioner, bonds properly issued by a charter district participating in the Program are fully guaranteed by the corpus of the PSF. As described below, the implementation of the Charter District Bond Guarantee Program was deferred pending receipt of guidance from the Internal Revenue Service (the "IRS") which was received in September 2013, and the establishment of regulations to govern the program, which regulations became effective on March 3, 2014. See "The Charter District Bond Guarantee Program."

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

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

The sole purpose of the PSF is to assist in the funding of public education for present and future generations. Prior to the adoption of the Total Return Constitutional Amendment, all interest and dividends produced by Fund investments flowed into the Available School Fund (the "ASF"), where they are distributed to local school districts and open-enrollment charter schools based on average daily attendance. Any net gains from investments of the Fund accrue to the corpus of the PSF. Prior to the approval by the voters of the State of the Total Return Constitutional Amendment, costs of administering the PSF were allocated to the ASF. With the approval of the Total Return Constitutional Amendment, the administrative costs of the Fund have shifted from the ASF to the PSF. In fiscal year 2017 distributions to the ASF amounted to an estimated $212.49 per student and the total amount distributed to the ASF was $1,056.4 million.

Audited financial information for the PSF is provided annually through the PSF Comprehensive Annual Financial Report (the "Annual Report"), which is filed with the Municipal Securities Rulemaking Board ("MSRB"). The Annual Report includes the Message of the Executive Administrator of the Fund (the "Message") and the Management's Discussion and Analysis ("MD&A"). The Annual Report for the year ended August 31, 2017, when filed with the MSRB in accordance with the PSF undertaking and agreement made in accordance with Rule 15c2-12 ("Rule 15c2-12") of the federal Securities and Exchange Commission (the "SEC"), as described below, is hereby incorporated by reference into this disclosure. Information included herein for the year ended August 31, 2017 is derived from the audited financial statements of the PSF, which are included in the Annual Report when 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, 2017 and for a description of the financial results of the PSF for the year ended August 31, 2017, the most recent year for which audited financial information regarding the Fund is available. The 2017 Annual Report speaks only as of its date and the TEA has not obligated itself to update the 2017 Annual Report or any other Annual Report. The TEA posts each Annual Report, which includes statistical data regarding the Fund as of the close of each fiscal year, the most recent disclosure for the Guarantee Program, the Statement of Investment Objectives, Policies and Guidelines of the Texas Permanent School Fund, which is codified at 19 Texas Administrative Code, Chapter 33 (the "Investment Policy"), monthly updates with respect to the capacity of the Guarantee Program (collectively, the "Web Site Materials") on the TEA web site at http://tea.texas.gov/Finance_and_Grants/Permanent_School_Fund/ and with the MSRB at www.emma.msrb.org. Such monthly updates regarding the Guarantee Program are also incorporated herein and made a part hereof for all purposes. In addition to the Web Site Materials, the Fund is required to make quarterly filings with the SEC under Section 13(f) of the Securities Exchange Act of 1934. Such filings, which consist of a list of the Fund's holdings of securities specified in Section 13(f), including exchange-traded (e.g., NYSE) or NASDAQ-quoted stocks, equity options and warrants, shares of closed-end investment companies and certain convertible debt securities, is available from the SEC at www.sec.gov/edgar.shtml. A list of the Fund's equity and fixed income holdings as of August 31 of each year is posted to the TEA web site and filed with the MSRB. Such list excludes holdings in the Fund's securities lending program. Such list, as filed, is incorporated herein and made a part hereof for all purposes.

The Total Return Constitutional Amendment

The Total Return Constitutional Amendment approved a fundamental change in the way that distributions are made to the ASF from the PSF. The Total Return Constitutional Amendment requires that PSF distributions to the ASF be determined using a total-return-based formula instead of the current-income-based formula, which was used from 1964 to the end of the 2003 fiscal year. The Total Return Constitutional Amendment provides that the total amount distributed from the Fund to the ASF: (1) in each year of a State fiscal biennium must be an amount that is not more than 6% of the average of the market value of the Fund, excluding real property (the "Distribution Rate"), on the last day of each of the sixteen State fiscal quarters preceding the Regular Session of the Legislature that begins before that State fiscal biennium (the "Distribution Measurement Period"), in accordance with the rate adopted by: (a) a vote of two-thirds of the total membership of the State Board of Education ("SBOE"), taken before the Regular Session of the Legislature convenes or (b) the Legislature by general law or appropriation, if the SBOE does not adopt a rate as provided by clause (a); and (2) over the ten-year period consisting of the current State fiscal year and the nine preceding state fiscal years may not exceed the total return on all investment assets of the Fund over the same ten-year period (the "Ten Year Total Return"). In April 2009, the Attorney General issued a legal opinion, Op. Tex. Att'y Gen. No. GA-0707 (2009) ("GA-0707"), at the request of the Chairman of the SBOE with regard to certain matters pertaining to the Distribution Rate and the determination of the Ten Year Total Return. In GA-0707 the Attorney General opined, among other advice, that (i) the Ten Year Total Return should be calculated on an annual basis, (ii) a contingency plan adopted by the SBOE, to permit monthly transfers equal in aggregate to the annual Distribution Rate to be halted and subsequently made up if such transfers temporarily exceed the Ten Year Total Return, is not prohibited by State law, provided that such contingency plan applies only within a fiscal year time basis, not on a biennium basis, and (iii) that the amount distributed from the Fund in a fiscal year may not exceed 6% of the average of the market value of the Fund or the Ten Year Total Return. In accordance with GA-0707, in the event that the Ten Year Total Return is exceeded during a fiscal year, transfers to the ASF will be halted. However, if the Ten Year Total Return subsequently increases during that biennium, transfers may be resumed, if the SBOE has provided for that contingency, and made in full during the remaining period of the biennium, subject to the limit of 6% in any one fiscal year. Any shortfall in the transfer that results from such events from one biennium may not be paid over to the ASF in a subsequent biennium as the SBOE would make a separate payout determination for that subsequent biennium.

In determining the Distribution Rate, the SBOE has adopted the goal of maximizing the amount distributed from the Fund in a manner designed to preserve "intergenerational equity." Intergenerational equity is the maintenance of purchasing power to ensure that endowment spending keeps pace with inflation, with the ultimate goal being to ensure that current and future generations are given equal levels of purchasing power in real terms. In making this determination, the SBOE takes into account various considerations, and relies upon its staff and external investment consultant, which undertake analysis for long-term projection periods that includes certain assumptions. Among the assumptions used in the analysis are a projected rate of growth of the average daily scholastic attendance State-wide, the projected contributions and expenses of the Fund, projected returns in the capital markets and a projected inflation rate.

See "2011 Constitutional Amendment" below for a discussion of the historic and current Distribution Rates, and a description of amendments made to the Texas Constitution on November 8, 2011 that may affect Distribution Rate decisions.

Since the enactment of a prior amendment to the Texas Constitution in 1964, the investment of the Fund has been managed with the dual objectives of producing current income for transfer to the ASF and growing the Fund for the benefit of future generations. As a result of this prior constitutional framework, prior to the adoption of the 2004 asset allocation policy the investment of the Fund historically included a significant amount of fixed income investments and dividend-yielding equity investments, to produce income for transfer to the ASF.

With respect to the management of the Fund's financial assets portfolio, the single most significant change made to date as a result of the Total Return Constitutional Amendment has been new asset allocation policies adopted from time to time by the SBOE. The SBOE generally reviews the asset allocations during its summer meeting in even numbered years. The first asset allocation policy adopted by the SBOE following the Total Return Constitutional Amendment was in February 2004, and the policy was reviewed and modified or reaffirmed in the summers of 2006, 2008, 2010, 2012, 2014 and 2016. The Fund's investment policy provides for minimum and maximum ranges among the components of each of the asset classifications: equities, fixed income and alternative asset investments. The 2004 asset allocation policy decreased the fixed income target from 45% to 25% of Fund investment assets and increased the allocation for equities from 55% to 75% of investment assets. Subsequent asset allocation policies have continued to diversify Fund assets, and have added an alternative asset allocation to the fixed income and equity allocations. The alternative asset allocation category includes real estate, real return, absolute return and private equity components. Alternative asset classes diversify the SBOE-managed assets and are not as correlated to traditional asset classes, which is intended to increase investment returns over the long run while reducing risk and return volatility of the portfolio. The most recent asset allocation, from 2016, is as follows: (i) an equity allocation of 35% (consisting of U.S. large cap equities targeted at 13%, emerging and international equities at 17% and U.S. small/mid cap equities at 5%), (ii) a fixed income allocation of 19% (consisting of a 12% allocation for core bonds and a 7% allocation for emerging market debt in local currency) and (iii) an alternative asset allocation of 46% (consisting of a private equity allocation of 13%, a real estate allocation of 10%, an absolute return allocation of 10%, a risk parity allocation of 7% and a real return allocation of 6%). The 2016 asset allocation decreased U.S. large cap equities and international equities by 3% and 2%, respectively, and increased the allocations for private equity and real estate by 3% and 2%, respectively.

For a variety of reasons, each change in asset allocation for the Fund, including the 2016 modifications, have been implemented in phases, and that approach is likely to be carried forward when and if the asset allocation policy is again modified. At August 31, 2017, the Fund's financial assets portfolio was invested as follows: 43.16% in public market equity investments; 12.86% in fixed income investments; 9.99% in absolute return assets; 7.02% in private equity assets; 7.40% in real estate assets; 6.83% in risk parity assets; 5.44% in real return assets; 6.99% in emerging market debt; and 0.31% in unallocated cash.

Following on previous decisions to create strategic relationships with investment managers in certain asset classes, in September 2015 and January 2016, the SBOE approved the implementation of direct investment programs in private equity and absolute return assets, respectively, which has continued to reduce administrative costs with respect to those portfolios. The Attorney General has advised the SBOE in Op. Tex. Att'y Gen. No. GA-0998 (2013) ("GA-0998"), that the PSF is not subject to requirements of certain State competitive bidding laws with respect to the selection of investments. In GA-0998, the Attorney General also advised that the SBOE generally must use competitive bidding for the selection of investment managers and other third party providers of investment services, such as record keeping and insurance, but excluding certain professional services, such as accounting services, as State law prohibits the use of competitive bidding for specified professional services. GA-0998 provides guidance to the SBOE in connection with the direct management of alternative investments through investment vehicles to be created by the SBOE, in lieu of contracting with external managers for such services, as has been the recent practice of the PSF. The PSF staff and the Fund's investment advisor are tasked with advising the SBOE with respect to the implementation of the Fund's asset allocation policy, including the timing and manner of the selection of any external managers and other consultants.

In accordance with the Texas Constitution, the SBOE views the PSF as a perpetual institution, and the Fund is managed as an endowment fund with a long-term investment horizon. Under the total-return investment objective, the Investment Policy provides that the PSF shall be managed consistently with respect to the following: generating income for the benefit of the public free schools of Texas, the real growth of the corpus of the PSF, protecting capital, and balancing the needs of present and future generations of Texas school children. As described above, the Total Return Constitutional Amendment restricts the annual pay-out from the Fund to the total-return on all investment assets of the Fund over a rolling ten-year period. State law provides that each transfer of funds from the PSF to the ASF is made monthly, with each transfer to be in the amount of one-twelfth of the annual distribution. The heavier weighting of equity securities and alternative assets relative to fixed income investments has resulted in greater volatility of the value of the Fund. Given the greater weighting in the overall portfolio of passively managed investments, it is expected that the Fund will reflect the general performance returns of the markets in which the Fund is invested.

The asset allocation of the Fund's financial assets portfolio is subject to change by the SBOE from time to time based upon a number of factors, including recommendations to the SBOE made by internal investment staff and external consultants, changes made by the SBOE without regard to such recommendations and directives of the Legislature. Fund performance may also be affected by factors other than asset allocation, including, without limitation, the general performance of the securities markets in the United States and abroad; political and investment considerations including those relating to socially responsible investing; economic impacts relating to domestic and international climate change; development of hostilities in and among nations; cybersecurity issues that affect the securities markets, economic activity and investments, in general, application of the prudent person investment standard, which may eliminate certain investment opportunities for the Fund; management fees paid to external managers and embedded management fees for some fund investments; and limitations on the number and compensation of internal and external investment staff, which is subject to legislative oversight. The Guarantee Program could also be impacted by changes in State or federal law or the implementation of new accounting standards.

Management and Administration of the Fund

The Texas Constitution and applicable statutes delegate to the SBOE the authority and responsibility for investment of the PSF's financial assets. In investing the Fund, the SBOE is charged with exercising the judgment and care under the circumstances then prevailing which persons of ordinary prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income therefrom as well as the probable safety of their capital. The SBOE has adopted a "Statement of Investment Objectives, Policies, and Guidelines of the Texas Permanent School Fund," which is codified in the Texas Administrative Code beginning at 19 TAC section 33.1.

The Total Return Constitutional Amendment provides that expenses of managing the PSF are to be paid "by appropriation" from the PSF. In January 2005, at the request of the SBOE, the Attorney General issued a legal opinion, Op. Tex. Att'y Gen. No. GA-0293 (2005), that the Total Return Constitutional Amendment requires that SBOE expenditures for managing or administering PSF investments, including payments to external investment managers, be paid from appropriations made by the Legislature, but that the Total Return Constitutional Amendment does not require the SBOE to pay from such appropriated PSF funds the indirect management costs deducted from the assets of a mutual fund or other investment company in which PSF funds have been invested.

Texas law assigns control of the Fund's land and mineral rights to the three-member SLB, which consists of the elected Commissioner of the GLO, an appointee of the Governor, and an appointee of the Attorney General. Administrative duties related to the land and mineral rights reside with the GLO, which is under the guidance of the Commissioner of the GLO. In 2007, the Legislature established the real estate special fund account of the PSF (the "Real Estate Account") consisting of proceeds and revenue from land, mineral or royalty interest, real estate investment, or other interest, including revenue received from those sources, that is set apart to the PSF under the Texas Constitution and laws, together with the mineral estate in riverbeds, channels, and the tidelands, including islands. The investment of the Real Estate Account is subject to the sole and exclusive management and control of the SLB and the Land Commissioner, who is also the head of the GLO. The 2007 legislation presented constitutional questions regarding the respective roles of the SBOE and the SLB relating to the disposition of proceeds of real estate transactions to the ASF, among other questions. Amounts in the investment portfolio of the PSF are taken into account by the SBOE for purposes of determining the Distribution Rate. An amendment to the Texas Constitution was approved by State voters on November 8, 2011, which permits the SLB to make transfers directly to the ASF, see "2011 Constitutional Amendment" below.

The SBOE contracts with its securities custodial agent to measure the performance of the total return of the Fund's financial assets. A consultant is typically retained for the purpose of providing consultation with respect to strategic asset allocation decisions and to assist the SBOE in selecting external fund management advisors. The SBOE also contracts with financial institutions for custodial and securities lending services. Like other State agencies and instrumentalities that manage large investment portfolios, the PSF has implemented an incentive compensation plan that may provide additional compensation for investment personnel, depending upon the criteria relating to the investment performance of the Fund.

As noted above, the Texas Constitution and applicable statutes make the SBOE responsible for investment of the PSF's financial assets. By law, the Commissioner is appointed by the Governor, with Senate confirmation, and assists the SBOE, but the Commissioner can neither be hired nor dismissed by the SBOE. The Executive Administrator of the Fund is also hired by and reports to the Commissioner. Moreover, although the Fund's Executive Administrator and his staff implement the decisions of and provide information to the School Finance/PSF Committee of the SBOE and the full SBOE, the SBOE can neither select nor dismiss the Executive Administrator. TEA's General Counsel provides legal advice to the Executive Administrator and to the SBOE. The SBOE has also engaged outside counsel to advise it as to its duties over the Fund, including specific actions regarding the investment of the PSF to ensure compliance with fiduciary standards, and to provide transactional advice in connection with the investment of Fund assets in non-traditional investments.

Capacity Limits for the Guarantee Program

The capacity of the Fund to guarantee bonds under the Guarantee Program is limited in two ways: by State law (the "State Capacity Limit") and by regulations and a notice issued by the IRS (the "IRS Limit"). Prior to May 20, 2003, the State Capacity Limit was equal to two times the lower of cost or fair market value of the Fund's assets, exclusive of real estate. During the 78th Regular Session of the Legislature in 2003, legislation was enacted that increased the State Capacity Limit by 25%, to two and one half times the lower of cost or fair market value of the Fund's assets as estimated by the SBOE and certified by the State Auditor, and eliminated the real estate exclusion from the calculation. Prior to the issuance of the IRS Notice (defined below), the capacity of the program under the IRS Limit was limited to two and one-half times the lower of cost or fair market value of the Fund's assets adjusted by a factor that excluded additions to the Fund made since May 14, 1989. During the 2007 Texas Legislature, Senate Bill 389 ("SB 389") was enacted providing for additional increases in the capacity of the Guarantee Program, and specifically providing that the SBOE may by rule increase the capacity of the Guarantee Program from two and one-half times the cost value of the PSF to an amount not to exceed five times the cost value of the PSF, provided that the increased limit does not violate federal law and regulations and does not prevent bonds guaranteed by the Guarantee Program from receiving the highest available credit rating, as determined by the SBOE. SB 389 further provides that the SBOE shall at least annually consider whether to change the capacity of the Guarantee Program. From 2005 through 2009, the Guarantee Program twice reached capacity under the IRS Limit, and in each instance the Guarantee Program was closed to new bond guarantee applications until relief was obtained from the IRS. The most recent closure of the Guarantee Program commenced in March 2009 and the Guarantee Program reopened in February 2010 on the basis of receipt of the IRS Notice.

On December 16, 2009, the IRS published Notice 2010-5 (the "IRS Notice") stating that the IRS will issue proposed regulations amending the existing regulations to raise the IRS limit to 500% of the total cost of the assets held by the PSF as of December 16, 2009. In accordance with the IRS Notice, the amount of any new bonds to be guaranteed by the PSF, together with the then outstanding amount of bonds previously guaranteed by the PSF, must not exceed the IRS limit on the sale date of the new bonds to be guaranteed. The IRS Notice further provides that the IRS Notice may be relied upon for bonds sold on or after December 16, 2009, and before the effective date of future regulations or other public administrative guidance affecting funds like the PSF.

On September 16, 2013, the IRS published proposed regulations (the "Proposed IRS Regulations") that, among other things, would enact the IRS Notice. The preamble to the Proposed IRS Regulations provides that issuers may elect to apply the Proposed IRS Regulations, in whole or in part, to bonds sold on or after September 16, 2013, and before the date that final regulations become effective.

On July 18, 2016, the IRS issued final regulations enacting the IRS Notice (the "Final IRS Regulations"). The Final IRS Regulations are effective for bonds sold on or after October 17, 2016. The IRS Notice, the Proposed IRS Regulations and the Final IRS Regulations establish a static capacity for the Guarantee Program based upon the cost value of Fund assets on December 16, 2009 multiplied by five. On December 16, 2009, the cost value of the Guarantee Program was $23,463,730,608 (estimated and unaudited), thereby producing an IRS Limit of approximately $117.3 billion. The State Capacity Limit is determined on the basis of the cost value of the Fund from time to time multiplied by the capacity multiplier determined annually by the SBOE, but not to exceed a multiplier of five. The capacity of the Guarantee Program will be limited to the lower of the State Capacity Limit or the IRS Limit. On May 21, 2010, the SBOE modified the regulations that govern the School District Bond Guarantee Program (the "SDBGP Rules"), and increased the State Law Capacity to an amount equal to three times the cost value of the PSF. Such modified regulations, including the revised capacity rule, became effective on July 1, 2010. The SDBGP Rules provide that the Commissioner may reduce the multiplier to maintain the AAA credit rating of the Guarantee Program, but provide that any changes to the multiplier made by the Commissioner are to be ratified or rejected by the SBOE at the next meeting following the change. See "Valuation of the PSF and Guaranteed Bonds," below.

At its September 2015 meeting, the SBOE voted to modify the SDBGP Rules and the CDBGP Rules to increase the State Law Capacity from 3 times the cost value multiplier to 3.25 times. At that meeting, the SBOE also approved a new 5% capacity reserve for the Charter District Bond Guarantee Program. The change to the State Law Capacity became effective on February 1, 2016. At its November 2016 meeting, the SBOE again voted to increase the State Law Capacity and, in accordance with applicable requirements for the modification of SDBGP and CDBGP Rules, a second and final vote to approve the increase in the State Law Capacity occurred on February 3, 2017. As a result, the State Law Capacity increased from 3.25 times the cost value multiplier to 3.50 times effective March 1, 2017 and increased again to 3.75 times effective September 1, 2017; however, as described under "2017 Legislative Changes to the Charter District Bond Guarantee Program," the SBOE took action at its Winter 2018 meeting to rollback of a portion of the multiplier increase. The regulatory change effecting the rollback will be effective 20 days after filing as adopted with the Texas Register, which is expected to make the change effective in late-March 2018. Based upon the cost basis of the Fund at August 31, 2017, the State Law Capacity increased from $97,933,360,905 on August 31, 2016 to $111,568,711,072 on August 31, 2017.

Since July 1991, when the SBOE amended the Guarantee Program Rules to broaden the range of bonds that are eligible for guarantee under the Guarantee Program to encompass most Texas school district bonds, the principal amount of bonds guaranteed under the Guarantee Program has increased sharply. In addition, in recent years a number of factors have caused an increase in the amount of bonds issued by school districts in the State. See the table "Permanent School Fund Guaranteed Bonds" below. Effective September 1, 2009, the Act provides that the SBOE may annually establish a percentage of the cost value of the Fund to be reserved from use in guaranteeing bonds. The capacity of the Guarantee Program in excess of any reserved portion is referred to herein as the "Capacity Reserve." The SDBGP Rules provide for a minimum Capacity Reserve for the overall Guarantee Program of no less than 5%, and provide that the amount of the Capacity Reserve may be increased by a majority vote of the SBOE. The CDBGP Rules provide for an additional 5% reserve of CDBGP capacity. The Commissioner is authorized to change the Capacity Reserve, which decision must be ratified or rejected by the SBOE at its next meeting following any change made by the Commissioner. The current Capacity Reserve is noted in the monthly updates with respect to the capacity of the Guarantee Program on the TEA web site at http://tea.texas.gov/Finance_and_Grants/Permanent_School_Fund/, which are also filed with the MSRB.

Based upon historical performance of the Fund, the legal restrictions relating to the amount of bonds that may be guaranteed has generally resulted in a lower ratio of guaranteed bonds to available assets as compared to many other types of credit enhancements that may be available for Texas school district bonds and charter district bonds. However, changes in the value of the Fund due to changes in securities markets, investment objectives of the Fund, an increase in bond issues by school districts in the State or legal restrictions on the Fund, the implementation of the Charter District Bond Guarantee Program, or an increase in the calculation base of the Fund for purposes of making transfers to the ASF, among other factors, could adversely affect the ratio of Fund assets to guaranteed bonds and the growth of the Fund in general. It is anticipated that the issuance of the IRS Notice and the Proposed IRS Regulations will likely result in a substantial increase in the amount of bonds guaranteed under the Guarantee Program. The implementation of the Charter School Bond Guarantee Program is also expected to increase the amount of guaranteed bonds.

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

The School District Bond Guarantee Program

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

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

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

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

Generally, the SDBGP Rules limit guarantees to certain types of notes and bonds, including, with respect to refunding bonds issued by school districts, a requirement that the bonds produce debt service savings, and that bonds issued for capital facilities of school districts must have been voted as unlimited tax debt of the issuing district. The Guarantee Program Rules include certain accreditation criteria for districts applying for a guarantee of their bonds, and limit guarantees to districts that have less than the amount of annual debt service per average daily attendance that represents the 90th percentile of annual debt service per average daily attendance for all school districts, but such limitation will not apply to school districts that have enrollment growth of at least 25% over the previous five school years. The SDBGP Rules are codified in the Texas Administrative Code at 19 TAC section 33.65, and are available at http://ritter.tea.state.tx.us/rules/tac/chapter033/ch033a.html#33.65.

The Charter District Bond Guarantee Program

The Charter District Bond Guarantee Program became effective March 3, 2014. The SBOE published final regulations in the Texas Register that provide for the administration of the Charter District Bond Guarantee Program (the "CDBGP Rules"). The CDBGP Rules are codified at 19 TAC section 33.67, and are available at http://ritter.tea.state.tx.us/rules/tac/chapter033/ch033a.html#33.67.

The Charter District Bond Guarantee Program has been authorized through the enactment of amendments to the Act, which provide that a charter holder may make application to the Commissioner for designation as a "charter district" and for a guarantee by the PSF under the Act of bonds issued on behalf of a charter district by a non-profit corporation. If the conditions for the Charter District Bond Guarantee Program are satisfied, the guarantee becomes effective upon approval of the bonds by the Attorney General and remains in effect until the guaranteed bonds are paid or defeased, by a refunding or otherwise.

As of February 21, 2018 (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 5.5%. As of February 28, 2018, there were 181 active open-enrollment charter schools in the State and there were 719 charter school campuses operating under such charters (though as of such date, five of such campuses' operations have not begun serving students for various reasons). Section 12.101, Texas Education Code, as amended by the Legislature in 2013, limits the number of charters that the Commissioner may grant to 215 charters as of the end of fiscal year 2014, with the number increasing in each fiscal year thereafter through 2019 to a total number of 305 charters. While legislation limits the number of charters that may be granted, it does not limit the number of campuses that may operate under a particular charter. For information regarding the capacity of the Guarantee Program, see "Capacity Limits for the Guarantee Program." The Act provides that the Commissioner may not approve the guarantee of refunding or refinanced bonds under the Charter District Bond Guarantee Program in a total amount that exceeds one-half of the total amount available for the guarantee of charter district bonds under the Charter District Bond Guarantee Program.

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

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

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

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

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

Beginning in July 2015, TEA began limiting new guarantees under the Charter District Bond Guarantee Program to conform to the Act and, subsequently, with CDBGP Rules that require the maintenance of a capacity reserve for the Charter District Bond Guarantee Program. Following the increase in the Program multiplier in February 2016 and the update of the percentage of students enrolled in open-enrollment charter schools to the total State scholastic census in March 2016, some new capacity became available under the Charter District Bond Guarantee Program, but that capacity was quickly exhausted. In accordance with the action of the SBOE on February 3, 2017, additional capacity for the Charter District Bond Guarantee Program became effective in two increments, implemented on March 1, 2017 and on September 1, 2017 (as described under "2017 Legislative Changes to the Charter District Bond Guarantee Program," an item to reverse the September 1, 2017 increase in the Program multiplier was approved by the SBOE at its Winter 2018 meeting). In addition, legislation enacted during the Legislature's 2017 regular session modifies the manner of calculating the capacity of the Charter District Bond Guarantee Program (the "CDBGP Capacity"), which further increases the amount of the CDBGP Capacity, beginning with State fiscal year 2018, but that provision of the law does not increase overall Program capacity, it merely allocates capacity between the School District Bond Guarantee Program and the Charter District Bond Guarantee Program. See "Capacity Limits for the Guarantee Program" and "2017 Legislative Changes to the Charter District Bond Guarantee Program." Other factors that could increase the CDBGP Capacity include Fund investment performance, future increases in the Guarantee Program multiplier, changes in State law that govern the calculation of the CDBGP Capacity, as described below, growth in the relative percentage of students enrolled in open-enrollment charter schools to the total State scholastic census, legislative and administrative changes in funding for charter districts, changes in level of school district or charter district participation in the Program, or a combination of such circumstances.

2017 Legislative Changes to the Charter District Bond Guarantee Program

The CDBGP Capacity is established by the Act. During the 85th Texas Legislature, which concluded on May 29, 2017, Senate Bill 1480 ("SB 1480") was enacted. The complete text of SB 1480 can be found at http://www.capitol.state.tx.us/tlodocs/85R/billtext/pdf/SB01480F.pdf#navpanes=0. SB 1480 modified how the CDBGP Capacity will be established under the Act effective as of September 1, 2017, and made other substantive changes to the Act that affects the Charter District Bond Guarantee Program. Prior to the enactment of SB 1480, the CDBGP Capacity was calculated as the State Capacity Limit less the amount of outstanding bond guarantees under the Guarantee Program multiplied by the percentage of charter district scholastic population relative to the total public school scholastic population. As of August 31, 2017, the amount of outstanding bond guarantees represented 66.57% of the State Capacity Limit for the Guarantee Program. SB 1480 amended the CDBGP Capacity calculation so that the State Capacity Limit is multiplied by the percentage of charter district scholastic population relative to the total public school scholastic population prior to the subtraction of the outstanding bond guarantees, thereby potentially substantially increasing the CDBGP Capacity. However, certain provisions of SB 1480, described below, and other additional factors described herein, could result in less than the maximum amount of the potential increase provided by SB 1480 being implemented by the SBOE or otherwise used by charter districts. Still other factors used in determining the CDBGP Capacity, such as the percentage of the charter district scholastic population to the overall public school scholastic population, could, in and of itself, increase the CDBGP Capacity, as that percentage has grown from 3.53% in September, 2012 to 5.5% in February 2018, representing a cumulative growth during that period of 56%. TEA is unable to predict how the ratio of charter district students to the total State scholastic population will change over time.

SB 1480 provides that the implementation of the new method of calculating the CDBGP Capacity will begin with the State fiscal year that commences September 1, 2021 (the State's fiscal year 2022). However, for the intervening four fiscal years, beginning with fiscal year 2018, SB 1480 provides that the SBOE may establish a CDBGP Capacity that increases the amount of charter district bonds that may be guaranteed by up to a cumulative 20% in each fiscal year (for a total maximum increase of 80% in fiscal year 2021) as compared to the capacity figure calculated under the Act as of January 1, 2017. However, SB 1480 provides that in making its annual determination of the magnitude of an increase for any year, the SBOE may establish a lower (or no) increase if the SBOE determines that an increase in the CDBGP Capacity would likely result in a negative impact on the bond ratings for the Bond Guarantee Program (see "Ratings of Bonds Guaranteed Under the Guarantee Program") or if one or more charter districts default on payment of principal or interest on a guaranteed bond, resulting in a negative impact on the bond ratings of the Bond Guarantee Program. The provisions of SB 1480 that provide for discretionary, incremental increases in the CDBGP expire September 1, 2022. If the SBOE makes a determination for any year based upon the potential ratings impact on the Bond Guarantee Program and modifies the increase that would otherwise be implemented under SB 1480 for that year, the SBOE may also make appropriate adjustments to the schedule for subsequent years to reflect the modification, provided that the CDBGP Capacity for any year may not exceed the limit provided in the schedule set forth in SB 1480. In September 2017, the SBOE voted to authorize the full 20% increase in the amount of charter district bonds that may be guaranteed for fiscal year 2018, which increases the relative capacity of the Charter District Bond Guarantee Program to the School District Bond Guarantee Program for that fiscal year.

Taking into account the enactment of SB 1480 and the increase in the CDBGP Capacity effected thereby, at Winter 2018 meeting the SBOE approved the second of two required readings amending the SDBGP Rules to rollback the multiplier from 3.75 times market value to 3.50 times (to ensure compliance with State administrative law requirements, the rollback is expected to be effective in late March 2018).

In addition to modifying the manner of determining the CDBGP Capacity, SB 1480 provides that the Commissioner, in making a determination as to whether to approve a guarantee for a charter district, may consider any additional reasonable factor that the Commissioner determines to be necessary to protect the Bond Guarantee Program or minimize risk to the PSF, including: (1) whether the charter district had an average daily attendance of more than 75 percent of its student capacity for each of the preceding three school years, or for each school year of operation if the charter district has not been in operation for the preceding three school years; (2) the performance of the charter district under certain performance criteria set forth in Education Code Sections 39.053 and 39.054; and (3) any other indicator of performance that could affect the charter district's financial performance. Also, SB 1480 provides that the Commissioner's investigation of a charter district application for guarantee may include an evaluation of whether the charter district bond security documents provide a security interest in real property pledged as collateral for the bond and the repayment obligation under the proposed guarantee. The Commissioner may decline to approve the application if the Commissioner determines that sufficient security is not provided. The Act and the CDBGP Rules previously required the Commissioner to make an investigation of the accreditation status and certain financial criteria for a charter district applying for a bond guarantee, which remain in place.

Since the initial authorization of the Charter District Bond Guarantee Program, the Act has established a bond guarantee reserve fund in the State treasury (the "Charter District Reserve Fund"). Formerly, the Act provided that each charter district that has a bond guaranteed must annually remit to the Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 10 percent of the savings to the charter district that is a result of the lower interest rate on its bonds due to the guarantee by the PSF. SB 1480 modified the Act insofar as it pertains to the Charter District Reserve Fund. Effective September 1, 2017, the Act provides that a charter district that has a bond guaranteed must remit to the Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 20 percent 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 three percent (3.00%) of the total amount of outstanding guaranteed bonds issued by charter districts. As of August 31, 2017, the Charter District Reserve Fund represented approximately 0.23% of the guaranteed charter district bonds. SB 1480 also authorized the SBOE to manage the Charter District Reserve Fund in the same manner as it manages the PSF. Previously, the Charter District Reserve Fund was held by the Comptroller, but in September 2017, the SBOE authorized the PSF staff to begin the process of transferring the management of the Reserve Fund to the PSF, where it is expected to be held and invested as a non-commingled fund under the administration of the PSF staff. A target date in Spring 2018 has been established for that change in management of the Reserve Fund to become effective.

Charter District Risk Factors

Open-enrollment charter schools in the State may not charge tuition and, unlike school districts, charter districts have no taxing power. Funding for charter district operations is largely from amounts appropriated by the Legislature. The amount of such State payments a charter district receives is based on a variety of factors, including the enrollment at the schools operated by a charter district. The overall amount of education aid provided by the State for charter schools in any year is also subject to appropriation by the Legislature. The Legislature may base its decisions about appropriations for charter schools on many factors, including the State's economic performance. Further, because some public officials, their constituents, commentators and others have viewed charter schools as controversial, political factors may also come to bear on charter school funding, and such factors are subject to change.

Other than credit support for charter district bonds that is provided to qualifying charter districts by the Charter District Bond Guarantee Program, under current law, open-enrollment charter schools generally do not receive a dedicated funding allocation from the State to assist with the construction and acquisition of new facilities. However, during the 85th Regular Session of the Legislature in 2017, legislation was enacted that, for the first time, provided a limited appropriation in the amount of $60 million for the 2018-2019 biennium for charter districts having an acceptable performance rating. A charter district that receives funding under this program may use the funds to lease or pay property taxes imposed on an instructional facility; to pay debt service on bonds that financed an instructional facility; or for any other purpose related to the purchase, lease, sale, acquisition, or maintenance of an instructional facility. Charter schools generally issue revenue bonds to fund facility construction and acquisition, or fund facilities from cash flows of the school. Some charter districts have issued non-guaranteed debt in addition to debt guaranteed under the Charter District Bond Guarantee Program, and such non-guaranteed debt is likely to be secured by a deed of trust covering all or part of the charter district's facilities. In March 2017, the TEA began requiring charter districts to provide the TEA with a lien against charter district property as a condition to receiving a guarantee under the Charter District Bond Guarantee Program. However, charter district bonds issued and guaranteed under the Charter District Bond Guarantee Program prior to the implementation of the new requirement did not have the benefit of a security interest in real property, although other existing debts of such charter districts that are not guaranteed under the Charter District Bond Guarantee Program may be secured by real property that could be foreclosed on in the event of a bond default.

The maintenance of a State-granted charter is dependent upon on-going compliance with State law and TEA regulations, and TEA monitors compliance with applicable standards. TEA has a broad range of enforcement and remedial actions that it can take as corrective measures, and such actions may include the loss of the State charter, the appointment of a new board of directors to govern a charter district, the assignment of operations to another charter operator, or, as a last resort, the dissolution of an open-enrollment charter school.

As described above, the Act includes a funding "intercept" function that applies to both the School District Bond Guarantee Program and the Charter District Bond Guarantee Program. However, school districts are viewed as the "educator of last resort" for students residing in the geographical territory of the district, which makes it unlikely that State funding for those school districts would be discontinued, although the TEA can require the dissolution and merger into another school district if necessary to ensure sound education and financial management of a school district. That is not the case with a charter district, however, and open-enrollment charter schools in the State have been dissolved by TEA from time to time. If a charter district that has bonds outstanding that are guaranteed by the Charter District Bond Guarantee Program should be dissolved, debt service on guaranteed bonds of the district would continue to be paid to bondholders in accordance with the Charter District Bond Guarantee Program, but there would be no funding available for reimbursement of the PSF by the Comptroller for such payments. As described under "The Charter District Bond Guarantee Program," the Act establishes a Charter District Reserve Fund, which could in the future be a significant reimbursement resource for the PSF. At January 31, 2018, the Charter District Reserve Fund contained $4,729,390.

Potential Impact of Hurricane Harvey on the PSF

Hurricane Harvey struck coastal Texas on August 26, 2017, resulting in historic levels of rainfall. The TEA believes that the storm impacted more than 1.3 million students enrolled in some 157 school districts, and approximately 58,000 students in 27 charter schools along the Texas Gulf Coast. Many of the impacted school districts and two charter districts have bonds guaranteed by the PSF. It is possible that the affected districts will need to borrow to repair or replace damaged facilities, which could require increased bond issuance and applications to the TEA for PSF bond guarantees. In addition, the storm damage and any lingering economic damage in the area could adversely affect the tax base (for school districts) and credit quality of school districts and charter districts with bonds that are or will be guaranteed by the PSF.

The TEA, members of the Legislature and the Governor, among others, have stated that they are developing programs to provide financial assistance to affected school districts and charter districts, particularly with regard to funding assistance for facility repairs and construction and to offset tax base and/or revenue loss to affected districts. The composition of any final programs that may be implemented cannot be predicted, and are likely to be subject to future State legislative and administrative actions, available amounts of federal and private disaster relief for affected schools, and other factors. In early October, the TEA initiated programs designed to hold school districts and charter districts harmless for the loss of State funding associated with declines in average daily attendance for the remainder of fiscal year 2018. In the past, storm damage has caused multiple year impacts to affected schools with respect to both attendance figures and tax base (for school districts), and the damage caused by Harvey could be well in excess of previous storm damage. TEA conducted a survey of districts affected by the hurricane with respect to the collection of fiscal year 2017 taxes. In general, tax revenues of affected districts appear to have increased for fiscal 2017, but at a somewhat lower rate than had been anticipated. It should be noted that most of the fiscal year 2017 taxes had been collected when the hurricane hit the Texas coast in late August. TEA has not conducted any surveys with respect to fiscal year 2018 taxes, but notes that as of late February 2018 the negative effect of the hurricane on the average daily attendance of districts in the affected area appears to have been less than TEA had initially anticipated.

Most school district and charter district bonds that are guaranteed by the PSF are fixed rate bonds that pay principal on an annual basis and interest on a semiannual basis, in February and August of each year. The hurricane hit the Texas coast after the August 2017 payment dates, so the first payment cycle that could have been affected by the storm was the February 2018 payment date. TEA notes that no district has applied for financial exigency or failed to timely pay bond payments as a result of the hurricane or otherwise. The PSF is managed to maintain liquidity for any draws on the program. Moreover, as described under "The School District Bond Guarantee Program" and "The Charter District Bond Guarantee Program," both parts of the Bond Guarantee Program operate in accordance with the Act as "intercept" programs, providing liquidity for guaranteed bonds, and draws on the PSF are required to be restored from the first State money payable to a school district or a charter district that fails to make a guaranteed payment on its bonds.

Ratings of Bonds Guaranteed Under the Guarantee Program

Moody's Investors Service, S&P Global Ratings and Fitch Ratings rate bonds guaranteed by the PSF "Aaa," "AAA" and "AAA," respectively. Not all districts apply for multiple ratings on their bonds, however. See "RATINGS" herein.

Valuation of the PSF and Guaranteed Bonds

Permanent School Fund Valuations

Fiscal Year Ended 8/31	Book Value[1]	Market Value[1]
2013	$25,599,296,902	$33,163,242,374
2014	27,596,692,541	38,445,519,225
2015	29,081,052,900	36,196,265,273
2016	30,128,037,903	37,279,799,335
2017[2]	31,870,581,428	41,438,672,573

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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 TEA uses current, unaudited values for TEA managed investment portfolios and cash held by the SLB. With respect to SLB managed assets shown in the table above, market values of land and mineral interests, internally managed real estate, investments in externally managed real estate funds and cash are based upon information reported to the PSF by the SLB. The SLB reports that information to the PSF on a quarterly basis. The valuation of such assets at any point in time is dependent upon a variety of factors, including economic conditions in the State and nation in general, and the values of these assets, and, in particular, the valuation of mineral holdings administered by the SLB, can be volatile and subject to material changes from period to period.

[2] At August 31, 2017, mineral assets, sovereign and other lands and internally managed discretionary real estate, external discretionary real estate investments, domestic equities, and cash managed by the SLB had book values of approximately $13.43 million, $247.64 million, $2,797.05 million, $4.71 million, and $3,399.05 million, respectively, and market values of approximately $1,870.22 million, $651.40 million, $2,788.02 million, $2.09 million, and $3,399.05 million, respectively. At January 31, 2018, the PSF had a book value of $32,415,438,326 and a market value of $43,741,388,620. January 31, 2018 values are based on unaudited data, which is subject to adjustment.

Permanent School Fund Guaranteed Bonds

At 8/31	Principal Amount[(1)]
2013	$55,218,889,156
2014	58,364,350,783
2015	63,955,449,047
2016	68,303,328,445
2017	74,266,090,023[(2)]

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

[(2)] As of August 31, 2017 (the most recent date for which such data is available), the TEA expected that the principal and interest to be paid by school districts over the remaining life of the bonds guaranteed by the Guarantee Program was $117,195,729,512, of which $42,929,639,489 represents interest to be paid. As shown in the table above, at August 31, 2017, there were $74,266,090,023 in principal amount of bonds guaranteed under the Guarantee Program and based on the cost value of the Fund at August 31, 2017 the capacity of the Guarantee Program at that date was $111,568,711,072. The Program capacity at August 31, 2017 takes into account the increases in the cost value multiplier effective February 1, 2016 and March 1, 2017, which cumulatively increased the multiplier from 3 times to 3.50 times, but does not take into account the September 1, 2017 increase in the multiplier to 3.75. Using the IRS Limit, which is the lower of the two federal and State capacity limits of Program capacity, of $117,318,653,038, at August 31, 2017 98.28% of Program capacity was available to the School District Bond Guarantee Program and 1.72% was available to the Charter District Bond Guarantee Program.

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

	School District Bonds		Charter District Bonds		Totals	
Fiscal Year Ended 8/31	No. of Issues	Principal Amount	No. of Issues	Principal Amount	No. of Issues	Principal Amount
2014[(2)]	2,869	$58,061,805,783	10	$302,545,000	2,879	$58,364,350,783
2015	3,089	63,197,514,047	28	757,935,000	3,117	63,955,449,047
2016	3,244	67,342,303,445	35	961,025,000	3,279	68,303,328,445
2017[(3)]	3,253	72,884,480,023	40	1,381,610,000	3,293	74,266,090,023

[(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)] Fiscal 2014 was the first year of operation of the Charter District Bond Guarantee Program.

[(3)] At January 31, 2018 (based on unaudited data, which is subject to adjustment), there were $76,112,811,568 of bonds guaranteed under the Guarantee Program, representing 3,354 school district issues, aggregating $74,700,936,568 in principal amount and 43 charter district issues, aggregating $1,411,875,000 in principal amount. At January 31, 2018, the capacity allocation of the Charter District Bond Guarantee Program was $2,013,789,828 (based on the then effective capacity multiplier of 3.75 times and on unaudited data, which is subject to adjustment).

Discussion and Analysis Pertaining to Fiscal Year Ended August 31, 2017

The following discussion is derived from the Annual Report for the year ended August 31, 2017, 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, when filed, 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) assets. As of August 31, 2017, the Fund's land, mineral rights and certain real assets are managed by the three-member SLB and these assets are referred to throughout as the PSF(SLB) assets. The current PSF asset allocation policy includes an allocation for real estate investments, and as such investments are made, and become a part of the PSF investment portfolio, those investments will be managed by the SBOE and not the SLB.

At the end of fiscal 2017, the Fund balance was $41.4 billion, an increase of $4.2 billion from the prior year. This increase is primarily due to overall increases in value of all asset classes in which the Fund has invested. 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, 2017, were 11.96%, 8.26% and 5.49%, respectively (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, three-year, and five-year annualized total returns for the PSF(SLB) real assets, including cash, were 10.35%, 7.19%, and 7.77%, respectively.

The market value of the Fund's assets is directly impacted by the performance of the various financial markets in which the assets are invested. The most important factors affecting investment performance are the asset allocation decisions made by the SBOE and SLB. The current SBOE long term asset allocation policy allows for diversification of the PSF(SBOE) portfolio into alternative asset classes whose returns are not as positively correlated as traditional asset classes. The implementation of the long term asset allocation will occur over several fiscal years and is expected to provide incremental total return at reduced risk. As of August 31, 2017, the PSF(SBOE) portion of the Fund had diversified into emerging market and large cap international equities, absolute return funds, real estate, private equity, risk parity, real return Treasury Inflation-Protected Securities, real return commodities, and emerging market debt.

As of August 31, 2017, the SBOE has approved and the Fund made capital commitments to externally managed real estate investment funds in a total amount of $3.31 billion and capital commitments to private equity limited partnerships for a total of

$3.83 billion. Unfunded commitments at August 31, 2017, totaled $1.35 billion in real estate investments and $1.54 billion in private equity investments.

The PSF(SLB) portfolio is generally characterized by three broad categories: (1) discretionary real assets investments, (2) sovereign and other lands, and (3) mineral interests. Discretionary real assets investments consist of externally managed real estate, infrastructure, and energy/minerals investment funds; internally managed direct real estate investments, and cash. Sovereign and other lands consist primarily of the lands set aside to the PSF when it was created. Mineral interests consist of all of the minerals that are associated with PSF lands. The investment focus of PSF(SLB) discretionary real assets investments has shifted from internally managed direct real estate investments to externally managed real assets investment funds. The PSF(SLB) makes investments in certain limited partnerships that legally commit it to possible future capital contributions. At August 31, 2017, the remaining commitments totaled approximately $2.042 billion.

The PSF(SBOE)'s investment in domestic large cap, domestic small/mid cap, international large cap, and emerging market equity securities experienced returns of 16.30%, 12.80%, 19.04%, and 26.28%, respectively, during the fiscal year ended August 31, 2017. The PSF(SBOE)'s investment in domestic fixed income securities produced a return of 1.61% during the fiscal year and absolute return investments yielded a return of 7.32%. The PSF(SBOE) real estate and private equity investments returned 10.52% and 16.35%, respectively. Risk parity assets produced a return of 8.77%, while real return assets yielded 2.38%. Emerging market debt produced a return of 11.84%. Combined, all PSF(SBOE) asset classes produced an investment return of 11.96% for the fiscal year ended August 31, 2017, out-performing the benchmark index of 10.66% by approximately 130 basis points. All PSF(SLB) real assets (including cash) returned 10.35% for the fiscal year ending August 31, 2017.

For fiscal year 2017, total revenues, inclusive of unrealized gains and losses and net of security lending rebates and fees, totaled $5.4 billion, an increase of $2.7 billion from fiscal year 2016 earnings of $2.7 billion. This increase reflects the performance of the securities markets in which the Fund was invested in fiscal year 2017. In fiscal year 2017, revenues earned by the Fund included lease payments, bonuses and royalty income received from oil, gas and mineral leases; lease payments from commercial real estate; surface lease and easement revenues; revenues from the resale of natural and liquid gas supplies; dividends, interest, and securities lending revenues; the net change in the fair value of the investment portfolio; and, other miscellaneous fees and income.

Expenditures are paid from the Fund before distributions are made under the total return formula. Such expenditures include the costs incurred by the SLB to manage the land endowment, as well as operational costs of the Fund, including external management fees paid from appropriated funds. Total operating expenditures, net of security lending rebates and fees, increased 30.6% for the fiscal year ending August 31, 2017. This increase is primarily attributable to an increase in PSF(SLB) operational costs and generally larger quantities of purchased gas for resale in the State Energy Management Program, which is administered by the SLB as part of the Fund.

The Fund supports the public school system in the State by distributing a predetermined percentage of its asset value to the ASF. For fiscal years 2016 and 2017, the distribution from the SBOE to the ASF totaled $1.06 billion and $1.06 billion, respectively. There was no contribution to the ASF by the SLB in fiscal year 2017.

At the end of the 2017 fiscal year, PSF assets guaranteed $74.27 billion in bonds issued by 858 local school districts and charter districts, the latter of which entered into the Program during the 2014 fiscal year. Since its inception in 1983, the Fund has guaranteed 6,980 school district and charter district bond issues totaling $166.3 billion in principal amount. During the 2017 fiscal year, the number of outstanding issues guaranteed under the Guarantee Program increased by 14, or 0.4%. The dollar amount of guaranteed school and charter bond issues outstanding increased by $6.0 billion or 8.7%. The guarantee capacity of the Fund increased by $13.9 billion, or 13.9%, during fiscal year 2017 due to continued growth in the cost basis of the Fund and the increase in the cost multiplier (from 3.25 to 3.50, as discussed above) used to calculate Program capacity.

2011 Constitutional Amendment

On November 8, 2011, a referendum was held in the State as a result of legislation enacted that year that proposed amendments to various sections of the Texas Constitution pertaining to the PSF. At that referendum, voters of State approved non-substantive changes to the Texas Constitution to clarify references to the Fund, and, in addition, approved amendments that effected an increase to the base amount used in calculating the Distribution Rate from the Fund to the ASF, and authorized the SLB to make direct transfers to the ASF, as described below.

The amendments approved at the referendum included an increase to the base used to calculate the Distribution Rate by adding to the calculation base certain discretionary real assets and cash in the Fund that is managed by entities other than the SBOE (at present, by the SLB). The value of those assets were already included in the value of the Fund for purposes of the Guarantee Program, but prior to the amendment had not been included in the calculation base for purposes of making transfers from the Fund to the ASF. While the amendment provided for an increase in the base for the calculation of approximately $2 billion, no new resources were provided for deposit to the Fund. As described under "The Total Return Constitutional Amendment" the SBOE is prevented from approving a Distribution Rate or making a pay out from the Fund if the amount distributed would exceed 6% of the average of the market value of the Fund, excluding real property in the Fund, but including discretionary real asset investments on the last day of each of the sixteen State fiscal quarters preceding the Regular Session of the Legislature that begins before that State fiscal biennium or if such pay out would exceed the Ten Year Total Return.

If there are no reductions in the percentage established biennially by the SBOE to be the Distribution Rate, the impact of the increase in the base against which the Distribution Rate is applied will be an increase in the distributions from the PSF to the ASF. As a result, going forward, it may be necessary for the SBOE to reduce the Distribution Rate in order to preserve the corpus of the Fund in accordance with its management objective of preserving intergenerational equity.

The Distribution Rates for the Fund were set at 3.5%, 2.5%, 4.2%, 3.3% and 3.5% for each of two year periods 2008-2009, 2010-2011, 2012-2013, 2014-2015 and 2016-2017, respectively. In September 2017, the SBOE approved a $2.5 billion distribution to the ASF for State fiscal biennium 2018-2019, to be made in equal monthly increments of $102.99 million, which represents a 3.7% Distribution Rate for the biennium and a per student distribution of $248.58, based on 2017 preliminary student average daily attendance of 4,971,656.277.

Changes in the Distribution Rate for each biennial period has been based on a number of financial and political reasons, as well as commitments made by the SLB in some years to transfer certain sums to the ASF. The new calculation base described above has been used to determine all payments to the ASF from the Fund beginning with the 2012-13 biennium. The broader base for the Distribution Rate calculation could increase transfers from the PSF to the ASF, although the effect of the broader calculation base has been somewhat offset since the 2014-2015 biennium by the establishment by the SBOE of somewhat lower Distribution Rates than for the 2012-2013 biennium. In addition, the changes made by the amendment that increased the calculation base that could affect the corpus of the Fund include the decisions that are made by the SLB or others that are, or may in the future be, authorized to make transfers of funds from the PSF to the ASF.

The constitutional amendments approved on November 8, 2011 also provide authority to the GLO or any other entity other than the SBOE that has responsibility for the management of land or other properties of the Fund to determine whether to transfer an amount each year from Fund assets to the ASF revenue derived from such land or properties, with the amount transferred limited to $300 million. Any amount transferred to the ASF by an entity other than the SBOE is excluded from the 6% Distribution Rate limitation applicable to SBOE transfers.

Other Events and Disclosures

The State Investment Ethics Code governs the ethics and disclosure requirements for financial advisors and other service providers who advise certain State governmental entities, including the PSF. In accordance with the provisions of the State Investment Ethics Code, the SBOE periodically modifies its code of ethics, which occurred most recently in July 2016. The SBOE code of ethics includes prohibitions on sharing confidential information, avoiding conflict of interests and requiring disclosure filings with respect to contributions made or received in connection with the operation or management of the Fund. The code of ethics applies to members of the SBOE as well as to persons who are responsible by contract or by virtue of being a TEA PSF staff member for managing, investing, executing brokerage transactions, providing consultant services, or acting as a custodian of the PSF, and persons who provide investment and management advice to a member of the SBOE, with or without compensation under certain circumstances. The code of ethics is codified in the Texas Administrative Code at 19 TAC sections 33.5 et seq., and is available on the TEA web site at http://ritter.tea.state.tx.us/rules/tac/chapter033/ch033a.html#33.5.

In addition, the GLO has established processes and controls over its administration of real estate transactions and is subject to provisions of the Texas Natural Resources Code and its own internal procedures in administering real estate transactions for assets it manages for the Fund. A report of the State Auditor released in March 2016 noted that based on an audit of certain real estate transactions managed by the GLO, during the period from September 2009 to May 2015, the GLO failed to comply with certain of such legal requirements relating to conflict of interest reporting, complying with written procedures and maintenance of documentation and other statutory and procedural requirements. That report, which includes the response of GLO management agreeing to the recommendations of the report, is available at http://www.sao.texas.gov/reports/main/16-018.pdf.

Since 2007, TEA has made supplemental appropriation requests to the Legislature for the purpose of funding the implementation of the 2008 Asset Allocation Policy, but those requests have been denied or partly funded. In the 2011 legislative session, the Legislature approved an increase of 31 positions in the full-time equivalent employees for the administration of the Fund, which was funded as part of an $18 million appropriation for each year of the 2012-13 biennium, in addition to the operational appropriation of $11 million for each year of the biennium. The TEA has begun increasing the PSF administrative staff in accordance with the 2011 legislative appropriation, and the TEA received an appropriation of $30.0 million and $30.2 million for the administration of the PSF for fiscal years 2014 and 2015, respectively, and $30.2 million for each of the fiscal years 2016 and 2017.

As of August 31, 2017, certain lawsuits were pending against the State and/or the GLO, which challenge the Fund's title to certain real property and/or past or future mineral income from that property, and other litigation arising in the normal course of the investment activities of the PSF. Reference is made to the Annual Report, when filed, for a description of such lawsuits that are pending, which may represent contingent liabilities of the Fund.

PSF Continuing Disclosure Undertaking

The SBOE has adopted an investment policy rule (the "TEA Rule") pertaining to the PSF and the Guarantee Program. The TEA Rule is codified in Section I of the TEA Investment Procedure Manual, which relates to the Guarantee Program and is posted to the TEA web site at http://tea.texas.gov/Finance_and_Grants/Texas_Permanent_School_Fund/Texas_Permanent_School_Fund_Disclosure_Statement_-_Bond_Guarantee_Program/. The most recent amendment to the TEA Rule was adopted by the SBOE on November 19, 2010, and is summarized below. Through the adoption of the TEA Rule and its commitment to guarantee bonds, the SBOE has made the following agreement for the benefit of the issuers, holders and beneficial owners of guaranteed bonds. The TEA (or its successor with respect to the management of the Guarantee Program) is required to observe the agreement for so long as it remains an "obligated person," within the meaning of Rule 15c2-12, with respect to guaranteed bonds. Nothing in the TEA Rule obligates the TEA to make any filings or disclosures with respect to guaranteed bonds, as the obligations of the TEA under the TEA Rule pertain solely to the Guarantee Program. The issuer or an "obligated person" of the guaranteed bonds has assumed the applicable obligation under Rule 15c-12 to make all disclosures and filings relating directly to guaranteed bonds, and the TEA takes no responsibility with respect to such undertakings. Under the TEA agreement, the TEA will be obligated to provide annually certain updated financial information and operating data, and timely notice of specified material events, to the MSRB.

The MSRB has established the Electronic Municipal Market Access ("EMMA") system, and the TEA is required to file its continuing disclosure information using the EMMA system. Investors may access continuing disclosure information filed with the MSRB at www.emma.msrb.org, and the continuing disclosure filings of the TEA with respect to the PSF can be found at http://emma.msrb.org/IssueView/NonCUSIP9IssueDetails.aspx?id=ER355077 or by searching for "Texas Permanent School Fund Bond Guarantee Program" on EMMA.

Annual Reports

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

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

The Fund is reported by the State of Texas as a permanent fund and accounted for on a current financial resources measurement focus and the modified accrual basis of accounting. Measurement focus refers to the definition of the resource flows measured. Under the modified accrual basis of accounting, all revenues reported are recognized based on the criteria of availability and measurability. Assets are defined as available if they are in the form of cash or can be converted into cash within

60 days to be usable for payment of current liabilities. Amounts are defined as measurable if they can be estimated or otherwise determined. Expenditures are recognized when the related fund liability is incurred.

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

Material Event Notices

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

Availability of Information

The TEA has agreed to provide the foregoing information only to the MSRB and to transmit such information electronically to the MSRB in such format and accompanied by such identifying information as prescribed by the MSRB. The information is available from the MSRB to the public without charge at www.emma.msrb.org.

Limitations and Amendments

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

The continuing disclosure agreement of the TEA is made only with respect to the PSF and the Guarantee Program. The issuer of guaranteed bonds or an obligated person with respect to guaranteed bonds may make a continuing disclosure undertaking in accordance with Rule 15c2-12 with respect to its obligations arising under Rule 15c2-12 pertaining to financial and operating data concerning such entity and notices of material events relating to such guaranteed bonds. A description of such undertaking, if any, is included elsewhere in the Official Statement.

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

Compliance with Prior Undertakings

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

SEC Exemptive Relief

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

TAX RATE LIMITATIONS

A school district is authorized to levy maintenance and operation ("M&O") taxes subject to approval of a proposition submitted to district voters under Section 45.003(d) of the Texas Education Code, as amended. The maximum M&O tax rate that may be levied by a district cannot exceed the voted maximum rate or the maximum rate described in the next succeeding paragraph. The maximum voted M&O tax rate for the District is $1.50 per $100 of assessed valuation as approved by the voters at an election held on October 6, 2001 under Chapter 20, Texas Education Code (now codified as Section 45.003, Texas Education Code).

The maximum tax rate per $100 of assessed valuation that may be adopted by the District may not exceed the lesser of (A) $1.50 and (B) the sum of (1) the rate of $0.17, and (2) the product of the "State Compression Percentage" multiplied by $1.50. The State Compression Percentage has been set, and will remain, at 66.67% for the 2018-19 State fiscal biennium. The State Compression Percentage is set by legislative appropriation for each State fiscal biennium or, in the absence of legislative appropriation, by the Commissioner. For a more detailed description of the State Compression Percentage, see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Funding for School Districts". Furthermore, a school district cannot annually increase its tax rate in excess of the district's "rollback tax rate" without submitting such tax rate to a referendum election and a majority of the voters voting at such election approving the adopted rate. See "AD VALOREM TAX PROCEDURES – Public Hearing and Rollback Tax Rate".

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

DEBT LIMITATIONS

Under State law, there is no explicit bonded indebtedness limitation, although the tax rate limits described above under "TAX RATE LIMITATIONS" effectively impose a limit on the incurrence of debt. Such tax rate limits require school districts to demonstrate the ability to pay new debt secured by the district's debt service tax from a tax rate of $0.50, and to pay all debt and operating expenses which must be paid from receipts of the district's maintenance tax from a tax not to exceed the maintenance tax limit described under the caption "TAX RATE LIMITATIONS." In demonstrating compliance with the requirement, a district may take into account State equalization payments, and, effective September 1, 1997, if compliance with such requirement is contingent on receiving State assistance, a district may not adopt a tax rate for a year for purposes of paying the principal of and interest on the bonds unless the district credits to the interest and sinking fund of the bond the amount of state assistance received or to be received in that year. The State Attorney General reviews a district's calculations showing the compliance with such test as a condition to the legal approval of the debt. The Bonds are "new debt" and are therefore subject to the $0.50 threshold tax rate test. See also "TAX RATE LIMITATIONS".

EMPLOYEE RETIREMENT PLANS AND OTHER POST-EMPLOYMENT BENEFITS

The District's employees participate in a retirement 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. In addition to its participation in the TRS, the District contributes to the Texas Public School Retired Employees Group Insurance Program (the "TRS-Care"), a cost-sharing multiple-employer defined benefit post-employment health care plan. The TRS-Care provides health care coverage for certain persons (and their dependents) who retired under the TRS. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Upon an employee's retirement, the District is no longer obligated to make contributions to the TRS-Care on behalf of such retired employee. (For more detailed information concerning the District's funding policy and contributions in connection with the TRS-Care, see Appendix D, "Notes to the Financial Statements as of June 30, 2017" - Note 11) As a result of its participation in TRS and TRS-Care and having no other postemployment retirement benefit plans, the District has no obligations for other post-employment benefits within the meaning of Governmental Accounting Standards Board Statement No. 45. (See "Note 11" in the audited financial statements of the District for the year ended June 30, 2017, set forth in Appendix D hereto).

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

Teachers Association, the Texas Classroom Teachers Association, the Association of Texas Professional Educators and the National Education Association.

RATINGS

The Bonds are rated “Aaa” by Moody’s Investors Service, Inc. (“Moody’s”) and “AAA” by S&P Global Ratings (“S&P”), based upon the guaranteed repayment thereof under the Permanent School Fund Guarantee Program of the Texas Education Agency. The District’s unenhanced, underlying ratings, including the Bonds, are “Aa1” by Moody’s and “AA+” by S&P. (See “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM– Ratings of Bonds Guaranteed under the Guarantee Program” herein).

An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The rating reflects only the respective view of such organization and the District makes no representation as to the appropriateness of the rating. There is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the respective rating company, if in the judgment of such company, the circumstances so warrant. Any such downward revision or withdrawal of such ratings, may have an adverse effect on the market price of the Bonds.

LEGAL MATTERS

The delivery of the Bonds is subject to the approval of the Attorney General of Texas, who will deliver its opinion, to the effect that the Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property in the District, and based upon examination of such transcript of proceedings, the approving legal opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel to the District (“Bond Counsel”), to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under section 103(a) of the Internal Revenue Code, subject to the matters described under “TAX MATTERS” herein. The form of Bond Counsel’s opinion is attached hereto as Appendix C.

Bond Counsel represents the Financial Advisor and purchasers of school district bonds from time to time in matters unrelated to the issuance of the Bonds, but Bond Counsel has been engaged by and only represents the District in connection with the issuance of the Bonds. McCall, Parkhurst & Horton L.L.P. also advises the TEA in connection with its disclosure obligations under the Federal securities laws, but such firm has not passed upon any TEA disclosures contained in this Official Statement. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement to verify that such description conforms to the provisions of the Order. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds.

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

TAX MATTERS

Opinion

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

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

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

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

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

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

Collateral Federal Income Tax Consequences

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

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

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

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

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

Future and Proposed Legislation

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

Information Reporting and Backup Withholding

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

State, Local and Foreign Taxes

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

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE DISTRICT

Available District funds are invested as authorized by Texas 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 of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors; (8) certificates of deposit and share certificates that are (a) issued by a depository institution that has its main office or a branch office in the State of Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (7) above or in any other manner and amount provided by law for District deposits, or (b) invested by the District through a depository institution that has its main office or a branch office in the State of Texas and otherwise meet the requirements of the Public Funds Investment Act (Texas Government Code, Chapter 2256, as amended (the "PFIA"); (9) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) 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, dealer or a financial institution doing business in the State of Texas; (10) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (7) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or cash invested in obligations described in clauses (1) through (7) above, clauses (12) through (14) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less; (11) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (13) no-load money market mutual funds registered with and regulated by the United States Securities and Exchange Commission (the "SEC") that comply with SEC Rule 2a-7; and (14) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and either have a duration of one year or more and are invested exclusively in obligations described by this paragraph, or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described hereafter. Legislation enacted in 2011 authorizes certain school districts, including the District, to invest in corporate bonds subject to certain limitations. "Corporate bond" means a senior secured debt obligation issued by a domestic business entity and rated not lower than "AA-" or the equivalent by a nationally recognized investment rating firm (and does not include convertible bonds or unsecured debt). The bonds must have a stated final maturity that is not later than 3 years of the date the corporate bonds were purchased. Schools districts may not (1) invest more than 15 percent 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 percent of the funds invested in corporate bonds in any one domestic business entity, including subsidiaries and affiliates of the entity. Additionally, districts are required to sell corporate bonds if they are downgraded below "AA-".

The District is also authorized to purchase, sell, and invest its funds in corporate bonds. "Corporate bond" is defined as a senior secured debt obligation issued by a domestic business entity and rated not lower than "AA-" or the equivalent by a nationally recognized investment rating firm (does not include convertible bonds or unsecured debt). The bonds must have a stated final maturity that is not later than 3 years from the date the corporate bonds were purchased. The District may not (1) invest more than 15 percent 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 percent of the funds invested in corporate bonds in any one domestic business entity, including subsidiaries and affiliates of the entity. The District must sell corporate bonds if they are rated "AA-" or its equivalent and are either downgraded or placed on negative credit watch. Corporate bonds are not an eligible investment for a public funds investment pool.

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 may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution.

The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3)

collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

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

Under Texas law, the District's 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 District's investment officers must submit an investment report to the Board of Trustees detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, and 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 strategies and (b) Texas law. No person may invest District funds without express written authority from the Board of Trustees.

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.

FINANCIAL ADVISOR

SAMCO Capital Markets, Inc. (the "Financial Advisor") 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 their limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fee of the Financial Advisor for services with respect to the Bonds is contingent upon the issuance and sale of the Bonds. In the normal course of business, the Financial Advisor may from time to time sell investment securities to the District for the investment of bond proceeds or other funds of the District upon the request of the District.

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

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

CONTINUING DISCLOSURE OF INFORMATION

In the Order, the District has made the following agreement for the benefit of the holders and Beneficial Owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB"). For a description of the continuing disclosure information of the TEA, see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM." The information provided to the MSRB will be available to the public free of charge via the electronic 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 2018. 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 SEC Rule 15c2-12 (the “Rule”).

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 of 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; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. 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 in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

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, (1) the agreement, as so amended, would have permitted an underwriter to purchase or sell Bonds in the initial primary offering in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any qualified person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule 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 the Rule.

On June 17, 2015, the District exercised its right to redeem all of its outstanding Unlimited Tax School Building Bonds, Series 2005C (“Series 2005C Bonds”). At the District’s direction, the paying agent/registrar for the Series 2005C Bonds notified bondholders pursuant to the requirements of the order authorizing the issuance of the Series 2005C Bonds of the District’s deposit of sufficient funds to redeem the Series 2005C Bonds on August 15, 2015. The notice was filed with the MSRB on May 17, 2016.

LITIGATION

In the opinion of District officials, except as may be described in this Official Statement, 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.

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.

WINNING BIDDER

On March 20, 2018, the Bonds were awarded to an investment bank or group of investment banks managed by UBS Financial Services Inc. (the "Purchaser"). The initial reoffering yields for the Bonds were supplied to the District by the Purchaser. The initial reoffering yields shown on page ii hereof will produce compensation to the Purchaser of approximately $461,749.90.

CERTIFICATION OF THE OFFICIAL STATEMENT AND NO-LITIGATION

At the time of payment for and delivery of the Initial Bond, the Purchaser will be furnished a certificate, executed by proper officials of the District, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the District contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Bonds, on the date of such Official Statement, on the date of sale of said Bonds and the acceptance of the best bid therefor, and on the date of initial delivery of the Bonds to the Purchaser, were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the District, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the District believes to be reliable and the District has no reason to believe that they are untrue in any material respect; (d) except as may be otherwise described in the Official Statement, there has been no material adverse change in the financial condition of the District, since June 30, 2017, the date of the last financial statements of the District appearing in the Official Statement; and (e) no litigation of any nature has been filed or is pending, as of the date hereof, to restrain or enjoin the issuance or delivery of the Bonds or which would affect the provisions made for their payment or security or in any manner question the validity of the Bonds.

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.

The Bond Order authorized the Pricing Officer to approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its use in the reoffering of the Bonds by the Purchaser. The Official Statement was approved by the Pricing Officer of the District for distribution in accordance with the provisions of the Rule.

/s/ Kimberly Pickens

Pricing Officer

APPENDIX A

FINANCIAL INFORMATION OF THE DISTRICT

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FRISCO INDEPENDENT SCHOOL DISTRICT

Financial Information

ASSESSED VALUATION [1] [2]

2017/18 Total Valuation		$ 38,974,045,246
Less Exemptions & Deductions [3]:		
State Homestead Exemption	$ 1,166,057,262	
State Over-65 Exemption	68,632,993	
Disabled Exemption	71,036,208	
Veterans Exemption	6,330,500	
Freeport Exemption	52,453,349	
Pollution Control Exemption	3,364,507	
Productivity Loss	1,634,635,079	
Solar / Wind Exemption	3,146,690	
Homestead Cap Loss	397,838,315	
	$ 3,403,494,903	
2017/18 Net Taxable Valuation		$ 35,570,550,343

(1) Source: Comptroller of Public Accounts - Property Tax Division.
(2) The passage of a Texas Constitutional Amendment on November 3, 2015 increased the homestead exemption from $15,000 to $25,000.
(3) Excludes the values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers, which totaled $577,048,288 for 2017/18.

VOTED GENERAL OBLIGATION DEBT

Unlimited Tax Bonds Outstanding [1]		$ 1,883,193,851
Plus: The Bonds		49,865,000
Total Unlimited Tax Bonds [1]		1,933,058,851
Less: Interest & Sinking Fund Balance (As of June 30, 2017) [2]		(107,502,072)
Net General Obligation Debt		$ 1,825,556,779
Ratio of Net G.O. Debt to Net Taxable Valuation [3]	5.13%	
2018 Population Estimate	285,933	
Per Capita Net Taxable Valuation	$124,402	
Per Capita Net G.O. Debt	$6,385	

(1) Excludes interest accreted on outstanding capital appreciation bonds.
(2) Source: Frisco ISD Audited Financial Statements.
(3) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement and "DEBT SERVICE REQUIREMENTS" in this appendix and see the "Audited Financial Report Fiscal Year Ended June 30, 2017" in Appendix D for more information relative to the District's outstanding obligations.

PROPERTY TAX RATES AND COLLECTIONS

Fiscal Year	Net Taxable Valuation	Tax Rate	% Collections [3] Current [4]	% Collections [3] Total [4]
2006/07	$ 12,291,132,177 [1]	$ 1.5800 [5]	98.63%	99.51%
2007/08	14,921,727,758 [1]	1.3500 [5]	98.75%	100.01%
2008/09	16,633,310,020 [1]	1.3700	98.38%	100.01%
2009/10	17,179,508,143 [1]	1.3900	98.24%	99.66%
2010/11	16,875,840,490 [1]	1.3900	98.84%	100.01%
2011/12	17,504,186,578 [1]	1.4200	99.18%	100.77%
2012/13	18,411,180,611 [1]	1.4600	99.34%	100.05%
2013/14	20,072,774,219 [1]	1.4600	99.11%	99.62%
2014/15	23,005,771,528 [1]	1.4600	99.14%	98.94%
2015/16	26,230,139,504 [1] [2]	1.4600	99.41%	100.70%
2016/17	30,621,651,034 [1] [2]	1.4600	99.30%	99.64%
2017/18	35,570,550,343 [1] [2]	1.4600	99.00% [6]	100.00% [6]

(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) Source: Frisco ISD Audited Financial Statements.
(4) Excludes penalties and interest.
(5) The declines in the District's Maintenance & Operation Tax for the 2006/07 and 2007/08 fiscal years are a function of House Bill 1 adopted by the Texas Legislature in May 2006. See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement.
(6) Estimate as of February 2018.

TAX RATE DISTRIBUTION

	2013/14	2014/15	2015/16	2016/17	2017/18
Maintenance & Operations	$1.0400	$1.0400	$1.0400	$1.0400	$1.0400
Debt Service	$0.4200	$0.4200	$0.4200	$0.4200	$0.4200
Total Tax Rate	$1.4600	$1.4600	$1.4600	$1.4600	$1.4600

VALUATION AND FUNDED DEBT HISTORY

Fiscal Year	Net Taxable Valuation	Bond Debt Outstanding (1)	Ratio Debt to A.V. (2)
2006/07	$ 12,291,132,177	$ 802,862,979	6.53%
2007/08	14,921,727,758	992,862,979	6.65%
2008/09	16,633,310,020	1,163,469,342	6.99%
2009/10	17,179,508,143	1,178,615,745	6.86%
2010/11	16,875,840,490	1,265,634,232	7.50%
2011/12	17,504,186,578	1,310,323,851	7.49%
2012/13	18,411,180,611	1,353,110,843	7.35%
2013/14	20,072,774,219	1,524,710,843	7.60%
2014/15	23,005,771,528	1,741,980,843	7.57%
2015/16	26,230,139,504	1,851,248,851	7.06%
2016/17	30,621,651,034	1,884,538,851	6.15%
2017/18	35,570,550,343	1,884,983,851 (3)	5.30%

(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 interest accreted on outstanding capital appreciation bonds.
(2) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement, "DEBT SERVICE REQUIREMENTS" in this Appendix and see the "Audited Financial Report Fiscal Year Ended June 30, 2017" in Appendix D for more information.
(3) Includes the Bonds.

ESTIMATED OVERLAPPING DEBT STATEMENT

Taxing Body	Amount	Percent Overlapping	Amount Overlapping
Collin County	$ 301,610,000	19.08%	$ 57,547,188
Collin County CCD	14,590,000	19.08%	2,783,772
Denton County	645,305,000	10.71%	69,112,166
Denton County FWSD # 8-C	39,468,277	100.00%	39,468,277
City of Frisco	288,353,653	91.90%	264,997,007
Town of Little Elm	38,364,692	36.34%	13,941,729
City of McKinney	228,210,000	17.52%	39,982,392
City of Plano	327,935,000	3.56%	11,674,486
Total Overlapping Debt (1)			$ 499,507,017
Frisco Independent School District (2)			1,825,556,779
Total Direct & Overlapping Debt			$ 2,325,063,796

Ratio of Net Direct & Overlapping Debt to Net Taxable Valuation	6.54%
Per Capita Direct & Overlapping Debt	$8,131

(1) Equals gross debt less self-supporting debt.
(2) Includes the Bonds. Excludes interest accreted on 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]

2017/18 Top Ten Taxpayers

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Capital One National Association	Banking & Finance	$ 190,788,000	0.54%
Toyota Motor North America Inc	Automotive	168,335,490	0.47%
JP Morgan Chase Bank NA	Banking & Finance	140,967,122	0.40%
BPR Shopping Center LP	Real Estate Development	138,882,043	0.39%
Liberty Mutual Plano LLC	Banking & Finance	133,200,509	0.37%
Granite Park I LLC	Real Estate Development	126,655,303	0.36%
Tollway/121 Partners LTD	Real Estate Development	124,627,611	0.35%
Blue Star HQ Inc	Real Estate Development	107,787,786	0.30%
Tx Apt 8205 Towne Main Drive LP	Real Estate Development	97,563,183	0.27%
PPF Amli Parkwood Boulevard LLC	Real Estate Development	95,635,986	0.27%
		$ 1,324,443,033	3.72%

2016/17 Top Ten Taxpayers

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Capital One National Association	Banking & Finance	$ 149,429,000	0.49%
BPR Shopping Center LP	Shopping Center	121,936,281	0.40%
Tollway/121 Partners LTD	Real Estate Development	114,367,577	0.37%
Granite Park I LLC	Real Estate Development	112,989,648	0.37%
Tx Apt 8205 Towne Main Drive LP	Real Estate Development	84,897,767	0.28%
KDC Legacy HQ Investments One LP	Real Estate Development	78,184,757	0.26%
Hall Office Portfolio DB LLC	Real Estate Development	77,440,725	0.25%
Frisco Station Partners LP	Real Estate Development	69,588,841	0.23%
PPF Amli Parkwood Boulevard LLC	Real Estate Development	66,124,988	0.22%
Specified Properties LLP	Real Estate Development	64,642,933	0.21%
		$ 939,602,517	3.07%

2015/16 Top Ten Taxpayers

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Capital One National Association	Banking & Finance	$ 147,883,770	0.56%
BPR Shopping Center LP	Shopping Center	121,815,390	0.46%
Tollway/121 Partners LTD	Real Estate Development	101,827,987	0.39%
Tx Apt 8205 Towne Main Drive LP	Real Estate Development	79,607,872	0.30%
Hall Office Portfolio DB LLC	Real Estate Development	73,100,000	0.28%
Tenet Frisco LTD	Medical Center	67,415,680	0.26%
Granite Park I LLC	Real Estate Development	66,807,851	0.25%
Frisco Station Partners LP	Real Estate Development	64,633,218	0.25%
Specified Properties LLP	Real Estate Development	63,472,889	0.24%
Sabra Texas Holdings LP	Investments	61,170,486	0.23%
		$ 847,735,143	3.23%

(1) Source: Comptroller of Public Accounts - Property Tax Division. Previous Official Statements for Frisco ISD reflected the top ten taxpayers as accounted for by the Frisco ISD tax office. The tax office was closed in June 2013 and therefore the amounts shown now reflect the figures from the Comptroller of Public Accounts - Property Tax Division.

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

Category	2017/18	% of Total	2016/17	% of Total	2015/16	% of Total
Real, Residential, Single-Family	$ 24,266,454,955	62.26%	$ 21,617,912,704	63.33%	$ 18,531,227,482	63.01%
Real, Residential, Multi-Family	2,863,423,379	7.35%	2,308,485,474	6.76%	1,953,611,983	6.64%
Real, Vacant Lots/Tracts	574,861,150	1.47%	548,452,795	1.61%	432,451,349	1.47%
Real, Acreage	1,636,247,637	4.20%	1,677,217,322	4.91%	1,691,512,254	5.75%
Real, Farm & Ranch Improvements	651,465,813	1.67%	683,537,417	2.00%	519,090,462	1.77%
Real, Commercial & Industrial	7,029,248,675	18.04%	5,613,500,147	16.45%	4,778,991,671	16.25%
Utilities	219,739,241	0.56%	174,364,345	0.51%	163,717,344	0.56%
Tangible Personal, Commercial	1,091,948,414	2.80%	982,482,785	2.88%	938,164,868	3.19%
Tangible Personal, Industrial	689,077	0.00%	682,888	0.00%	2,300,357	0.01%
Tangible Personal, Mobile Homes & Other	218,505	0.00%	185,706	0.00%	186,309	0.00%
Tangible Personal, Residential Inventory	584,458,149	1.50%	472,729,688	1.38%	362,157,653	1.23%
Tangible Personal, Special Inventory	55,290,251	0.14%	54,236,847	0.16%	35,985,225	0.12%
Total Appraised Value	$ 38,974,045,246	100.00%	$ 34,133,788,118	100.00%	$ 29,409,396,957	100.00%
Less:						
Homestead Cap Adjustment	$ 397,838,315		$ 537,827,543		$ 269,685,036	
Productivity Loss	1,634,635,079		1,675,417,699		1,689,283,764	
Exemptions	1,371,021,509 [(3)]		1,298,891,842 [(3)]		1,220,288,653 [(3)]	
Total Exemptions/Deductions [(4)]	$ 3,403,494,903		$ 3,512,137,084		$ 3,179,257,453	
Net Taxable Assessed Valuation	$ 35,570,550,343		$ 30,621,651,034		$ 26,230,139,504	

Category	2014/15	% of Total	2013/14	% of Total	2012/13	% of Total
Real, Residential, Single-Family	$ 15,793,610,094	62.15%	$ 13,675,913,279	61.64%	$ 12,627,501,202	61.48%
Real, Residential, Multi-Family	1,704,527,510	6.71%	1,413,163,612	6.37%	1,202,898,036	5.86%
Real, Vacant Lots/Tracts	397,306,356	1.56%	298,801,710	1.35%	293,379,271	1.43%
Real, Acreage	1,564,168,999	6.16%	1,393,693,816	6.28%	1,730,873,484	8.43%
Real, Farm & Ranch Improvements	371,885,899	1.46%	321,808,894	1.45%	17,685,947	0.09%
Real, Commercial & Industrial	4,178,276,253	16.44%	3,764,176,806	16.97%	3,499,967,601	17.04%
Utilities	151,707,976	0.60%	136,448,465	0.62%	130,695,320	0.64%
Tangible Personal, Commercial	886,060,653	3.49%	828,032,175	3.73%	771,324,597	3.76%
Tangible Personal, Industrial	2,597,564	0.01%	3,479,761	0.02%	3,715,169	0.02%
Tangible Personal, Mobile Homes & Other	192,586	0.00%	162,389	0.00%	247,682	0.00%
Tangible Personal, Residential Inventory	327,219,690	1.29%	323,734,985	1.46%	239,862,772	1.17%
Tangible Personal, Special Inventory	33,901,313	0.13%	26,057,049	0.12%	21,903,047	0.11%
Total Appraised Value	$ 25,411,454,893	100.00%	$ 22,185,472,941	100.00%	$ 20,540,054,128	100.00%
Less:						
Homestead Cap Adjustment	$ 100,497,908		$ 18,495,926		$ 14,967,475	
Productivity Loss	1,561,672,720		1,390,905,150		1,428,710,182	
Exemptions	743,512,737		703,297,646		685,195,860	
Total Exemptions/Deductions [(4)]	$ 2,405,683,365		$ 2,112,698,722		$ 2,128,873,517	
Net Taxable Assessed Valuation	$ 23,005,771,528		$ 20,072,774,219		$ 18,411,180,611	

(1) The Taxable Assessed Valuation includes the Captured Appraised Value of property that is located in the City of Frisco Reinvestment Zone Number One. See "AD VALOREM TAX PROCEDURES - The Property Tax Code as Applied to the District." The Zone was created by the City in accordance with the requirements of Section 403.302(d) of the Texas Government Code. Accordingly, the Commissioner of Education does not include the Captured Appraised Value of property that is located in the Zone in determining the District's property value wealth per student.
(2) Source: Comptroller of Public Accounts - Property Tax Division.
(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	Total [2]	Bonds Unpaid At Year End	Percent of Principal Retired
2018	$ 49,420,000.00	$ -	$ 49,420,000.00	$ 1,884,983,850.85	2.55%
2019	52,461,260.30	870,000.00	53,331,260.30	1,831,652,590.55	5.31%
2020	53,599,472.30	915,000.00	54,514,472.30	1,777,138,118.25	8.13%
2021	55,952,422.40	965,000.00	56,917,422.40	1,720,220,695.85	11.07%
2022	58,430,469.35	1,010,000.00	59,440,469.35	1,660,780,226.50	14.15%
2023	57,921,447.95	1,060,000.00	58,981,447.95	1,601,798,778.55	17.19%
2024	56,287,844.10	1,115,000.00	57,402,844.10	1,544,395,934.45	20.16%
2025	60,717,677.75	1,170,000.00	61,887,677.75	1,482,508,256.70	23.36%
2026	59,939,730.30	1,230,000.00	61,169,730.30	1,421,338,526.40	26.52%
2027	62,506,872.70	1,285,000.00	63,791,872.70	1,357,546,653.70	29.82%
2028	63,400,218.55	1,355,000.00	64,755,218.55	1,292,791,435.15	33.17%
2029	65,577,325.85	1,395,000.00	66,972,325.85	1,225,819,109.30	36.63%
2030	76,175,115.10	1,465,000.00	77,640,115.10	1,148,178,994.20	40.64%
2031	71,702,801.00	1,510,000.00	73,212,801.00	1,074,966,193.20	44.43%
2032	75,508,770.00	1,555,000.00	77,063,770.00	997,902,423.20	48.41%
2033	64,794,731.20	1,600,000.00	66,394,731.20	931,507,692.00	51.85%
2034	65,477,692.00	1,650,000.00	67,127,692.00	864,380,000.00	55.32%
2035	91,690,000.00	1,700,000.00	93,390,000.00	770,990,000.00	60.14%
2036	88,610,000.00	1,755,000.00	90,365,000.00	680,625,000.00	64.81%
2037	83,750,000.00	1,810,000.00	85,560,000.00	595,065,000.00	69.24%
2038	91,830,000.00	1,870,000.00	93,700,000.00	501,365,000.00	74.08%
2039	95,745,000.00	1,935,000.00	97,680,000.00	403,685,000.00	79.13%
2040	99,985,000.00	2,000,000.00	101,985,000.00	301,700,000.00	84.40%
2041	108,005,000.00	2,070,000.00	110,075,000.00	191,625,000.00	90.09%
2042	62,085,000.00	2,140,000.00	64,225,000.00	127,400,000.00	93.41%
2043	45,500,000.00	2,210,000.00	47,710,000.00	79,690,000.00	95.88%
2044	34,215,000.00	2,285,000.00	36,500,000.00	43,190,000.00	97.77%
2045	20,080,000.00	2,360,000.00	22,440,000.00	20,750,000.00	98.93%
2046	11,585,000.00	2,440,000.00	14,025,000.00	6,725,000.00	99.65%
2047	1,585,000.00	2,525,000.00	4,110,000.00	2,615,000.00	99.86%
2048		2,615,000.00	2,615,000.00	-	100.00%
Total	$ 1,884,538,850.85	$ 49,865,000.00	$ 1,934,403,850.85		

(1) Debt service for the Bonds is illustrated on the basis of the State's fiscal year end of August 31st, although the District's fiscal year ends on June 30th.
(2) Excludes the accreted value of outstanding capital appreciation bonds.

DEBT SERVICE REQUIREMENTS [1]

Fiscal Year Ending 8/31	Outstanding Debt Service [2]	Plus: The Bonds [3] Principal	Interest	Total	Combined Total [2] [3] [4]
2018	$ 131,396,143.78	$ -	$ 682,892.85	$ 682,892.85	$ 132,079,036.63
2019	130,986,118.78	870,000.00	1,834,637.50	2,704,637.50	133,690,756.28
2020	130,986,350.02	915,000.00	1,791,137.50	2,706,137.50	133,692,487.52
2021	130,982,925.02	965,000.00	1,745,387.50	2,710,387.50	133,693,312.52
2022	130,986,231.28	1,010,000.00	1,697,137.50	2,707,137.50	133,693,368.78
2023	130,987,668.78	1,060,000.00	1,646,637.50	2,706,637.50	133,694,306.28
2024	130,986,175.04	1,115,000.00	1,593,637.50	2,708,637.50	133,694,812.54
2025	130,984,162.54	1,170,000.00	1,537,887.50	2,707,887.50	133,692,050.04
2026	130,983,518.78	1,230,000.00	1,479,387.50	2,709,387.50	133,692,906.28
2027	130,987,793.78	1,285,000.00	1,417,887.50	2,702,887.50	133,690,681.28
2028	130,984,363.78	1,355,000.00	1,353,637.50	2,708,637.50	133,693,001.28
2029	130,986,896.28	1,395,000.00	1,312,987.50	2,707,987.50	133,694,883.78
2030	130,983,472.52	1,465,000.00	1,243,237.50	2,708,237.50	133,691,710.02
2031	130,985,687.52	1,510,000.00	1,199,287.50	2,709,287.50	133,694,975.02
2032	130,983,300.02	1,555,000.00	1,153,987.50	2,708,987.50	133,692,287.52
2033	130,985,418.76	1,600,000.00	1,107,337.50	2,707,337.50	133,692,756.26
2034	129,208,431.26	1,650,000.00	1,057,337.50	2,707,337.50	131,915,768.76
2035	129,209,237.52	1,700,000.00	1,005,775.00	2,705,775.00	131,915,012.52
2036	129,213,050.02	1,755,000.00	950,525.00	2,705,525.00	131,918,575.02
2037	116,211,600.02	1,810,000.00	893,487.50	2,703,487.50	118,915,087.52
2038	116,210,743.76	1,870,000.00	834,662.50	2,704,662.50	118,915,406.26
2039	116,208,743.76	1,935,000.00	771,550.00	2,706,550.00	118,915,293.76
2040	116,212,906.26	2,000,000.00	706,243.76	2,706,243.76	118,919,150.02
2041	119,793,650.00	2,070,000.00	638,743.76	2,708,743.76	122,502,393.76
2042	69,145,812.50	2,140,000.00	568,881.26	2,708,881.26	71,854,693.76
2043	50,209,262.50	2,210,000.00	496,656.26	2,706,656.26	52,915,918.76
2044	37,049,600.00	2,285,000.00	422,068.76	2,707,068.76	39,756,668.76
2045	21,502,850.00	2,360,000.00	344,950.00	2,704,950.00	24,207,800.00
2046	12,159,350.00	2,440,000.00	265,300.00	2,705,300.00	14,864,650.00
2047	1,648,400.00	2,525,000.00	179,900.00	2,704,900.00	4,353,300.00
2048		2,615,000.00	91,525.00	2,706,525.00	2,706,525.00
	$ 3,260,159,864.28	$ 49,865,000.00	$ 32,024,711.65	$ 81,889,711.65	$ 3,342,049,575.93

(1) Debt service for the Bonds is illustrated on the basis of the State's 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) Includes accrued interest in the amount of $81,539.44.
(4) Based on its wealth per student, the District does not expect to receive state financial assistance for the payment of debt service for the fiscal year 2017/18. The amount of State aid for debt service may substantially differ from year to year, depending on a number of factors, including amounts, if any, appropriated for that purpose by the Texas Legislature. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement.

TAX ADEQUACY WITH RESPECT TO THE DISTRICT'S BONDS

Projected Maximum Debt Service Requirement [1]	$ 133,694,975.02
Projected State Financial Assistance for Debt Service in 2017/18 [2]	-
Projected Net Debt Service Requirement	$ 133,694,975.02
$0.37966 Tax Rate @ 99% Collections Produces	$ 133,695,271.32
2017/18 Net Taxable Valuation	$ 35,570,550,343

(1) Includes the Bonds.
(2) Based on its wealth per student, the District does not expect to receive state financial assistance for the payment of debt service for the fiscal year 2017/18. The amount of State aid for debt service may substantially differ from year to year, depending on a number of factors, including amounts, if any, appropriated for that purpose by the Texas Legislature. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement.

AUTHORIZED BUT UNISSUED BONDS

Following the issuance of the Bonds, the District will have $170,000,000 of authorized but unissued unlimited ad valorem tax bonds from the May 10, 2014 bond 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				
	2013	2014	2015	2016	2017
Beginning Fund Balance	**$ 60,265,019**	**$ 72,665,802**	**$ 85,164,707**	**$ 92,479,106**	**$ 123,493,141**
Revenues:					
Local and Intermediate Sources	$ 205,965,414	$ 221,080,963	$ 253,432,061	$ 289,018,829	$ 336,393,833
State Sources	128,133,012	130,548,682	131,228,624	155,994,420	133,522,734
Federal Sources & Other	516,970	589,595	1,304,865	2,332,383	2,320,903
Total Revenues	**$ 334,615,396**	**$ 352,219,240**	**$ 385,965,550**	**$ 447,345,632**	**$ 472,237,470**
Expenditures:					
Instruction	$ 191,405,152	$ 204,344,529	$ 229,506,172	$ 252,535,035	$ 282,993,597
Instructional Resources & Media Services	5,055,880	5,272,018	5,578,384	5,903,628	6,557,162
Curriculum & Instructional Staff Development	6,396,883	7,080,895	7,993,746	8,571,708	8,853,065
Instructional Leadership	4,463,681	4,614,011	4,882,507	5,390,706	6,006,327
School Leadership	21,944,605	21,304,744	23,582,649	26,213,068	28,474,277
Guidance, Counseling & Evaluation Services	10,026,534	10,309,406	11,496,305	13,982,202	14,309,802
Social Work Services	343,427	360,371	343,027	356,988	275,677
Health Services	3,727,782	3,859,005	4,534,066	5,050,855	5,386,188
Student (Pupil) Transportation	8,124,128	8,769,634	9,490,841	10,435,043	11,284,361
Food Services	-	-	-	-	268,820
Cocurricular/Extracurricular Activities	10,342,279	10,657,670	11,537,783	13,603,768	14,155,340
General Administration	5,705,645	5,685,941	6,324,069	7,823,941	8,223,475
Plant Maintenance and Operations	27,141,594	28,268,625	30,597,474	32,866,208	33,880,207
Security and Monitoring Services	1,865,957	2,510,096	3,066,062	3,279,043	3,568,407
Data Processing Services	5,146,610	5,307,632	6,206,388	6,138,332	5,982,344
Community Services	761,890	799,951	890,853	830,319	871,383
Other Intergovernmental Charges	1,801,088	1,924,946	2,102,040	2,377,535	2,683,175
Facilities Acquisition and Construction	-	-	-	-	25,787
Contracted Instructional Services Between Schools	1,785,899	1,004,896	1,177,873	217,771	-
Payments to Juvenile Justice Alternative Ed. Program	44,573	23,499	47,931	37,077	67,814
Payments to Tax Increment Fund	16,558,936	17,605,466	19,317,219	20,698,870	22,583,104
Total Expenditures	**$ 322,642,543**	**$ 339,703,335**	**$ 378,675,389**	**$ 416,312,097**	**$ 456,450,312**
Excess (Deficiency) of Revenues over Expenditures	$ 11,972,853	$ 12,515,905	$ 7,290,161	$ 31,033,535	$ 15,787,158
Other Resources and (Uses):					
Sale of Real and Personal Property	$ 988	$ -	$ -	$ -	$ -
Transfer In	523,303	-	44,238	-	16,998
Transfer Out	(96,361)	(17,000)	(20,000)	(19,500)	(6,035,000)
Total Other Resources (Uses)	**$ 427,930**	**$ (17,000)**	**$ 24,238**	**$ (19,500)**	**$ (6,018,002)**
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	$ 12,400,783	$ 12,498,905	$ 7,314,399	$ 31,014,035	$ 9,769,156
Prior Period Adjustment	$ -	$ -	$ -	$ -	$ -
Ending Fund Balance	**$ 72,665,802**	**$ 85,164,707**	**$ 92,479,106**	**$ 123,493,141**	**$ 133,262,297**

(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 2017/18 budget and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - Possible Effects of Wealth Transfer Provisions on the District's Financial Condition" in the Official Statement. The District elected to change its fiscal year from August 31st to June 30th beginning with the period ending June 30, 2008.

CHANGE IN NET ASSETS [(1)]

	Fiscal Year Ended June 30				
	2013	2014	2015	2016	2017
Revenues:					
Program Revenues:					
Charges for Services	$ 17,781,112	$ 18,765,699	$ 20,799,525	$ 22,652,314	$ 23,042,938
Operating Grants and Contributions	22,544,354	26,278,448	38,071,093	34,845,658	38,224,087
General Revenues:					
Property Taxes Levied for General Purposes	199,562,589	229,889,558	265,133,759	279,061,789	328,154,575
Property Taxes Levied for Debt Service	72,822,119	80,937,836	93,922,813	105,578,096	124,819,619
State Aid - Formula Grants	117,087,935	119,733,020	120,405,390	139,758,001	115,510,634
Grants and Contributions Not Restricted	516,970	-	-	2,332,383	2,320,903
Investment Earnings	238,659	98,009	166,062	720,988	1,994,950
Miscellaneous	20,559,060	2,754,365	3,625,774	20,162,030	19,776,576
Total Revenue	$ 451,112,798	$ 478,456,935	$ 542,124,416	$ 605,111,259	$ 653,844,282
Expenses:					
Instruction	$ 220,404,517	$ 237,776,317	$ 284,653,714	$ 305,605,412	$ 325,140,742
Instruction Resources & Media Services	6,878,260	7,563,264	9,187,036	9,796,673	9,325,687
Curriculum & Staff Development	6,695,992	7,496,653	8,527,459	8,937,996	9,447,290
Instructional Leadership	4,538,265	4,625,073	5,075,185	5,474,033	6,192,970
School Leadership	22,284,476	21,657,026	28,254,017	30,178,920	32,328,267
Guidance, Counseling & Evaluation Services	12,552,997	12,828,364	14,672,505	16,612,319	17,508,585
Social Work Services	343,427	360,371	352,044	361,960	279,911
Health Services	3,738,802	3,885,439	4,700,476	5,183,496	5,496,484
Student Transportation	9,854,542	10,489,264	11,631,466	12,127,267	12,899,257
Food Service	18,662,958	20,138,815	22,671,955	25,943,835	25,477,572
Cocurricular/Extracurricular Activities	14,929,811	15,493,350	17,804,290	19,434,773	19,440,200
General Administration	6,560,127	6,752,192	8,271,754	9,432,967	9,747,588
Plant Maintenance & Operations	30,168,059	31,796,821	37,020,121	45,202,540	46,480,755
Security and Monitoring Services	2,731,959	3,595,026	3,808,630	3,916,348	3,826,564
Data Processing Services	6,718,444	7,194,012	9,499,233	9,131,244	8,927,287
Community Services	1,572,685	1,516,206	1,992,750	1,857,437	1,900,499
Debt Service - Interest on Long-term Debt	70,402,767	45,233,434	73,966,028	81,825,335	79,783,468
Debt Service - Bond Issuance Cost and Fees	1,034,160	1,288,269	2,511,829	3,518,708	2,474,789
Contracted Instructional Services Between Schools	1,785,899	1,004,896	1,177,873	217,771	-
Payments to Juvenile Justice Alternative Ed. Prg.	44,573	23,499	47,931	37,077	67,814
Other Governmental Charges	1,801,088	1,924,946	2,102,040	2,377,535	2,683,175
Payments to Tax Increment Fund	16,558,936	17,605,466	19,317,219	20,698,870	22,583,104
Total Expenditures	$ 460,262,744	$ 460,248,703	$ 567,245,555	$ 617,872,516	$ 642,012,008
Change in Net Assets	$ (9,149,946)	$ 18,208,232	$ (25,121,139)	$ (12,761,257)	$ 11,832,274
Beginning Net Assets	$ (152,326,041)	$ (167,422,224)	$ (149,213,992)	$ (245,443,341)	$ (258,204,598)
Prior Period Adjustment	$ (5,946,237)	$ -	$ (71,108,210) [(2)]	$ -	$ -
Ending Net Assets	$ (167,422,224)	$ (149,213,992)	$ (245,443,341)	$ (258,204,598)	$ (246,372,324)

(1) The foregoing information represents government-wide financial information provided in accordance with GASB 34, which the District adopted for the 2002.
(2) The 2015 Prior Period Adjustment was the result of implementation of GASB Statement 68 "Accounting and Financial Reporting for Pensions" and GASB Statement 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date".

APPENDIX B

GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

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GENERAL INFORMATION REGARDING
FRISCO INDEPENDENT SCHOOL DISTRICT, THE CITY OF FRISCO AND COLLIN COUNTY, TEXAS

GENERAL AND ECONOMIC INFORMATION

The District is a residential, commercial, and agricultural area, which covers approximately 75 total square miles in the western portion of Collin County extending into the eastern section of neighboring Denton County. The District includes the City of Frisco, which is the primary commercial and population center of the District.

The District is the fastest growing District in the State of Texas based on a percentage basis, increasing in student population by 10-30 percent annually for the past 12 years. The 2018 population estimate for the District is 285,000 compared to the 2000 population estimate of 34,000. The District's economic base is primarily comprised of commercial and governmental concerns which provide a variety of goods and services. The following table illustrates the leading employers located within the City of Frisco.

Employer	2018 Approximate Number of Employees
Frisco Independent School District	7,500
T-Mobile	1,500
City of Frisco	1,102
Mario Sinacola & Sons Excavating	603
CCCD Preston Ridge Campus	550
Amerisource Bergens Specialty Group	500
CLA USA, Inc.	450
IKEA Frisco	400
Tenet Texas RBO	300
Market Street	300

*Sources: The District, the Municipal Advisory Council of Texas, and the Frisco Economic Development Corp.

SCHOLASTIC INFORMATION

The District offers a fully accredited and comprehensive educational program. Presently nine high schools, sixteen middle schools, forty elementary schools, and three special program centers serve the District. The plan is to open the 10th high school, 17th middle school and 41st and 42nd elementary schools in fall 2018.

The District is accredited by the Texas Education Agency. The District's personnel totals 7,593, of which 5,731 are teachers. Approximately 27 percent of the teachers hold advanced degrees. Currently, the District reflects a classroom size of as near as possible to 25-28:1 for grades 5-12 and 22:1 for grades K-4. The student to teacher ratio in the district is 14.7:1.

Computer labs are in every school and the District has a ratio of four students to every computer. Through a technology outreach program, older computers that are no longer suitable for the school setting have been refurbished and loaded with appropriate software to be placed in homes of students in need of a computer.

In addition to the core curriculum, the District offers a wide variety of classes and training for students including:

- Physical Education, Music and Art for elementary students
- After-school programming and Spanish Language classes are offered at elementary schools through partnerships with the YMCA and other educational entities.
- Duke University Talent Search, Math/Science Competition, pre Advanced Placement courses, Mock Trial, Band, Choir, Art, Theatre Arts, Robotics, Video production and may other opportunities are available at the middle school level.
- Advance Placement and Honors courses are being offered in the high schools including Language, Literature, Composition, Computer Science, US History, Government, Macroeconomics, Chemistry, Biology, Physics, Calculus, Art, Statistics.
- Dual credit classes are offered in conjunction with community colleges for English IV, Government and Economics. Additionally, Tech Prep courses are available.
- The Independent Study Mentorship Program is offered for qualifying, committed juniors and seniors, enabling them to explore a career through a community mentor.
- Comprehensive special education programs for students with special learning needs, including Gifted Instruction, Special Education, ESL/Bilingual, Dyslexia, Head Start, Early Literacy, Career and Technology Education, Credit Recovery and GED.
- Clubs and activities include band, color guard, chorale music, drill team, cheerleading, National Honor Society, Student Council, Academic Decathlon, National Junior Statesman, Theatre, Agriculture, Key Club, Spanish Club, Yearbook, Fellowship of Christian Athletes, Science Club, French Club, Future Homemakers of America and Art Club.
- UIL competition is at the 4A level which includes football, basketball, baseball, soccer, softball, volleyball, track and cross-country, swimming, golf, power lifting and wrestling.

PRESENT SCHOOL PLANTS[a]

A description of the present school facilities is as follows:

School	Capacity	Grades Provided	Current Enrollment	Teachers	Others[b]	Aides	Admin.	Auxilary
Allen Elementary	760	K-5	627	42.00	3.0	7.0	2.0	3.0
Anderson Elementary	760	K-5	646	40.00	3.0	3.0	2.0	3.0
Ashley Elementary	760	K-5	661	42.00	3.0	7.0	2.0	3.0
Bledsoe Elementary	760	K-5	683	42.00	3.0	4.0	2.0	3.0
Boals Elementary	760	K-5	689	44.00	3.0	5.0	2.0	3.0
Borchardt Elementary	760	K-5	754	44.00	3.0	7.0	2.0	3.0
Bright Elementary	760	K-5	383	30.00	3.0	8.0	2.0	4.0
Carroll Elementary	760	K-5	522	34.00	3.0	9.0	2.0	3.0
Christie Elementary	760	K-5	534	39.00	3.0	11.0	2.0	4.0
Comstock Elementary	760	K-5	732	43.00	3.0	3.0	2.0	3.0
Corbell Elementary	760	K-5	722	45.00	3.0	9.0	2.0	3.0
Curtsinger Elementary	760	K-5	757	45.00	3.0	4.0	2.0	3.0
Elliott Elementary	760	K-5	605	39.00	3.0	5.0	2.0	3.0
Fisher Elementary	760	K-5	584	39.00	3.0	7.0	2.0	3.0
Gunstream Elementary	760	K-5	653	40.00	3.0	3.0	2.0	3.0
Hosp Elementary	760	K-5	743	42.00	3.0	3.0	2.0	3.0
Isbell Elementary	760	K-5	706	42.00	3.0	7.0	2.0	3.0
McSpedden Elementary	760	K-5	716	43.00	3.0	6.0	2.0	3.0
Miller Elementary	760	K-5	631	37.00	3.0	3.0	2.0	3.0
Mooneyham Elementary	760	K-5	829	48.00	3.0	3.0	2.0	3.0
Newman Elementary	760	K-5	813	48.00	3.0	2.0	2.0	3.0
Nichols Elementary	760	K-5	551	35.00	3.0	6.0	2.0	3.0
Norris Elementary	760	K-5	817	42.00	3.0	3.0	2.0	3.0
Ogle Elementary	760	K-5	685	40.00	3.0	7.0	2.0	3.0
Phillips Elementary	760	K-5	673	38.00	3.0	3.0	2.0	3.0
Pink Elementary	760	K-5	481	33.00	3.0	10.0	2.0	3.0
Purefoy Elementary	760	K-5	585	38.00	3.0	11.0	2.0	3.0
Riddle Elementary	760	K-5	772	44.00	3.0	3.0	2.0	3.0
Robertson Elementary	760	K-5	741	45.00	3.0	2.0	2.0	3.0
Rogers Elementary	760	K-5	518	35.00	3.0	7.0	2.0	3.0
Scott Elementary	760	K-5	728	48.00	3.0	7.0	2.0	3.0
Sem Elementary	760	K-5	828	45.00	3.0	4.0	2.0	3.0
Shawnee Trail Elementary	760	K-5	594	35.00	3.0	8.0	2.0	3.0
Smith Elementary	760	K-5	631	41.00	3.0	7.0	2.0	3.0
Sonntag Elementary	760	K-5	591	38.00	3.0	7.0	2.0	3.0
Sparks Elementary	760	K-5	725	39.00	3.0	4.0	2.0	3.0
Spears Elementary	760	K-5	733	45.00	3.0	5.0	2.0	3.0
Tadlock Elementary	760	K-5	636	41.00	3.0	6.0	2.0	3.0
Taylor Elementary	760	K-5	702	43.00	3.0	6.0	2.0	3.0
Vaughn Elementary	760	K-5	572	36.00	3.0	6.0	2.0	3.0
Clark Middle School	1,000	6-8	792	58.00	4.0	8.0	3.0	4.0
Cobb Middle School	1,000	6-8	949	62.00	4.0	6.0	3.0	4.0
Fowler Middle School	1,000	6-8	1,141	74.00	4.0	6.0	3.0	5.0
Griffin Middle School	1,000	6-8	867	59.00	4.0	5.0	3.0	5.0
Hunt Middle School	1,000	6-8	812	51.00	4.0	5.0	3.0	4.0
Maus Middle School	1,000	6-8	987	59.00	4.0	9.0	3.0	4.0
Nelson Middle School	1,000	6-8	767	52.00	4.0	6.0	3.0	4.0
Pearson Middle School	1,000	6-8	770	52.00	4.0	8.0	3.0	4.0
Pioneer Heritage Middle School	1,000	6-8	877	56.00	4.0	5.0	3.0	5.0
Roach Middle School	1,000	6-8	855	59.00	4.0	4.0	3.0	4.0
Scoggins Middle School	1,000	6-8	1,001	61.00	4.0	4.0	3.0	6.0
Stafford Middle School	1,000	6-8	871	60.00	4.0	4.0	3.0	4.0
Staley Middle School	800	6-8	662	58.00	4.0	6.0	3.0	5.0
Trent Middle School	1,000	6-8	887	59.00	4.0	5.0	3.0	4.0
Vandeventer Middle School	1,000	6-8	1,084	69.00	4.0	1.0	3.0	5.0
Wester Middle School	1,000	6-8	1,012	72.00	4.0	4.0	3.0	4.0

School	Capacity	Grades Provided	Current Enrollment	Teachers	Others[a]	Aides	Admin.	Auxilary
Centennial High School	2,100	9-12	2,024	135.00	7.0	11.0	7.0	15.0
Frisco High School	2,100	9-12	1,527	117.00	7.0	13.0	7.0	16.0
Heritage High School	2,100	9-12	2,188	139.00	7.0	12.0	7.0	13.0
Independence High School	2,100	9-12	1,959	125.00	7.0	10.0	7.0	14.0
Lebanon Trail High School	2,100	9-12	948	69.00	4.0	8.0	4.0	9.0
Liberty High School	2,100	9-12	1,987	126.00	7.0	9.0	7.0	15.0
Lone Star High School	1,800	9-12	2,132	122.00	7.0	8.0	7.0	15.0
Memorial High School							1.0	
Reedy High School	2,100	9-12	1,819	113.0	6.0	9.0	6.0	14.0
Wakeland High School	2,100	9-12	2,196	134.0	7.0	8.0	7.0	14.0
Career and Technology Center[c]	NA	9-12	NA	42.00	2.0	1.0	2.0	14.0
Early Childhood School	1,100	EC	794	33.00	2.0	45.0	3.0	7.0
Student Opportunity Center[d]	NA	1-12	0	25.00	3.0	10.0	3.0	4.0
District Wide				12.00	62.0	9.0	101.0	
Z.T. Acker Special Program Ctr.[e]	NA	EC-1	NA	0	0	0	0	0
TOTAL	65,900		58,461	3,782.0	312.0	467.0	297.0	343.0

[a] High School #10, Middle School #17 and Elementary Schools #41 and #42 to open in 2018.
[b] Includes counselors, librarians, nurses, diagnosticians, and psychologist.
[c] The Career and Technical Education Center (CATE) does not have students assigned as a home campus. All students who attend classes here are counted as enrolled at another high school campus.
[d] The Student Opportunity Center (SOC) does not have students assigned as a home campus. This is the districts discipline center.
[e] Acker Special Programs Center has additional students who attend K-8 Disciplinary Alternative Education Program or (DAEP). These students are counted on their assigned home campus.

STUDENT ENROLLMENT BY GRADES

Grade	2017/18	2016/2017	2015/2016	2014/2015
E.C.	382	412	387	313
PRE-K	419	367	319	302
K	4,033	3,889	3,912	3,773
1	4,182	4,181	4,047	4,010
2	4,391	4,207	4,304	4,056
3	4,473	4,461	4,341	4,086
4	4,678	4,561	4,365	4,128
5	4,785	4,510	4,366	4,262
6	4,759	4,586	4,570	4,124
7	4,727	4,702	4,339	3,873
8	4,852	4,482	4,055	3,873
9	4,647	4,252	4,083	3,660
10	4,349	4,093	3,715	3,421
11	4,021	3,687	3,461	3,031
12	3,763	3,526	3,036	2,745
Total	**58,461**	**55,916**	**53,300**	**49,657**

AVERAGE DAILY ATTENDANCE

School Year	Attendance
2017-2018	56,056.47
2016-2017	54,802.00
2015-2016	51,377.00
2014-2015	46,680.00
2013-2014	44,038.00
2012-2013	42,996.05
2011-2012	39,811.16
2010-2011	35,891.62
2009-2010	32,745.00
2008-2009	29,403.66

SCHOLASTIC ENROLLMENT INCREASE/(DECREASES)

School Year	Enrollment	Amount	Percent (%)
1995-96	2,679	475	21.55
1996-97	3,111	432	16.13
1997-98	3,759	648	20.83
1998-99	4,622	863	22.96
1999-00	5,565	943	20.40
2000-01	7,161	1,596	28.68
2001-02	9,292	2,131	29.76
2002-03	11,412	2,120	22.82
2003-04	13,672	2,260	19.80
2004-05	16,677	3,005	21.98
2005-06	20,215	3,538	21.21
2006-07	23,798	3,583	17.72
2007-08	27,419	3,771	15.22
2008-09	30,932	3,513	12.81
2009-10	34,273	3,341	10.80
2010-11	37,651	3,378	9.86
2011-12	40,139	2,488	6.61
2012-13	42,707	2,568	6.40
2013-14	45,996	3,289	7.70
2014-15	49,657	3,661	7.96
2015-16	53,300	3,643	7.34
2016-17	55,916	2,616	4.91
2017-18	58,461	2,545	4.55

STUDENT ENROLLMENT PROJECTIONS

Grade	2018/19	2019/20	2020/21	2021/22
EE-PK	756	775	795	827
K	4,072	4,141	4,191	4,245
1	4,261	4,360	4,430	4,487
2	4,322	4,446	4,549	4,627
3	4,545	4,511	4,640	4,753
4	4,613	4,762	4,726	4,857
5	4,807	4,785	4,939	4,897
6	4,997	5,084	5,061	5,245
7	4,872	5,164	5,265	5,261
8	4,837	5,043	5,358	5,477
9	5,007	5,069	5,298	5,644
10	4,668	5,084	5,160	5,406
11	4,250	4,632	5,058	5,146
12	4,064	4,346	4,747	5,197
Total	**60,071**	**62,202**	**64,217**	**66,069**

GENERAL INFORMATION REGARDING THE CITY OF FRISCO AND COLLIN COUNTY, TEXAS

The City of Frisco, Texas (the "City") is located approximately 20 miles north of Dallas off State Highway 289. The northern extension of the Dallas North Tollway service road to Main Street (FM 720) and north to U.S. 380 provides direct access to downtown Dallas.

The City's estimated population reached 128,176 in 2012, which is a 256% increase over the 2000 census of 33,714. The City's population is estimated to reach 280,000 by the year 2025.

The City is home to three sports teams: the Frisco Rough Riders – professional baseball, Texas Tornado – amateur hockey, and FC Dallas - major league soccer. The City of Frisco, Frisco Independent School District, Collin County and Hunt Sports Group teamed up to build the $65 million soccer facility named Pizza Hut Park, the first large scale soccer facility of its type in the United States. The stadium features a 20,000 seat stadium; 17 soccer fields serving the amateur players which include a 600 seat stadium and turf field dedicated for the high school football and soccer teams.

POPULATION TRENDS

	City of Frisco	Collin County
2018 Estimate	165,000	914,127
2000 Census	33,714	491,675
1990 Census	6,141	264,036
1980 Census	3,420	144,490
1970 Census	1,845	66,920
1960 Census	1,184	41,247

Sources: Municipal Advisory Council of Texas, U.S. Census Bureau, Frisco Economic Development Corporation, and Oncor Economic Development Corporation.

UNEMPLOYMENT RATES

	December 2017	December 2016	December 2015
City of Frisco	2.9%	3.4%	2.6%
Collin County	3.0%	3.4%	3.2%
State of Texas	3.7%	4.5%	4.2%
United States of America	3.9%	4.5%	4.2%

Source: Texas Work Force Commission, Austin, Texas

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APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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Proposed Form of Opinion of Bond Counsel

An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.

FRISCO INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2018
IN THE AGGREGATE PRINCIPAL AMOUNT OF $49,865,000

AS BOND COUNSEL FOR THE ISSUER (the "Issuer") of the Bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which are payable, bear interest and are subject to further provisions, all in accordance with the terms and conditions stated in the text of the Bonds.

WE HAVE EXAMINED the Constitution and laws of the State of Texas, certified copies of the proceedings of the Issuer and other documents authorizing and relating to the issuance of said Bonds, including one of the executed Bonds (Bond Number TR-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that said Bonds have been authorized, issued and duly delivered in accordance with law; and that except as may be limited by governmental immunity, bankruptcy, insolvency, reorganization, moratorium liquidation and other similar laws now or hereafter enacted relating to creditor's rights generally or by principles of equity which permit the exercise of judicial discretion, the Bonds constitute valid and legally binding obligations of the Issuer; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Bonds have been levied and pledged for such purpose, without legal limit as to rate or amount.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on, and assume compliance by the Issuer with, certain covenants regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith, and the certificate with respect to arbitrage by the Commissioner of Education regarding the allocation and investment of certain investments in the Permanent School Fund. We call your attention to the fact that if such representations are determined to be inaccurate or upon failure by the Issuer to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

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

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

600 Congress Ave., Suite 1800
Austin, Texas 78701
T 512.478.3805
F 512.472.0871

717 North Harwood, Suite 900
Dallas, Texas 75201
T 214.754.9200
F 214.754.9250

700 N. St. Mary's Street, Suite 1525
San Antonio, Texas 78205
T 210.225.2800
F 210.225.2984

www.mphlegal.com

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

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 a result and are not binding on the Internal Revenue Service (the “Service”). Rather, our opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, might result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

Respectfully,

APPENDIX D

AUDITED FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2017

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Comprehensive Annual Financial Report

For the Year Ended June 30, 2017

FRISCO
INDEPENDENT SCHOOL DISTRICT

Our mission is to know every student by name and need.

5515 Ohio Drive | Frisco, Texas 75035 | www.friscoisd.org

"NATURAL BEAUTY" BY MEGHNA SAHOO
Independence High School

2017 State VASE Gold Medal
Teacher: Leonard Buscemi

The Frisco ISD Finance Department is proud to showcase the artwork of twelve Frisco ISD students whose work was honored at the 2017 State High School Visual and Scholastic Arts Event (VASE). Student artwork is featured on the cover as well as throughout the publication.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Frisco Independent School District
5515 Ohio Drive
Frisco, Texas 75035

Fiscal Year Ended
June 30, 2017

Prepared by:
Finance Department

FRISCO INDEPENDENT SCHOOL DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017

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FRISCO INDEPENDENT SCHOOL DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017

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INTRODUCTORY SECTION
(UNAUDITED)

CERTIFICATE OF THE BOARD

Frisco Independent School District	Collin	043-905
Name of School District	County	County-District No.

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and ✓ approved ____disapproved for the year ended June 30, 2017, at a meeting of the Board of Trustees of such school district on the 13 day of November, 2017.

Signature of Board President

Signature of Board Secretary

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

FRISCO INDEPENDENT SCHOOL DISTRICT

5515 Ohio Drive
Frisco, Texas 75035
469.633.6000
www.friscoisd.org

November 13, 2017

To the Citizens of the Frisco Independent School District:

The Comprehensive Annual Financial Report (CAFR) of the Frisco Independent School District ("FISD" or the "District") for the fiscal year ended June 30, 2017, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests 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 fairly present the financial position and results of operations of the various funds of FISD. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included. The District discusses its financial position in greater detail in the Management's Discussion and Analysis (MD&A) in the Financial Section of this report.

State law and District policy require an annual audit by independent certified public accountants. The financial statements for the fiscal year ended June 30, 2017, have been audited by Weaver and Tidwell, L.L.P., a licensed certified public accounting firm, and their 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. Information related to the single audit, including the Schedule of Expenditures of Federal Awards, findings and recommendations, and the independent auditor's reports on internal control, compliance, and other matters are included in the Federal Awards Section of this report.

PROFILE OF THE DISTRICT

Frisco ISD is an independent public education agency, recognized by the State of Texas, to provide appropriate educational services to the students in pre-kindergarten through twelfth grade. The District is located in Collin County, in north central Texas (Dallas/Fort Worth metroplex area), and serves, wholly or partially, the communities of Frisco, Plano, McKinney, and Little Elm. The District's history dates back to 1876, even before the railroad and establishment of the town of Frisco.

No other district in the nation has grown faster than Frisco ISD on a percentage basis in the past 20 years. The District has grown by 105% in the past decade, from 27,256 students in 2007-2008 to 55,923 students in 2016-2017. The District is projected to have more than 58,000 students by the end of the 2017-2018 school year. A schedule listing the last ten years enrollment can be found in the Statistical Section of this report.

The District now has 40 elementary schools (with 2 more to open in 2018), 16 middle schools (with one more to open in 2018), 9 high schools (with one more to open in 2018) and 3 special program centers. The District employs approximately 6,650 full and part-time employees, including approximately 3,800 teachers.

Governance and oversight of the District is provided by a non-compensated, seven member Board of Trustees. Members of the Board are elected to office for three year terms on a rotating basis with two or three places being filled through a general election held annually on the first Saturday in May. Should a vacancy occur on the Board, the position may be filled by appointment or left vacant until the next scheduled election. In addition to general oversight and governance, Trustees are charged with calling trustee and other school elections, adopting and amending the annual operating budget, setting the tax rate, setting salary schedules, acting as a board of appeals for student and personnel matters, and employing the Superintendent of Schools. In the performance of these duties, the Board must adhere to all state regulations and other legal restrictions. Since the Board is elected by the community, the decisions of the Board provide administrative guidance to the District in meeting community standards.

EDUCATION

Frisco ISD's mission is to know every student by name and need. As such, the District strives to provide a quality educational experience that is personalized to each student. Curriculum is written in-house by FISD educators to emphasize critical thinking, writing and problem solving. Rigorous lessons set high standards for achievement and challenge all learners.

In addition to core classes in English, mathematics, science and social studies, the District offers a wide variety of electives as diverse as our students themselves. Students choose from courses in broadcast journalism, animal science, aerospace engineering, 3D animation, pharmacology, sports marketing, video game design and art history, just to name a few. FISD strives to provide authentic, real-world learning experiences in which students can explore their interests and get a jumpstart on a future career. Students are encouraged to challenge themselves in a growing number of Advanced Placement (AP) and Pre-AP courses. Additionally, dual-credit opportunities are available through a partnership with Collin College.

Current and emerging technology is integrated into all content areas to extend student learning and keep students engaged in the process. Special programs services are provided in the District on home campuses or through centralized programming. These include Gifted and Talented, Special Education, ESL/Bilingual, Dyslexia, Head Start, Accelerated Reading/Math Instruction, Credit Recovery and GED. The District's Career and Technical Education Center offers more than 30 programs of study for high school students to explore their future, while the Student Opportunity Center provides extra support to help struggling students reach their maximum potential. A free Pre-Kindergarten program is offered at the Early Childhood School for qualifying families.

Frisco ISD continues to raise the bar for student achievement. Test scores continue to improve and are well above state and national averages. The District and 65 of its 66 rated schools "Met Standard" in applicable indices of the State's accountability system, which is the highest rating available. In addition, 151 different distinction designations were earned by FISD campuses for outstanding academic performance in 2017 based on the 2016-2017 STAAR results. Distinction designations can be earned by campuses for:

- Academic Achievement in Reading/English Language Arts (elementary, middle and high school)
- Academic Achievement in Mathematics (middle and high school, based upon Algebra only)
- Academic Achievement in Science (elementary, middle and high school)
- Academic Achievement in Social Studies (middle and high school)
- Top 25 Percent: Student Progress (elementary, middle and high school)
- Top 25 Percent: Closing Performance Gaps (elementary, middle and high school)
- Postsecondary Readiness (district, elementary, middle and high school)

In addition to outstanding performance on the STAAR, FISD students earn an average ACT score of 24.5 and an average SAT score of 1179. More than 75 percent of seniors take one or more college entrance exams, and approximately 90 percent of graduating seniors plan to continue their education at a college, university, technical school or the military following high school. Each year, graduating classes earn millions of dollars in scholarships to further their education.

ECONOMIC CONDITION AND OUTLOOK

Local Economy

Frisco ISD has experienced dynamic growth as a result of new commercial and housing developments throughout the City of Frisco and neighboring areas. A number of major corporations have recently moved their headquarters into the area. That corporate presence combined with ongoing mixed use developments like the "$5 Billion Mile" continue to make the communities served by Frisco ISD attractive destinations for homeowners.

Taxable values of properties within the District have increased 205% over the past decade. Values increased approximately 16.7% from fiscal year 2016 to fiscal year 2017. The District anticipates this rate of growth to continue for the foreseeable future. The District's largest taxpayer comprises only 0.49% of the taxable value of the District, and the total assessed value for all of the top ten taxpayers comprises only 3.07% of the District's taxable value. As such, the loss of a single taxpayer would not have a significant effect on the District's ability to provide educational services or impact its ability to meet future financial obligations.

Capital Projects

Joint ventures with the City of Frisco have enabled the District to avoid costly construction of necessary support facilities such as athletic complexes and multi-use facilities. The most recent cooperative project allows the District access to the City's multi-use facility that currently serves as the Dallas Cowboy's World Headquarters. Joint ventures such as this are paid for by tax revenue collected from a Tax Increment Reinvestment Zone comprised of commercial and multi-family residential property that was established in 1997.

In 2014, the FISD community supported and passed a bond authorization package of $775 million to meet the capital needs associated with the District's rapid enrollment growth. The bond package was designed to provide educational facilities for up to 66,000 students. The package was developed by a committee of 27 parents and community members who met for several months to review FISD facilities and capacities, historical growth and projections, economic indicators and growth plans of the city, along with cost estimates and financial implications. Ultimately, the group proposed a program to provide funding for 14 new schools, including eight elementary schools, three middle schools and three high schools, as well as school additions, renovations to support facilities, land purchases and instructional and student support needs. While the original plans for these funds may be revised over time, the overall objective has not changed; and this committee continues to meet regularly to provide feedback regarding the appropriate use of bond funds.

Long-Term Financial Planning

Frisco ISD uses a number of financial management strategies, including multi-year financial planning, periodic analysis of peer district comparative financial data, and regular discussion with the Frisco Instructional Support Team and Board of Trustees throughout the year regarding budgetary decisions. The District has also recently developed a long-range planning committee comprised of 50 community members to serve as an advisory group to Administration and the Board of Trustees. FISD has been effective in anticipating, planning, and implementing strategies that permit it to work within the constraints of available revenues but not reduce the overall quality of its educational programs.

Projecting student enrollment growth and dealing with the limitations of the State's school funding system are two major factors affecting the District's long-term financial plans. Student enrollment continues to increase by 6-10% each year. We've added an average of 3,200 new students annually for the past 10 years, and we expect to see continued growth, although at a somewhat slower pace. District management and external demographers predict an increase of 2,000 to 2,500 new students each year for the next 3-5 years.

Although the District receives additional funding from the State for each new student enrolled, the methodology of the State's funding mechanism presents some significant challenges. Since the 1970's the State of Texas has been involved with lawsuits challenging the system of financing public schools, which has ultimately led to the funding formula that is currently in place. A ruling by the Texas Supreme Court in the most recent lawsuit regarding school funding found in favor of the constitutionality of the funding formula, although it agreed that the mechanism has "immense room for improvement." Aside from the direct cuts to school funding that took place in prior years, the State has been slowly shifting the burden of public education spending to local taxpayers. Because of the nature of the equalized formula, school districts like FISD do not receive additional operating dollars when property values rise. If property values go up one year, the State reduces its share of funding the next year, effectively using local tax dollars to supplant its required contribution to public education. Since 2008, the State's share of public education spending has shifted from 44.9% to 38.4% state-wide. For FISD, state revenue constitutes only 28.2% of our 2016-2017 General Fund revenue.

The District continues to monitor Texas Education Agency guidelines and interpretations of the Texas school finance law but can make no representation or prediction regarding legislation that may be enacted or its effect on the District or State's school finance system.

INTERNAL CONTROL

The Board and Administration of FISD are responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. District management monitors the internal control system to determine its effectiveness and makes appropriate revisions when necessary.

Budgetary Controls

The District has established and maintains a system of budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated (official) budget as adopted by the Board of Trustees. District management is responsible for developing the budget, within the established control system, and presenting the budget to the Board for final adoption. The official budget represents the allocation of resources in the General Fund, Child Nutrition Fund, and Debt Service Fund. The level of budgetary control (i.e. the level at which expenditures cannot legally exceed the appropriated amount) is at the fund-function level as required by the Texas Education Agency. In addition, lower level organizational units' expenditures are controlled at varying combinations of the account code structure. Oversight control of all FISD expenditures is maintained by the District's Finance Department staff.

The District also utilizes an encumbrance accounting system to maintain budgetary control through a transactions' life cycle. At the end of a fiscal year, outstanding encumbrances, subject to review and approval, are rolled forward into the subsequent fiscal period, with the subsequent budget amended accordingly.

The District believes that these methods of control provide the optimum level of oversight and flexibility to meet its budgetary needs.

AWARDS

The Association of School Business Officials International (ASBO) awarded a Certificate of Excellence in Financial Reporting, and the Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to FISD for its comprehensive annual financial report for the fiscal year ended June 30, 2016. The ASBO award is granted only after an intensive review of financial reports by an expert panel of certified public accountants and practicing school business officials. The GFOA award is considered the highest form of recognition in the area of governmental accounting and financial reporting. The CAFR is judged by an impartial panel to determine if it meets the high standards of the program, demonstrating a constructive "spirit of full disclosure", to clearly communicate the District's financial story, and confirm the District's commitment to financial accountability and transparency. Both certificates are valid for a period of one year only. Management believes that this CAFR for the year ended June 30, 2017, which will be submitted for review to both associations, continues to meet the criteria of both ASBO and GFOA's certificate programs.

The state of Texas initiated the Financial Integrity Rating System of Texas (F.I.R.S.T.) program in 1999. The goal of this legislation was to develop an accountability system, similar to the academic accountability system, by which school districts could be rated on their financial management practices. Frisco ISD has received the highest possible rating of "Superior Achievement" for its financial practices, management, and monitoring for each year since the inception of the F.I.R.S.T. Report.

The Texas Comptroller of Public Accounts' Transparency Stars program recognizes local governments for going above and beyond in their transparency efforts. Frisco ISD is eligible to apply for Transparency Stars in the areas of traditional finances, contracts and procurement, and debt obligations. As of June 30, 2017, FISD has earned 2 of the 3 Transparency Stars for which we are eligible.

An integral part of the overall financial management of the District's resources is the expenditure of allocated resources. Many aspects of this process are managed by the Purchasing Department. This department includes activities related to procuring supplies and materials, equipment, and services for the operations of the District. The Texas Association of School Business Officials recognizes outstanding Purchasing Departments annually with its Award of Merit for Purchasing Operations. The Purchasing Department must meet certain stringent requirements and undergo a rigorous review of procedures and practice to be considered for this prestigious award. The Frisco ISD purchasing department has received this award each year since its creation in 2009, one of only 7 school districts in the state to have done so.

ACKNOWLEDGMENTS

The continued effort and support of the Board of Trustees, the citizens of the District, parents, and business owners, greatly contributes to the success of Frisco ISD and is very much appreciated. Without this support and effort the District could not have attained the high level of excellence it currently enjoys, nor could it strive for even greater attainment in the future for all programs supported by the District.

Additionally, we would like to recognize the cooperative spirit and contributions the employees of Frisco ISD make to successful planning and implementation of the financial activities within the District. Without this cooperation the staff of the Finance Department could not function in its role of supporting the District's operations.

With these acknowledgments, we respectfully submit this report for your review.

Dr. Mike Waldrip, Superintendent

Dr. Todd Fouche, Deputy Superintendent of
Business Services

Kimberly Pickens, Chief Financial Officer

FRISCO INDEPENDENT SCHOOL DISTRICT
PRINCIPAL OFFICERS AND ADVISORS

BOARD OF TRUSTEES

NAME	TERM EXPIRES	LENGTH OF SERVICE	OCCUPATION
John Classe, President	2018	3 years	Certified Financial Planner™, Bell Financial Group
Chad Rudy, Vice President	2019	2 years	Certified Financial Planner™, Retirement Investment Advisors, Inc.
Anne McCausland, Secretary	2020	6 years	Community and school volunteer
Bryan Dodson	2018	4 years	Vice President of Sales, JP Morgan Chase
Debbie Gillespie	2020	6 years	Community and school volunteer
John Hoxie	2018	8 years	IT Finance
Steven Noskin	2019	1 year	President, Vitrituf-Hanover Specialties Inc.

APPOINTED OFFICIALS

NAME	POSITION	LENGTH OF EDUCATION SERVICE
Dr. Mike Waldrip	Superintendent	35 years
Katie Kordel	Deputy Superintendent of Curriculum and Instruction	19 years
Dr. Todd Fouche	Deputy Superintendent of Business and Operations	14 years
Doug Zambiasi	Deputy Superintendent of Support Services	34 years
Pamela Linton	Assistant Superintendent of Human Resources	27 years
Kenny Chandler	Assistant Superintendent of Student Services	33 years
Melissa Fouche	Executive Director of Technology	23 years
Amanda McCune	Executive Director of Communications and Community Relations	1 year
Kimberly Pickens	Chief Financial Officer	6 years

CONSULTANTS AND ADVISORS

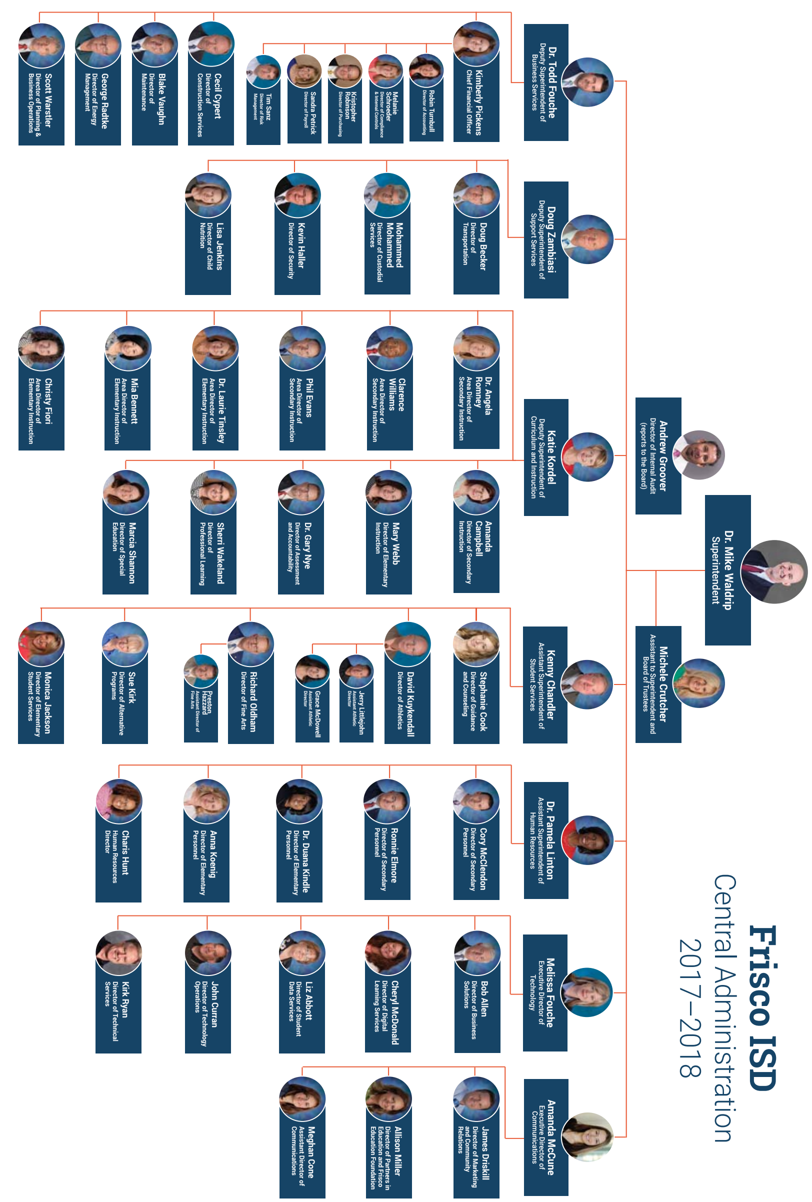
Weaver and Tidwell, L.L.P.
Independent Auditors

McCall, Parkhurst & Horton, L.L.P.
Bond Counsel

SAMCO Capital Markets, Inc.
Financial Advisors

Law Offices of Robert E. Luna, P.G.
Attorney

Frisco ISD
Central Administration 2017–2018



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

**The Certificate of Excellence in Financial Reporting
is presented to**

Frisco Independent School District

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2016.**

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards.

CERTIFICATE OF EXCELLENCE IN FINANCIAL REPORTING

Anthony N. Dragona, Ed.D., RSBA
President

John D. Musso, CAE
Executive Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Frisco Independent School District

Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Christopher P. Morrill
Executive Director/CEO

FINANCIAL SECTION

"BROTHERLY LOVE" BY MATTHEW MELENDEZ
Independence High School

2017 State VASE Gold Medal
Teacher: Leonard Buscemi

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Frisco Independent School District
Frisco, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Frisco Independent School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

AN INDEPENDENT MEMBER OF BAKER TILLY INTERNATIONAL
WEAVER AND TIDWELL, L.L.P. CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS
12221 MERIT DRIVE, SUITE 1400, DALLAS, TX 75251
P: 972.490.1970 F: 972.702.8321

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2017, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension schedules and schedule of District contributions on pages 4 through 14, 43 and 44, 45 and 46, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual fund statements and schedules, required Texas Education Agency schedules and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
November 6, 2017

"SHADOWS OF LIGHT" BY JESSICA NGUYEN
Centennial High School

2017 State VASE Gold Medal
Teacher: Ashley Ham

As management of the Frisco Independent School District (the "District"), we offer the readers of these financial statements this narrative overview and analysis of the District's financial performance for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal, which can be found on pages ii-vii of this report, as well as the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District ended the year with a deficit net position of ($246,372,324), representing an increase of $11.8 million from the previous year. That increase is further explained on page 7 of Management's Discussion and Analysis. Of the total net position, ($232,777,187) represents the District's net investment in capital assets. Because Frisco ISD is fast growing, we are building three to four new schools per year, and we therefore have more debt outstanding than capital assets. As building needs slow and debt is repaid, the net investment in capital assets will shift from negative to positive. Net investment in capital assets increased by $160 thousand from the prior year.
- The General Fund, which is the District's main operating fund, recognized a $9.8 million surplus for the year, which was largely attributable to savings achieved within expenditure budgets. Further details are described on page 11 of Management's Discussion and Analysis. We ended the year with an unassigned fund balance of $128,605,979, which represents 27.2% of the 2017-2018 adopted budget.
- When combined, the total fund balance for all of the District's funds decreased $12.7 million from the prior year due mainly to the expenditure of bond funds issued in the prior fiscal year. We ended the year with a total combined governmental fund balance of $317,086,611.
- The District issued $103,705,000 of school building bonds and refinanced $190,600,000 of existing debt during the year. The advance refunding transaction that was completed saved the District $57.9 million in future debt service requirements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's financial statements, which are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

The government-wide financial statements include the Statement of Net Position (Exhibit A-1) and the Statement of Activities (Exhibit B-1). These reports provide information about the activities of the District as a whole, with a long-term view of the District's property, debt obligations, and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting with Exhibit C-1) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They also reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements provide financial information about activities for which the District acts solely as a trustee or agent for the benefits of those outside of the District.

Figure A-1 below summarizes the major features of the District's financial statements, including the portion of the District's government they cover and the types of information they contain.

Figure A-1. Major Features of the District's Government-Wide and Fund Financial Statements

Type of Statement	Government-Wide	Governmental Funds	Fiduciary Funds
Scope	All activities of the District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary	Activities for which the District is the trustee or agent for another entity's resources
Required financial statements	Statement of Net Position Statement of Activities	Balance sheet Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Fiduciary Assets and Liabilities
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual basis of accounting, no measurement focus (custodial in nature)
Type of period-end information reported	All assets, liabilities, and deferred inflows/outflows, both financial and capital, short-term and long-term	Only assets, liabilities, and deferred inflows/outflows expected to be used or due during the year or soon thereafter; no capital or long-term items are included	All assets, liabilities, and deferred inflows/outflows, both financial and capital, short-term and long-term; the Agency Funds do not currently contain capital assets, although they can
Type of activities reported	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and payment is due during the year or soon thereafter	None (custodial in nature)

Government-Wide Financial Statements

Government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to private-sector business. All of the District's services are reported in the government-wide financial statements, including but not limited to instruction, student support services, student transportation, general administration, school leadership, facilities acquisition and construction, food services, and capital and debt financing. Property taxes and state and federal aid finance most of these activities.

The *Statement of Net Position* presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the net of these amounts reported as net position. Net position serves as an indicator of the District's overall financial position.

The *Statement of Activities* presents how the District's net position changed over the course of the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the changes occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes).

The government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities)* from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities)*. All of the activities of the District are considered *governmental activities*.

The government-wide financial statements can be found on pages 15-16 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants while others are established by the Board of Trustees for various purposes. The fund financial statements provide more detailed information about the District's most significant funds rather than the District as a whole.

All of the District's funds can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide statements, governmental fund financial statements focus on (1) the flow of cash and other current financial assets and (2) the balance of spendable resources available at the end of the fiscal year. Such information provides a detailed, short-term view of the current financial resources available to finance the District's programs.

Because the focus of governmental funds is narrower than that of the government-wide statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. We provide reconciliations of the fund financial statements to the government-wide financial statements in Exhibits C-1R and C-2R to facilitate the comparison.

The District maintains a number of governmental funds, three of which – The General Fund, Debt Service Fund, and Capital Projects Fund – are considered major funds and are reported separately on the governmental funds *Balance Sheet* and *Statement of Revenues, Expenditures, and Changes in Fund Balances.* The remaining governmental funds of the District are reported together as non-major governmental funds.

Governmental fund financial statements can be found on pages 17 and 19 of this report.

Fiduciary Funds are used to account for resources held for the benefit of parties outside the District. The District acts in a trustee capacity and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. However, these funds are not reported in the government-wide financial statements because their resources are not available to support the District's operations.

The *Statement of Fiduciary Assets and Liabilities* reports all of the District's fiduciary activities and can be found on page 21 of this report.

Notes to the Financial Statements

The notes to the financial statements provide narrative explanations or additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-42 of this report.

Other Information

The combining statements for non-major funds contain additional information about the District's individual funds. This information may be found in Exhibits G-2 and G-3.

The Federal Awards Section contains data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the budgetary appropriations and terms of the grants awarded.

(Continued)

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the District's overall financial position. At June 30, 2017, the District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources by $246.4 million.

Table A-2. The District's Net Position

	June 30, 2017	June 30, 2016	Increases / (Decreases)
Assets:			
Current and other assets	$ 403,640,022	$ 422,045,099	$ (18,405,077)
Capital assets	1,663,042,754	1,559,066,686	103,976,068
Total Assets	2,066,682,776	1,981,111,785	85,570,991
Deferred outflows of resources	73,485,037	68,761,824	4,723,213
Total Assets and Deferred Outflows	**$ 2,140,167,813**	**$ 2,049,873,609**	**$ 90,294,204**
Liabilities:			
Current liabilities	$ 168,817,749	$ 156,520,769	$ 12,296,980
Long-term liabilities	2,199,499,858	2,129,814,489	69,685,369
Total Liabilities	2,368,317,607	2,286,335,258	81,982,349
Deferred inflows of resources	18,222,530	21,742,949	(3,520,419)
Net Position:			
Net investment in capital assets	(232,777,187)	(232,937,713)	160,526
Restricted	86,386,196	61,576,212	24,809,984
Unrestricted	(99,981,333)	(86,843,097)	(13,138,236)
Total Net Position	(246,372,324)	(258,204,598)	11,832,274
Total Liabilities, Deferred Inflows and Net Position	**$ 2,140,167,813**	**$ 2,049,873,609**	**$ 90,294,204**

The largest portion of the District's net position is its net investment in capital assets (e.g. land, buildings, furniture and equipment), net of any related outstanding debt that was used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay that debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate liabilities. Although the District maintains an aggressive debt repayment schedule (paying off at least 30% of principal every ten years on thirty year bonds), the majority of the District's capital assets are less than 20 years old, so total debt still outweighs the value of total capital assets, making that investment negative.

An additional portion of the District's net position ($86.3 million) represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net position may be used to meet the District's ongoing obligations.

The District's net position increased $11,832,274 from June 30, 2016, to June 30, 2017 due mainly to the capitalization of assets under construction. The total cost of all governmental activities for the fiscal year ended June 30, 2017 was $642,012,008. Approximately $61.3 million of those costs were funded by program revenues directly attributable to specific activities. The remaining costs were funded primarily by property taxes and state revenue, which are not attributable to specific programs.

(Continued)

The following Table A-3 illustrates the changes in net position over the most recent fiscal year. This information can also be found on the government-wide *Statement of Activities* (Exhibit B-1).

Table A-3. Schedule of Changes in the District's Net Position

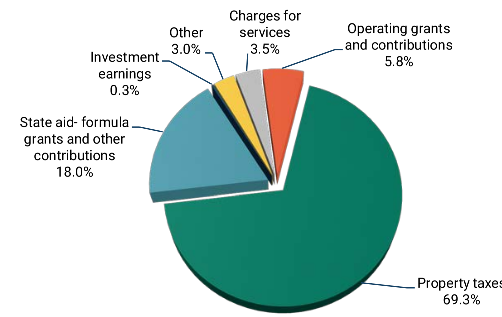
	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2016	Increases / (Decreases)
Revenues:			
Program Revenues:			
Charges for services	$ 23,042,938	$ 22,652,314	$ 390,624
Operating grants and contributions	38,224,087	34,845,658	3,378,429
General Revenues:			
Property taxes	452,974,194	384,639,885	68,334,309
State aid- formula grants and other contributions	117,831,537	142,090,384	(24,258,847)
Investment earnings	1,994,950	720,988	1,273,962
Other	19,776,576	20,162,030	(385,454)
Total Revenues	653,844,282	605,111,259	48,733,023
Expenses:			
Instruction	325,140,742	305,605,412	19,535,330
Instructional resources and media services	9,325,687	9,796,673	(470,986)
Curriculum and instructional staff development	9,447,290	8,937,996	509,294
Instructional leadership	6,192,970	5,474,033	718,937
School leadership	32,328,267	30,178,920	2,149,347
Guidance, counseling and evaluation services	17,508,585	16,612,319	896,266
Social work services	279,911	361,960	(82,049)
Health services	5,496,484	5,183,496	312,988
Student transportation	12,899,257	12,127,267	771,990
Food services	25,477,572	25,943,835	(466,263)
Extracurricular activities	19,440,200	19,434,773	5,427
General administration	9,747,588	9,432,967	314,621
Facilities maintenance and operations	46,480,755	45,202,540	1,278,215
Security and monitoring services	3,826,564	3,916,348	(89,784)
Data processing services	8,927,287	9,131,244	(203,957)
Community services	1,900,499	1,857,437	43,062
Debt service - interest on long-term debt	79,783,468	81,825,335	(2,041,867)
Debt service - bond issuance costs and fees	2,474,789	3,518,708	(1,043,919)
Contracted instructional services between schools	-	217,771	(217,771)
Payments to juvenile justice alternative education programs	67,814	37,077	30,737
Payments to tax increment fund	22,583,104	20,698,870	1,884,234
Other intergovernmental charges	2,683,175	2,377,535	305,640
Total Expenses	642,012,008	617,872,516	24,139,492
Change in Net Position	11,832,274	(12,761,257)	24,593,531
Beginning Net Position	(258,204,598)	(245,443,341)	(12,761,257)
Ending Net Position	**$ (246,372,324)**	**$ (258,204,598)**	**$ 11,832,274**

(Continued)

During the 2016-2017 fiscal year, enrollment growth attributed to the majority of the $24 million additional expenses over the prior year. Additional costs were seen across all major functions, especially instruction, which accounts for teacher salaries. The District added approximately 298 new teachers and 173 other staff during the year.

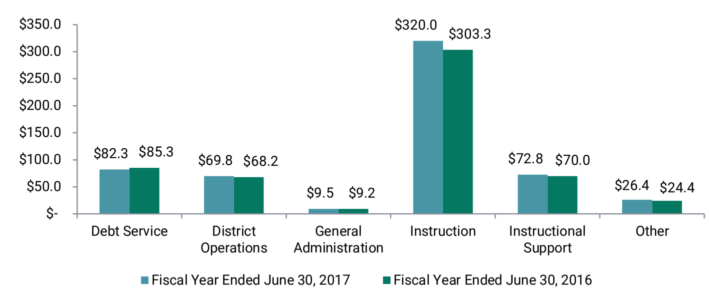
The following Figure A-4 illustrates the District's sources of revenue for the 2016-2017 fiscal year. General revenues provide 90.6% of the funding available to cover the District's annual expenses. The remaining 9.4% of revenues come from operating grants or charges for services specifically attributable to District programs.

Figure A-4. Sources of Revenue for the Fiscal Year Ended June 30, 2017



The following Figure A-5 depicts the change in net cost of services (total cost less program revenue and intergovernmental aid) for the District's major functions for the fiscal years ended June 30, 2017, and June 30, 2016. The net cost reflects the portion funded by local tax dollars, state aid and other miscellaneous general revenues.

Figure A-5. Net Cost of the District's Major Functions (in millions of dollars)



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FUND LEVEL FINANCIAL ANALYSIS

As explained earlier, the District uses fund accounting to demonstrate compliance with finance-related legal requirements and to provide a more detailed account of specific District programs and activities.

The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for discretionary use, since this is the portion of fund balance that has not yet been limited to a particular purpose.

At June 30, 2017, the District's total combined fund balances for governmental funds were $317,086,611, an decrease of $12.7 million from June 30, 2016. Approximately 40.5% ($128,605,979) of the total combined fund balances is unassigned and available for spending at the District's discretion. The remainder of the fund balances is either nonspendable, restricted, committed or assigned for specific purposes:

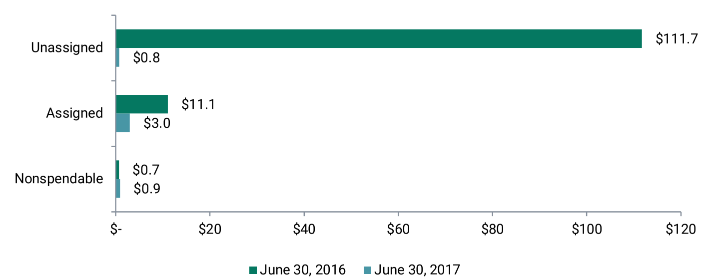
- *Nonspendable* balances of $971,073 are not in spendable form because they relate to prepaid expenditures.
- *Restricted* balances of $175,399,955 are either legally required to remain intact or are restricted for particular purposes by a third party.
- *Committed* balances of $2,469,521 have been committed by the District's Board of Trustees to service programs funded by local grants, awards or contributions.
- *Assigned* balances of $9,640,083 have been tentatively earmarked by management for a particular program or purpose.

Further details of each type of fund balance can be found within note 1 on pages 25-26 of this report.

General Fund

Figure A-6 below depicts the breakdown of fund balances in the General Fund, the District's main operating fund, as of June 30, 2017 and 2016.

Figure A-6. Components of Fund Balance – General Fund (in millions of dollars)



(Continued)

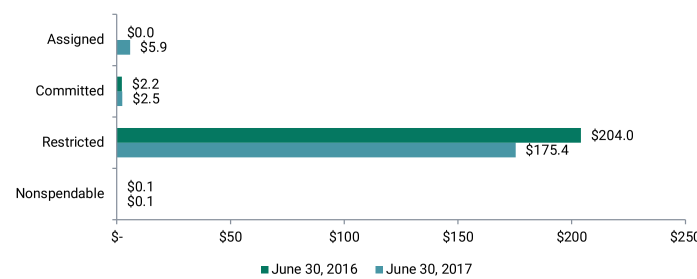
It is useful to compare unassigned fund balance to total expenditures in the General Fund as a measure of liquidity – to determine the portion of annual operating costs that could be funded without cash inflows. Due to the timing of cash inflows from the state and the property tax collection calendar, the District is cash flow negative for the first 2.5 to 3 months of each fiscal year. Therefore, we strive to maintain an unassigned fund balance equal to at least 20% of expenditures. The June 30, 2017 unassigned fund balance represents 27.2% of the subsequent fiscal year's adopted budget.

The General Fund recognized an increase in total fund balance of $9,769,156 over the previous year. The 2016-2017 General Fund budget was appropriated based on revenues expected from $1.17 maintenance and operations tax rate. That rate, which was subject to voter ratification, was rolled back to $1.04 in August 2016, so efforts were made by District staff to achieve as much savings as possible to avoid a year-end deficit. In total, more than 3% of the original adopted budget was left unspent as a result of those efforts, resulting in a year-end surplus.

Other Governmental Funds

While the General Fund's fund balance grew by $9.8 million over the most recent fiscal year, the District's combined total fund balance declined by $12.7 million from June 30, 2016, to June 30, 2017. The difference was mainly attributable to the Capital Projects Fund, which recognized a decrease in fund balance of $45,264,142 from the previous fiscal year. That deficit was the result of construction expenditures financed with bond proceeds that were received in the prior fiscal year. The timing of the District's debt issuances as compared to the timing of the majority of capital spending is such that we expect an annual deficit in that fund each year, especially towards the end of a bond cycle. The change in fund balance in the Capital Projects Fund led to the decrease in total restricted fund balance illustrated in Figure A-7 below.

Figure A-7. Components of Fund Balance – Other Governmental Funds (in millions of dollars)



Changes in the fund balances of other governmental funds were as follows:

- The Debt Service Fund recognized an increase in fund balance of $21,545,204, which is attributable to an increase in property tax collections due to rising property values.
- Non-Major Governmental Funds recognized a net increase of $1,231,120 in fund balance over the previous year. The majority of these funds are used to account for reimbursement grants, which receive revenues as expenditures occur and therefore do not carry a fund balance or recognize surpluses or deficits. The State Textbook Fund, however, is funded on a biennium cycle and therefore generally recognizes a surplus in year one and a deficit in year two due to the timing of receipts versus textbook purchases over the biennium. The 2017 fiscal year was the first year of the biennium.

(Continued)

General Fund Budgetary Highlights

The Board of Trustees originally adopted a $14,773,050 surplus for the 2017 fiscal year. As previously discussed, the actual surplus recognized in the General Fund was $9,769,156.

Revenues were below original budget projections by approximately $13.9 million due to the rollback of the maintenance and operating tax rate from $1.17 to $1.04.

Expenditures were below the originally adopted budget by approximately $14.9 million, which was the result of budget savings previously discussed.

Budget amendments and adjustments were made over the course of the year to give flexibility within functional budgets. Additionally, significant amendments were made at the end of the fiscal year in anticipation of liabilities that may be owed but not paid by June 30 and to safeguard against overspending at the fund-function level. Adjustments during the year resulted in the final amended budget being $23.4 million greater than actual expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets as of June 30, 2017 was $1,663,042,754 (net of accumulated depreciation). This investment includes land, buildings, building improvements, furniture, equipment, and vehicles and represents a 6.7% net increase in capital assets over the previous year.

Table A-8. Capital Assets

	As of June 30, 2017	As of June 30, 2016	Increases / (Decreases)
Land	$ 178,884,504	$ 160,827,205	$ 18,057,299
Buildings	1,631,472,274	1,470,581,317	160,890,957
Furniture and equipment	56,641,770	52,469,474	4,172,296
Construction in progress	161,424,886	199,882,149	(38,457,263)
Total Capital Assets	2,028,423,434	1,883,760,145	144,663,289
Accumulated depreciation	(365,380,680)	(324,693,459)	(40,687,221)
Net Capital Assets	$ 1,663,042,754	$ 1,559,066,686	$ 103,976,068

The increase in capital assets relates to new construction projects financed by the 2014 bond program to accommodate continued enrollment growth and to maintain the useful lives of the District's existing buildings. These additions were all offset by regular depreciation.

More detailed information about the District's capital assets can be found in Note 6 on page 32 of this report.

Long-Term Debt

The District's debt management policies seek to maintain the most favorable debt profile and funding structure for the District while adhering to taxpayers' expectations that the District will be a prudent and conservative steward of public funds. Our debt repayment schedule is structured so that we generally match asset useful lives with the liabilities incurred to finance those assets. We also continuously monitor the interest rate climate and restructure debt when we are able to recognize positive savings.

During the year, the District maintained our favorable underlying bond ratings of AA1 from Moody's Investors Service, Inc. and AA+ from S&P Global Ratings. All bonds issued during the year were rated AAA due to the State's Permanent School Fund Guarantee Program. Favorable ratings result in lower debt issuance costs for the District.

At the end of the 2017 fiscal year, the District had total bonded debt outstanding of $2,147,871,338, all of which is considered to be direct tax supported debt. The remainder of the District's long-term obligations is comprised of the District's portion of the TRS net pension liability.

Table A-9. Long-Term Debt

	As of June 30, 2017	As of June 30, 2016	Increases / (Decreases)
Bonds payable	$ 1,967,577,369	$ 1,916,150,437	$ 51,426,932
Accreted interest	54,733,386	49,552,818	5,180,568
Unamortized bond premium	125,560,583	100,658,373	24,902,210
Total Bonded Debt	2,147,871,338	2,066,361,628	81,509,710
District's portion of TRS net pension liability	109,973,520	101,844,853	8,128,667
Total Long-Term Liabilities	$ 2,257,844,858	$ 2,168,206,481	$ 89,638,377

Total outstanding long-term debt increased by 4.1% over the previous year due to the continuation of the 2014 bond program and the regular issuance of new debt to build schools to accommodate enrollment growth. Note 7 on pages 33-35 of this report contains more detailed information about the District's long-term debt activity, including incremental payment schedules. The amount of general bonded debt outstanding and the total primary government debt per capita are also useful indicators of the District's debt position. That data is represented in Exhibit S-11 on page 77 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Enrollment growth continues to be a significant challenge for the District. In 2017, Frisco ISD was named the fastest growing school district in Texas. We have more than doubled our enrollment in the last decade, adding an average of 3,200 students per year. Projected enrollment for 2016-2017 was 56,649, and as of the end of the fiscal year, enrollment was just over 55,923. We work with both internal and third party demographers to develop our best estimates of student growth from year to year. Our financial projections for the next three years are based on continued growth of 2,000 to 2,500 students per year.

State funding also continues to be a major issue. In May 2016, the Texas Supreme Court overturned a District Court ruling that the Texas school funding system was unconstitutional. The Texas Supreme Court stated in its ruling that "our Byzantine school funding 'system' is undeniably imperfect, with immense room for improvement. But it satisfies minimum constitutional requirements." One major limitation of the State's funding formula is the ability for Districts to generate revenue locally. The District saw a 16.7% increase in assessed property values from the 2015 to 2016 tax year, and we project another 16% growth in values for the 2017 tax year. However, the nature of school funding in Texas is such that the beneficiary of rising property values is the State rather than local school districts. As our property values rise, our state aid is reduced by a proportionate share. One of the only ways to generate additional revenue is through the tax rate, which requires voter approval above $1.04 per $100 valuation. As previously stated, appropriations in the 2016-2017 budget of $471,402,450 were based on revenues expected from $1.17 maintenance and operations tax rate. Since that rate failed voter ratification, administrative staff implemented a priorities based budgeting process in which we worked with employees, citizens and the Board of Trustees to achieve savings in areas that did not align with high priorities. This process engaged stakeholders in identifying and examining priorities and the associated costs, which helped the District determine where and how to allocate resources moving forward and adopt a balanced and sustainable budget for the 2017-2018 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chief Financial Officer at 5515 Ohio Drive, Frisco, Texas 75035, or call 469.633.6330.

"PHOTO OF BOY IN COLORS" BY SEJAL JANNU
Heritage High School

2017 State VASE Gold Seal
Teacher: Sarah Watkins

(Continued)

GOVERNMENT-WIDE FINANCIAL STATEMENTS

EXHIBIT A-1

FRISCO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

Data Control Codes		Governmental Activities
	ASSETS	
1110	Cash and investments	$ 380,862,604
1220	Property taxes receivable (delinquent)	7,026,347
1230	Allowance for uncollectible taxes	(1,194,479)
1240	Due from other governments	15,861,170
1290	Other receivables, net	109,167
1300	Inventories	4,140
1410	Prepaid Expenses	971,073
1510	Land	178,884,504
1520	Buildings, net	1,307,068,536
1530	Furniture and equipment, net	15,664,828
1580	Construction in progress	161,424,886
1000	**Total Assets**	2,066,682,776
	DEFERRED OUTFLOWS OF RESOURCES	
1701	Deferred losses on debt refunding transactions	24,921,627
1705	Deferred pension outflows	48,563,410
1700	**Total Deferred Outflows of Resources**	73,485,037
	LIABILITIES	
2110	Accounts payable	14,033,678
2113	Retainage payable	7,732,501
2140	Accrued interest payable	28,435,851
2150	Payroll deductions and withholdings	3,328,886
2160	Accrued wages payable	54,109,469
2200	Accrued expenses	1,480,000
2300	Unearned revenues	1,352,364
	Noncurrent Liabilities:	
2501	Due within one year	58,345,000
2502	Due in more than one year	2,089,526,338
2540	Net pension liability	109,973,520
2000	**Total Liabilities**	2,368,317,607
	DEFERRED INFLOWS OF RESOURCES	
2605	Deferred pension inflows	18,222,530
2600	**Total Deferred Inflows of Resources**	18,222,530
	NET POSITION	
3200	Net investment in capital assets	(232,777,187)
	Restricted for:	
3820	Federal and state grant programs	5,475,019
3850	Debt service	80,911,177
3900	Unrestricted	(99,981,333)
3000	**Total Net Position**	$ (246,372,324)

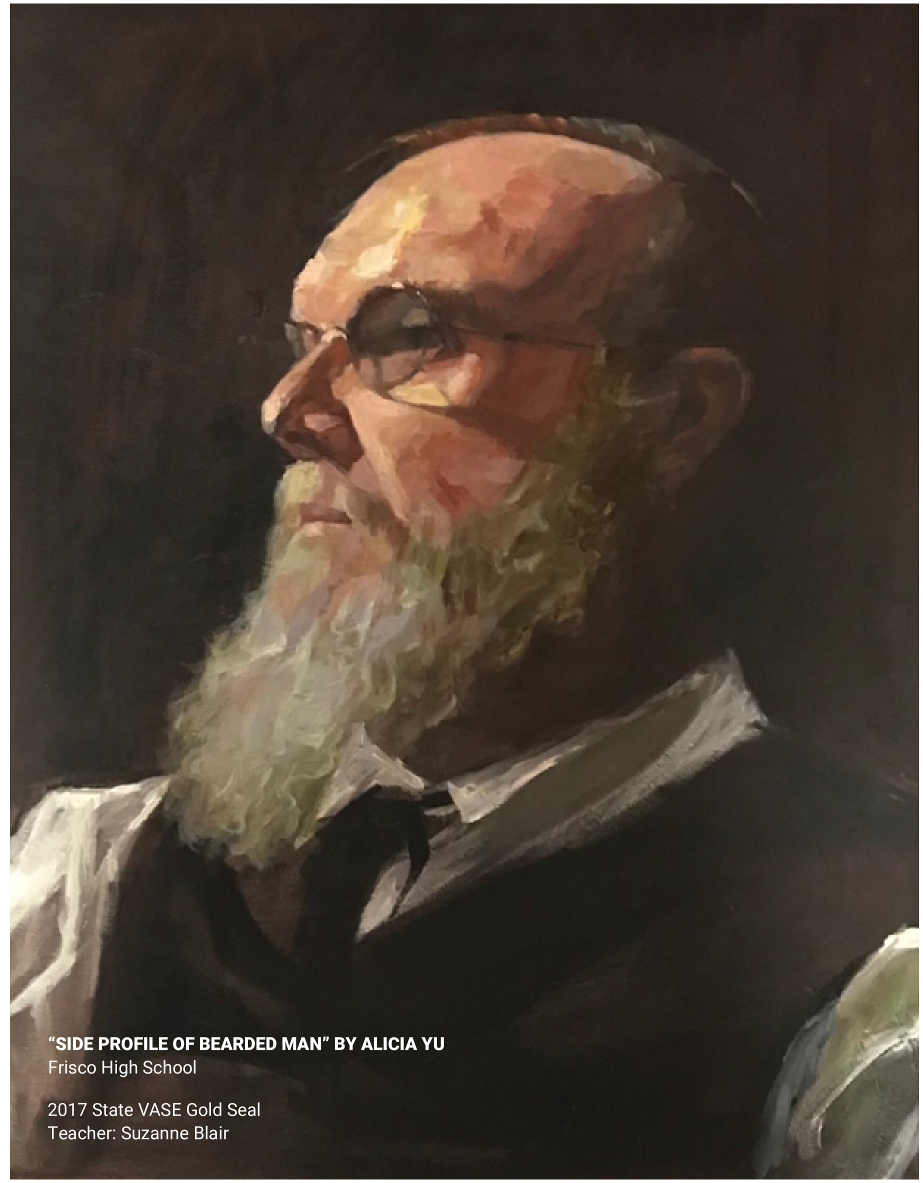
The notes to the financial statements are an integral part of this statement.

FRISCO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Data Control Codes		1	Program Revenues		Net (Expense)/ Revenue and Changes in Net Position
		Expenses	3 Charges for Services	4 Operating Grants and Contributions	6 Governmental Activities
GOVERNMENTAL ACTIVITIES:					
11	Instruction	$ 325,140,742	$ 310,309	$ 22,788,785	$ (302,041,648)
12	Instructional resources and media services	9,325,687		284,273	(9,041,414)
13	Curriculum and instructional staff development	9,447,290		555,962	(8,891,328)
21	Instructional leadership	6,192,970		108,040	(6,084,930)
23	School leadership	32,328,267		986,703	(31,341,564)
31	Guidance, counseling and evaluation services	17,508,585		3,353,823	(14,154,762)
32	Social work services	279,911		9,864	(270,047)
33	Health services	5,496,484		289,950	(5,206,534)
34	Student transportation	12,899,257		585,437	(12,313,820)
35	Food services	25,477,572	17,491,137	5,664,868	(2,321,567)
36	Extracurricular activities	19,440,200	2,423,340	1,297,633	(15,719,227)
41	General administration	9,747,588		250,379	(9,497,209)
51	Facilities maintenance and operations	46,480,755	2,818,152	997,794	(42,664,809)
52	Security and monitoring services	3,826,564		133,775	(3,692,789)
53	Data processing services	8,927,287		161,241	(8,766,046)
61	Community services	1,900,499		755,560	(1,144,939)
72	Debt service - interest on long-term debt	79,783,468			(79,783,468)
73	Debt service - bond issuance costs and fees	2,474,789			(2,474,789)
95	Payments to juvenile justice alternative education programs	67,814			(67,814)
97	Payments to tax increment fund	22,583,104			(22,583,104)
99	Other intergovernmental charges	2,683,175			(2,683,175)
TG	**Total Governmental Activities**	$ 642,012,008	$ 23,042,938	$ 38,224,087	(580,744,983)

Data Control Codes	General Revenues	
	Taxes:	
MT	Property taxes, levied for general purposes	328,154,575
DT	Property taxes, levied for debt service	124,819,619
SF	State aid - formula grants	115,510,634
GC	Grants and contributions not restricted to specific programs	2,320,903
IE	Investment earnings	1,994,950
MI	Miscellaneous local and intermediate revenue	19,776,576
TR	**Total General Revenues**	592,577,257
CN	Change in net position	11,832,274
NB	Net position - beginning	(258,204,598)
NE	**Net position - ending**	$ (246,372,324)

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



"SIDE PROFILE OF BEARDED MAN" BY ALICIA YU
Frisco High School

2017 State VASE Gold Seal
Teacher: Suzanne Blair

FRISCO INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Non-Major Governmental Funds	98 Total Governmental Funds
	ASSETS					
1110	Cash and investments	$ 174,777,736	$ 107,652,031	$ 87,605,653	$ 10,827,184	$ 380,862,604
1220	Property taxes receivable (delinquent)	4,984,182	2,042,165			7,026,347
1230	Allowance for uncollectible taxes	(847,311)	(347,168)			(1,194,479)
1240	Due from other governments	13,490,357			2,370,813	15,861,170
1260	Due from other funds	1,401,608				1,401,608
1290	Other receivables	92,398			16,770	109,168
1300	Inventories			4,140		4,140
1410	Prepaid expenditures	905,361			65,712	971,073
1000	**Total Assets**	$ 194,804,331	$ 109,347,028	$ 87,609,793	$ 13,280,479	$ 405,041,631
	LIABILITIES					
2110	Accounts payable	1,767,059	-	11,435,459	831,160	14,033,678
2113	Retainage payable			7,732,501		7,732,501
2140	Accrued interest payable		742,596			742,596
2150	Payroll deductions and withholdings	3,328,886				3,328,886
2160	Accrued wages payable	51,681,501		129,843	2,298,125	54,109,469
2170	Due to other funds	-		-	1,401,608	1,401,608
2200	Accrued expenditures	1,480,000				1,480,000
2300	Unearned revenue	613,030			739,334	1,352,364
2000	**Total Liabilities**	58,870,476	742,596	19,297,803	5,270,227	84,181,102
	DEFERRED INFLOWS OF RESOURCES					
2601	Unavailable property tax revenue	2,671,558	1,102,360			3,773,918
2600	**Total Deferred Inflows of Resources**	2,671,558	1,102,360	-	-	3,773,918
	FUND BALANCES					
	Nonspendable:					
3430	Prepaid expenditures	905,361			65,712	971,073
	Restricted for:					
3450	Federal and state grant programs				5,475,019	5,475,019
3470	Capital acquisitions and contractual obligations			62,422,864		62,422,864
3480	Retirement of long-term debt		107,502,072			107,502,072
	Committed to:					
3545	Local grants, awards and contributions				2,469,521	2,469,521
	Assigned to:					
3560	Claims and judgments	1,000,000				1,000,000
3550	Construction			5,889,126		5,889,126
3570	Extraordinary repair and replacement	2,000,000				2,000,000
3590	Future expenditures	750,957				750,957
3600	Unassigned	128,605,979				128,605,979
3000	**Total Fund Balances**	133,262,297	107,502,072	68,311,990	8,010,252	317,086,611
4000	**Total Liabilities, Deferred Inflows of Resources and Fund Balances**	$ 194,804,331	$ 109,347,028	$ 87,609,793	$ 13,280,479	$ 405,041,631

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

FRISCO INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

EXHIBIT C-1R

Total Fund Balances - Governmental Funds (Exhibit C-1)	$ 317,086,611
Amounts reported for governmental activities in the Statement of Net Position (Exhibit A-1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds financial statements.	1,663,042,754
Accounting losses resulting from debt refunding transactions are deferred outflows of resources on the government-wide Statement of Net Position and amortized over the life of the debt but are not reported in the governmental funds financial statements.	24,921,627
Long-term liabilities, including bonds payable, are not due and payable in the current period and are therefore not reported as liabilities on the Balance Sheet of the governmental funds. Long-term liabilities at year-end consist of:	
Bonds payable	(1,967,577,369)
Accrued interest on the bonds	(27,693,256)
Accreted interest on capital appreciation bonds	(54,733,386)
Unamortized bond premiums	(125,560,583)
Certain receivables will be earned this year, but are not available soon enough to pay for the current period's expenditures and are therefore deferred inflows of resources at the fund level.	3,773,918
The District's proportionate share of the TRS net pension liability and related deferred inflows and deferred outflows of resources are not current in nature and are therefore not reported in the governmental funds financial statements:	
Proportionate share of net pension liability	(109,973,520)
Deferred pension inflows	(18,222,530)
Deferred pension outflows	48,563,410
Net Position - Governmental Activities (Exhibit A-1)	$ (246,372,324)

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

FRISCO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

EXHIBIT C-2

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Non-Major Governmental Funds	98 Total Governmental Funds
	REVENUES					
5700	Local and intermediate sources	$ 336,393,833	$ 142,382,005	$ 717,306	$ 19,695,120	$ 499,188,264
5800	State program revenues	133,522,734	2,087,417	84,541	3,494,612	139,189,304
5900	Federal program revenues	2,320,903			12,363,627	14,684,530
5020	**Total Revenues**	472,237,470	144,469,422	801,847	35,553,359	653,062,098
	EXPENDITURES					
	Current:					
0011	Instruction	282,993,597		63,218	5,771,314	288,828,129
0012	Instructional resources and media services	6,557,162			29,225	6,586,387
0013	Curriculum and instructional staff development	8,853,065			187,683	9,040,748
0021	Instructional leadership	6,006,327			93,665	6,099,992
0023	School leadership	28,474,277			4,904	28,479,181
0031	Guidance, counseling and evaluation services	14,309,802			2,952,941	17,262,743
0032	Social work services	275,677				275,677
0033	Health services	5,386,188			22,594	5,408,782
0034	Student transportation	11,284,361				11,284,361
0035	Food services	268,820			23,132,227	23,401,047
0036	Extracurricular activities	14,155,340		47,655	1,151,440	15,354,435
0041	General administration	8,223,475				8,223,475
0051	Facilities maintenance and operations	33,880,207			241,250	34,121,457
0052	Security and monitoring services	3,568,407				3,568,407
0053	Data processing services	5,982,344				5,982,344
0061	Community services	871,383			752,999	1,624,382
	Debt Service:					
0071	Principal on long-term debt		40,208,068			40,208,068
0072	Interest on long-term debt		82,689,419			82,689,419
0073	Bond issuance costs and fees		1,504,485	970,305		2,474,790
	Capital Outlay:					
0081	Facilities acquisition and construction	25,787		166,955,116		166,980,903
	Intergovernmental:					
0095	Payments to juvenile justice alternative education programs	67,814				67,814
0097	Payments tax increment fund	22,583,104				22,583,104
0099	Other intergovernmental charges	2,683,175				2,683,175
6030	**Total Expenditures**	456,450,312	124,401,972	168,036,294	34,340,242	783,228,820
1100	Excess (deficiency) of revenues over (under) expenditures	15,787,158	20,067,450	(167,234,447)	1,213,117	(130,166,722)
	OTHER FINANCING SOURCES (USES)					
7901	Refunding bonds issued		178,530,000			178,530,000
7911	Capital related debt issued (regular bonds)			103,705,000		103,705,000
7916	Premium on issuance of bonds		20,481,828	12,265,305		32,747,133
7912	Sale of real and personal property			-		-
7915	Transfers in	16,998	-	6,000,000	35,000	6,051,998
8911	Transfers out	(6,035,000)		-	(16,998)	(6,051,998)
8949	Payment to refunded bond escrow agent		(197,534,075)			(197,534,075)
7080	**Total Other Financing Sources (Uses)**	(6,018,002)	1,477,753	121,970,305	18,002	117,448,058
1200	Net change in fund balances	9,769,156	21,545,203	(45,264,142)	1,231,119	(12,718,664)
0100	Fund balances - beginning	123,493,141	85,956,869	113,576,132	6,779,133	329,805,275
3000	**Fund balances - ending**	$ 133,262,297	$ 107,502,072	$ 68,311,990	$ 8,010,252	$ 317,086,611

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

EXHIBIT C-2R

FRISCO INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Total Net Change in Fund Balances - Governmental Funds (Exhibit C-2)	$ (12,718,664)
Amounts reported for governmental activities in the Statement of Activities (Exhibit B-1) are different because:	
Governmental funds report capital outlays as expenditures. However in the statement of activities, the costs of those assets are capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays ($144,803,454) exceeded depreciation ($40,827,386) in the current period.	103,976,068
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	761,907
Repayment of long-term debt principal ($230,808,068) and payments of accreted interest on capital appreciation bonds ($852,022) are expenditures in the governmental funds, but these activities reduce long-term liabilities in the statement of activities.	231,660,090
Bond issuances are reported as other resources in the governmental funds but are shown as increases in long-term debt in the statement of net position:	
Bond issuances	(282,235,000)
Premiums on bonds	(32,747,133)
The excess of the reacquisition price of refunded debt over its carrying amount is deferred and amortized in the government-wide financial statements.	7,071,450
Certain debt related items that effect the statement of net position but are not reported in the governmental funds:	
Amortization of bond premiums	7,844,923
Amortization of deferred losses on refunding transactions	(1,103,488)
Accreted interest on capital appreciation bonds	(6,032,590)
Change in interest payable	1,207,708
Amortization and other changes in deferred outflows and deferred inflows related to the District's portion of the TRS net pension liabilities effect government-wide pension expense but have no impact on the governmental funds.	
Contributions prior to the measurement date	1,619,674
Contributions subject to the measurement date	8,557,363
Proportionate share of collective pension expense	(17,393,617)
Net proportionate share of deferred pension inflows/outflows	1,363,583
Change in Net Position of Governmental Activities (Exhibit B-1)	$ 11,832,274

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

"DOL" BY YUNBEEN BAE
Reedy High School

2017 State VASE Gold Medal
Teacher: Katie Gallimore

EXHIBIT E-1

FRISCO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2017

Data Control Codes		Agency Fund
	ASSETS	
1110	Cash and investments	$ 1,164,781
	Total Assets	$ 1,164,781
	LIABILITIES	
2110	Accounts payable	$ 94,580
2190	Due to student groups	1,070,201
	Total Liabilities	$ 1,164,781

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

FRISCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The Board is elected by the public and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by GASB in its Statement No. 14, "The Financial Reporting Entity," as amended by Statements No. 39, "Determining Whether Certain Organizations are Component Units," and No. 61, "The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34." There are no component units within the reporting entity.

Government-Wide and Fund Financial Statements

The *Statement of Net Position* and the *Statement of Activities* report information on all nonfiduciary activities of the District. Taxes and intergovernmental revenues normally support governmental activities. The effect of interfund activity has been removed from these statements.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Program revenues include (1) charges for services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Program revenues included in the *Statement of Activities* reduce the cost of the function to be financed from general activities. Taxes and other items not identifiable as program revenues are reported instead as general revenues.

The District reports all direct expenses by function in the *Statement of Activities*. Direct expenses are those clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the program expenses of each function.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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Governmental Fund Financial Statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* With this measurement focus, only current assets, current liabilities, deferred inflows of resources, deferred outflows of resources and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e. revenues and other financing sources and expenditures and other financing uses). Revenues are recognized in the accounting period in which they become both measurable and available. Expenditures are generally recorded when a liability is incurred, if measurable, except for unmatured principal and interest on long-term debt, which is recognized when due. Expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. 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. The District considers all revenues available if they are collectible within 60 days of year-end.

Revenues from local sources consist primarily of property taxes, which are susceptible to accrual and considered available if collected within 60 days of the end of the fiscal year. Under GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, property taxes are imposed non-exchange revenues. Assets from imposed non-exchange transactions are recorded when the entity has an enforceable, legal claim to the asset or when the entity receives the resources, whichever comes first. The enforceable legal claim date for property taxes is the assessment date. Therefore, the District recognized taxes receivable and a deferred inflow of resources for taxes assessed as of October 1, 2016, which were not available as of June 30, 2017.

Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until received. Investment earnings are recorded as earned since they are both measurable and available at the earnings date.

The special revenue funds, except for the Child Nutrition Fund, include programs that are financed on a project grant basis. These projects have grant periods that range from less than twelve months to in excess of two years. Grant funds are considered to be earned to the extent expenditures are made under the provisions of the grant. When grant funds are received in advance of being earned, they are recorded as unearned revenue until earnings criteria are met.

Fiduciary Fund Financial Statements are accounted for on a flow of economic resources measurement focus. With this focus, all assets and all liabilities associated with the operation of these funds are included on the fund *Statement of Net Position*. Agency funds are custodial in nature and do not involve measurement of results or operations.

Funds

The District reports its financial activities through the use of "fund accounting". The activities of the District are organized on the basis of funds. The operations of each fund are accounted for within a separate set of self-balancing accounts to reflect results of activities. Fund accounting segregates funds according to their intended purposes to assist management in demonstrating compliance with finance-related legal and contractual provisions.

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities are accounted for through the governmental funds. The following are the District's major governmental funds:

General Fund - The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenses that are not paid through other funds are paid from the General Fund.

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Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the retirement of, long-term debt principal, interest and related costs.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition, renovation or construction of major capital projects.

Other non-major governmental funds consist of special revenue funds that account for resources that are legally restricted or locally committed to expenditures for specified purposes. Most Federal and some State financial assistance is accounted for in special revenue funds.

Agency Funds are fiduciary funds that are custodial in nature (assets equal liabilities). These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, organizations, and/or other funds. The Student Activity Fund accounts for the receipt and disbursement of monies from student activity organizations. These organizations exist with the explicit approval of, and are subject to revocation by, the District's Board of Trustees. This accounting reflects the District's agency relationship with the student activity organizations.

Assets, Liabilities and Deferred Inflows/Outflows

Cash and Cash Equivalents – The District's cash and cash equivalents include cash on hand, demand deposits, money markets, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments – Investments, except for the investment pools, are recorded at fair value. Fair value is determined by the amount at which a financial instrument can be exchanged in a current transaction between willing parties. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. District management believes that the District adheres to the requirements of the State of Texas Public Funds Investment Act regarding investment practice, management reports and establishment of appropriate policies. Additionally, management believes that the investment practices of the District are in accordance with local policies for the current fiscal year.

Interfund Receivables and Payables – Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." All residual balances between governmental activities are eliminated in the government-wide statements.

Prepaid Expenditures – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements and expended in a subsequent period using the consumption method. All prepaid expenditures are offset at fiscal year-end by nonspendable fund balance in the fund financial statements.

Capital Assets – Capital assets, which include land, buildings, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value as of the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Asset Classification	Useful Life
Buildings	40 years
Building improvements	20 years
Vehicles	10 years
Buses	7 years
Office equipment	7 years
Computer equipment	5 years

Vacation and Sick Leave – Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability has been accrued in the accompanying basic financial statements. Employees of the District are entitled to sick leave based on category/class of employment. Sick leave is allowed to be accumulated but does not vest. Therefore, no liability exists for unused sick leave.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the *Statement of Net Position*. Bond premiums and discounts are reported as a liability or contra-liability, as appropriate, and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are also reported as other financing sources while discounts on debt issuances and payments to bond refunding escrow agents are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions – The District records its proportionate share of the net pension liability of the Teacher Retirement System of Texas (TRS). The fiduciary net position of TRS has been determined using the 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 by TRS when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources – In addition to assets and liabilities, the government-wide *Statement of Net Position* and governmental fund *Balance Sheet* report separate sections for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position/fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent the acquisition of net position/fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. In addition to deferred losses on debt refunding transactions, which are reported as deferred outflows of resources, the District reports certain deferred inflows and outflows related to pensions on the government-wide *Statement of Net Position.* At the governmental fund level, earned but unavailable tax revenue is reported as a deferred inflow of resources.

Fund Balances and Net Position

Net position on the government-wide *Statement of Net Position* includes the following:

Net Investment in Capital Assets reports the difference between capital assets, net of accumulated depreciation, and the outstanding balance of debt, excluding unspent bond proceeds that is directly attributable to the acquisition, construction or improvement of those capital assets.

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Restricted for Federal and State Grant Programs is the component of net position restricted to be spent for specific purposes prescribed by federal and state granting agencies.

Restricted for Debt Service is the component of net position that is restricted for payment of debt service by constraints established by the bond covenants.

Unrestricted Net Position is the residual difference between assets, deferred outflows, liabilities and deferred inflows that is not invested in capital assets or restricted for specific purposes.

It is the District's policy to spend funds available from restricted sources prior to unrestricted sources.

Fund balances on the governmental funds' *Balance Sheet* include the following:

Nonspendable Fund Balance is the portion of the gross fund balance that is not expendable because it is either not in spendable form or it is legally or contractually required to be maintained intact.

Restricted Fund Balance includes amounts restricted for a specific purpose by the provider (such as a grantors, bondholders, and high levels of government), through constitutional provisions, or by enabling legislation. Debt service resources are to be used for future servicing of the District's bonded debt and are restricted through debt covenants. Capital Projects bond funds are restricted by the bondholders for the specific purpose of capital projects and capital outlays. Federal and State grant resources are restricted pursuant to the mandates of the granting agency.

Committed Fund Balance is that portion of fund balance that is committed to a specific purpose by the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. These amounts cannot be used for any other purpose unless the Board removes or changes the constraint by exercising the same type of action originally used to commit the funds.

Assigned Fund Balance is that portion of fund balance that is spendable or available for appropriation but has been tentatively earmarked for some specific purpose. On June 20, 2016, the Board delegated through formal action the authority to assign fund balance to the Chief Financial Officer; although the Board may also directly assign fund balance for specific purposes. This can be done through adoption and amendment of the budget. As of June 30, 2017, the District has assigned fund balance in the General Fund for the following purposes:

- Claims and judgments – assigned for the coverage of legal fees and deductibles of certain insurance policies.
- Construction – assigned for the expenditure of funds for construction projects and capital outlay not planned to be paid with bond funds
- Extraordinary repair and replacement – assigned to accommodate unforeseeable catastrophic events.
- Future Expenditures – assigned to satisfy outstanding General Fund encumbrances as of the fiscal year end.

Unassigned Fund Balance is the difference between the total fund balance and the total of the non-spendable, restricted, committed, and assigned fund balances and can be utilized for any legal purpose. This portion of the total fund balance in the General Fund is available to finance operating expenditures.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When expenditures are incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first from committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

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Data Control Codes

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

Management's Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimations and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, and deferred inflows 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.

Encumbrance Accounting

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of funds are recorded in the accounting system in order to assign the portion of the applicable appropriation. This methodology is employed in the governmental fund financial statements. Encumbrances are not liabilities and are therefore not recorded as expenditures until receipt of the material or service. For budgetary purposes, appropriations lapse at fiscal year-end, and outstanding encumbrances at year-end are re-appropriated in the next fiscal year. Management has assigned a portion of fund balance for future expenditures equal to the General Fund outstanding encumbrances at June 30, 2017. None of the individual encumbrances reported are considered significant to the financial statements.

NOTE 2. **CASH AND INVESTMENTS**

The District's funds are required to be deposited under the terms of a depository contract pursuant to the School Depository Act. The depository bank places approved securities for safekeeping and trust with the District's agent bank 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 dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

At June 30, 2017, the carrying amount of the District's deposits (cash) and outstanding checks was $21,173,405. The combined bank balance was $12,954,551. At June 30, 2017 and during the year then ended, the District's combined deposits were fully insured by FDIC insurance or collateralized with securities held by the District's agent in the District's name.

Depository information required to be reported to the Texas Education Agency is as follows:

A. Depository: JP Morgan Chase Bank, Frisco, TX

B. The date of the highest deposit was April 13, 2017, when combined cash, savings and time deposits amounted to $50,223,152.

C. The amount of bond and pledged collateral as of the date of the highest combined balance on deposit was $60,019,741.

D. The total amount of FDIC coverage at the time of the largest combined balance was $250,000.

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The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy, which must address the following areas:

- Safety of principal and liquidity,
- Portfolio diversification,
- Allowable investments,
- Acceptable risk levels,
- Expected rates of return,
- Maximum allowable stated maturity of portfolio investments,
- Maximum average dollar weighted maturity allowed based on the stated maturity date for the portfolio,
- Investment staff qualifications and capabilities, and
- Bid solicitation preferences for certificates of deposit.

Statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, municipal securities, repurchase agreements and certain other investments. The investments owned at fiscal year-end are held by the District or its agent in the District's name.

All investment pools utilized by the District meet the requirements of the Texas Public Funds Investment Act (PFIA). The fair value of the positions in the pools is the same as the value of the pools. The District invests the following investment pools:

- *The Lone Star Investment Pool* is governed by an 11 member board, all of whom are participants in the pool. American Beacon Advisors and BNY Mellon Cash Investment Strategies manage the investment of Lone Star's assets.
- *The TexasTERM Investment Pool*, which offers two portfolios, TexasTERM and TexasDAILY, is governed by a 7 member advisory board made up of experienced local government officials elected by the pool's investors. PFM Asset Management LLC manages the investments of TexasTERM's assets.

In compliance with the PFIA, the District has adopted a deposit and investment policy, which addresses the following risks:

- Credit risk is the risk that a security issuer may default on an interest or principal payment. The District controls and monitors this risk by purchasing quality rated instruments that have been evaluated by nationally recognized agencies such as Standard and Poor's (S&P) or Moody's Investors Service.
- Custodial credit risk is the risk that, in the event of the failure of a depository financial institution or counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover its deposits, value of its investments, or collateral securities that are in the possession of an outside party. The PFIA, the District's investment policy, and Government Code Chapter 2257 "Collateral for Public Funds" contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments. The District's funds are deposited and invested under terms of a depository contract with amounts greater than the FDIC insurance coverage protected by approved pledged securities held on behalf of the District. Public funds investment pools created to function as money market mutual funds must mark their portfolios to market daily, and, to the extent reasonably possible, stabilize at a $1 net asset value. The District's policy manages custodial credit risk by requiring securities purchased by a broker-dealer for the District to be held in a Safekeeping account in the District's name. The policy also requires that security transactions be conducted on a delivery-versus-payment basis.

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- Concentration of credit risk is the risk associated with holding investments that are not pools and full faith credit securities. These risks are controlled by limiting the percentages of these investments in the District's portfolio.
- Interest rate risk is the risk that interest rates will rise and an investment in a fixed-income security will decrease in value. Interest rate risk is reduced by diversifying, investing in securities with different durations, and laddering maturity dates. The District's manages its exposure to interest rate risk by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the District's investment in external investment pools is less than 60 days.
- Foreign currency risk is the potential for loss due to fluctuations in exchange rates. The District's policy does not allow for any direct foreign investments, and therefore the District is not exposed to foreign currency risk.

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

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

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

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

		Fair Value Measurements Using:				
	Value at June 30, 2017	Level 1	Level 2	Level 3	Percent of Total Investments	Weighted Average Maturity (Days)
Investments not Subject to Fair Value:						
Lone Star Investment Pool	$ 258,721,777				71.93%	22
TexasTERM portfolio – Texas DAILY	50,967,422				14.17%	35
Investments by Fair Value Level:						
TexasTERM Investment Pool	50,000,000		$ 50,000,000		13.90%	48
Total Value	$ 359,689,199		$ 50,000,000			

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

The TexasTERM investment pool is an external investment pool measured at its net asset value. TexasTERM's strategy is to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. The District has no unfunded commitments related to investment pools. The District participates in two separate TexasTERM portfolios – TexasDAILY, which seeks to maintain a stable net asset value of $1.00 per share and may be redeemed daily, and TexasTERM, which seeks to achieve a net asset value of $1.00 per share at a stated maturity date. As of June 30, 2017, $50,000,000 of the District's investments in the TexasTERM investment pool was invested in the TexasTERM portfolio, and the remaining balance was invested in the TexasDAILY portfolio. TexasDAILY has received a AAAm rating from S&P, and the TexasTERM portfolio has received a rating of AAAf from S&P, which meets the standards set by the Public Funds Investment Act.

NOTE 3. **PROPERTY TAXES**

The District's ad valorem property tax is levied on all real and business personal property located in the District. A lien exists on all property on January 1st of each year. Tax statements are mailed on October 1st each year or as soon thereafter as possible. Taxes are due upon receipt and become delinquent if not paid before February 1st of the following calendar year. The assessed value of the roll as of the end of the fiscal year was $30,621,651,034.

The tax rates levied for the fiscal year ended June 30, 2017, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were $1.04 and $0.42 per $100 valuation, respectively, for a total of $1.46 per $100 valuation.

Current year tax collections for the period ended June 30, 2017, were 99.30% of the levy.

The ad valorem tax rate is allocated each year between the General Fund and the Debt Service Fund. The full amount estimated to be required for general obligation bond retirement is provided by the debt service tax together with interest earned within the Debt Service Fund.

Allowances for uncollectible taxes within the General Fund and Debt Service Fund are based on historical experience. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of June 30, 2017, the allowance for uncollectible taxes was approximately 17% of total delinquent property taxes receivable.

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Tax Increment Financing

On January 13, 1997, the Board of Trustees approved a resolution to enter into an Interlocal Agreement with the City of Frisco, Texas and established Frisco Tax Increment Reinvestment Zone (TIRZ) Number One, in accordance with Chapter 311 of the Texas Tax Code. The purpose of the TIRZ is to promote development through the use of tax increment financing within or adjacent to the 700 acres around Stonebriar Mall.

FISD agreed to participate in the TIRZ, beginning with the 1997 tax year, by contributing 100% of the taxes levied and collected against the captured appraised value of real property within the zone. The proposed duration of the TIRZ is 40 years, ending December 31, 2036.

An Educational Facilities Account has been established with TIRZ proceeds to repay cash expenditures for project costs or the principal of and interest on bonds or other indebtedness for educational facilities within or adjacent to the zone. As of June 30, 2017, approximately $172.8 million of TIRZ proceeds have been used to finance the construction of FISD educational facilities since the agreement began.

NOTE 4. RECEIVABLES

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the Foundation School Program and Available School Fund.

Receivables due from other governments as of June 30, 2017, for the District's individual major funds and Non-Major Governmental Funds are as follows:

	General Fund	Non-Major Governmental Funds	Total
Due from the State of Texas	$ 13,395,909		$ 13,395,909
Due from the Federal Government		$ 2,370,813	2,370,813
Due from Other Governments	94,448		94,448
Total	$ 13,490,357	$ 2,370,813	$ 15,861,170

NOTE 5. INTERFUND TRANSACTIONS

Interfund balances at June 30, 2017, consisted of the following individual fund receivables and payables:

	Receivable	Payable
General fund	$ 1,401,608	
Non-major governmental funds		$ 1,401,608
Total	$ 1,401,608	$ 1,401,608

All interfund balances represent transactions between the General Fund and other funds. Non-major funds owed the General Fund for grant expenditures financed by General Fund cash prior to receiving reimbursements from federal or state agencies.

All interfund balances reported at June 30, 2017, were liquidated shortly after year-end.

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The following is a summary of the District's internal transfers for the fiscal year ended June 30, 2017:

From	To	Amount	Purpose
General Fund	Non-Major Funds	$ 35,000	Transfer to Campus Activity Funds for Energy Reduction Contest
Non-Major Funds	General Fund	16,998	Reimbursement of Camp Payroll Costs
General Fund	Capital Project Fund	6,000,000	Transfer for Locally Defined Capital Outlay
Total Transfers		$ 6,051,998	

NOTE 6. CAPITAL ASSETS

A summary of changes in capital assets for the fiscal year ended June 30, 2017, follows:

	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance
Capital assets not being depreciated:				
Land	$ 160,827,205	$ 18,057,299		$ 178,884,504
Construction in progress	199,882,149	122,401,477	$ 160,858,740	161,424,886
	360,709,354	140,458,776	160,858,740	340,309,390
Capital assets being depreciated:				
Buildings and improvements	1,470,581,317	160,890,957		1,631,472,274
Furniture and equipment	52,469,474	4,312,461	140,165	56,641,770
	1,523,050,791	165,203,418	140,165	1,688,114,044
Less: Accumulated depreciation for:				
Buildings and improvements	287,390,150	37,013,588		324,403,738
Furniture and equipment	37,303,309	3,813,798	140,165	40,976,942
	324,693,459	40,827,386	140,165	365,380,680
Total capital assets for governmental activities, net	$ 1,559,066,686	$ 264,834,807	$ 160,858,740	$ 1,663,042,754

The current period's depreciation was expensed to the following functions:

Function		Expensed
11	Instruction	$ 26,689,773
12	Instructional resources and media services	1,514,956
13	Curriculum and instructional staff development	33,440
23	School leadership	2,657,708
34	Student transportation	1,548,873
35	Food services	1,977,461
36	Extracurricular activities	3,151,396
41	General administration	1,191,468
51	Facilities maintenance and operations	1,057,053
52	Security and monitoring services	79,462
53	Data processing services	665,462
61	Community services	260,334
	Total depreciation expense	$ 40,827,386

Construction Commitments

The District was obligated at June 30, 2017, under major contracts, for construction of new facilities and renovations or repair of various existing facilities. The outstanding construction commitments associated with these projects totaled approximately $24.4 million as of June 30, 2017.

NOTE 7. **LONG-TERM DEBT**

A summary of changes in long-term debt for the fiscal year ended June 30, 2017, is as follows:

Description	Original Issue Amount	Interest Rate(s)	Maturity	Balance at June 30, 2016	Issued/ Increases	Retired/ Refunded	Balance at June 30, 2017	Amount Due Within One Year
Unlimited Tax School Building Bonds:								
Series 2005A	$ 40,000,000	4.000%-5.500%	7/15/2036	$ 11,790,000			$ 11,790,000	$ 11,790,000
Series 2006	$ 85,000,000	2.750%-5.250%	8/15/2039	11,735,000		$ 1,680,000	10,055,000	
Series 2006A	$ 80,000,000	4.000%-6.000%	8/15/2040	23,120,000		1,475,000	21,645,000	
Series 2007A	$ 100,000,000	3.750%-5.250%	8/15/2038	16,610,000		2,120,000	14,490,000	2,240,000
Series 2008	$ 90,000,000	4.125%-5.500%	8/15/2040	81,150,000		77,420,000	3,730,000	1,820,000
Series 2008A	$ 100,000,000	5.000%-6.125%	8/15/2038	98,135,000		94,175,000	3,960,000	1,930,000
Series 2009	$ 85,000,000	4.000%-5.500%	8/15/2041	84,465,000		15,000	84,450,000	10,000
Series 2009A	$ 34,570,000	2.000%-5.000%	8/15/2039	33,075,000		230,000	32,845,000	235,000
Series 2010	$ 20,195,000	0.00%	2/15/2027	14,815,000		1,345,000	13,470,000	1,345,000
Series 2011	$ 50,000,000	4.625%-5.000%	8/15/2041	50,000,000			50,000,000	
Series 2013	$ 90,845,000	3.000%-5.000%	8/15/2043	89,485,000		1,485,000	88,000,000	1,650,000
Series 2014	$ 159,795,000	2.000%-5.000%	8/15/2044	159,795,000		2,945,000	156,850,000	3,085,000
Series 2015A	$ 68,125,000	2.000%-5.000%	8/15/2045	68,125,000			68,125,000	1,265,000
Series 2016B	$ 75,790,000	2.500%-5.000%	8/15/2046		$ 75,790,000		75,790,000	
Unlimited Tax School Refunding Bonds:								
Series 2009	$ 14,170,000	2.000%-4.750%	8/15/2025	10,110,000		815,000	9,295,000	850,000
Series 2009A	$ 50,680,000	2.000%-5.000%	8/15/2029	36,165,000		3,370,000	32,795,000	3,455,000
Series 2010	$ 26,855,000	4.000%-4.250%	8/15/2024	14,995,000		2,730,000	12,265,000	2,830,000
Series 2011	$ 62,078,491	2.000%-5.000%	8/15/2030	61,723,491		365,000	61,358,491	370,000
Series 2013	$ 19,040,000	2.000%-5.000%	7/15/2033	18,390,000		665,000	17,725,000	690,000
Series 2016	$ 104,555,000	3.000%-5.000%	8/15/2037	104,555,000		785,000	103,770,000	4,380,000
Unlimited Tax School Building & Refunding Bonds:								
Series 1999	$ 40,033,092	4.300%-5.750%	8/15/2029	783,092			783,092	
Series 2002A	$ 38,018,141	3.000%-5.375%	8/15/2034	10,174,141			10,174,141	
Series 2007	$ 95,186,595	4.000%-4.500%	8/15/2040	27,960,000		24,325,000	3,635,000	3,635,000
Series 2011A	$ 83,981,260	4.000%-5.000%	8/15/2041	81,081,260		4,705,000	76,376,260	4,950,000
Series 2012	$ 85,531,867	2.000%-5.000%	8/15/2041	85,086,867		230,000	84,856,867	230,000
Series 2012A	$ 71,190,000	2.000%-5.000%	8/15/2041	71,085,000		55,000	71,030,000	1,075,000
Series 2012B	$ 99,545,000	2.000%-5.000%	8/15/2042	98,015,000		255,000	97,760,000	1,170,000
Series 2013	$ 68,471,992	2.000%-5.000%	8/15/2043	67,211,992		3,896,992	63,315,000	1,210,000
Series 2014	$ 111,455,000	2.000%-4.000%	8/15/2044	110,175,000		2,365,000	107,810,000	2,440,000
Series 2015	$ 139,525,000	0.420%-5.000%	8/15/2045	139,525,000		1,540,000	137,985,000	4,780,000
Series 2016A	$ 208,960,000	2.000%-5.000%	8/15/2046	208,960,000			208,960,000	910,000
Series 2017	$ 206,445,000	2.000%-5.000%	8/15/2047		206,445,000		206,445,000	
CAB Premiums:								
Series 1999				9,122,362			9,122,362	
Series 2002A				14,594,401			14,594,401	
Series 2008A				1,190,620		1,190,620	-	
Series 2009				1,785,601		625,456	1,160,145	
Series 2012				1,161,610			1,161,610	
Total bonds payable				1,916,150,437	282,235,000	230,808,068	1,967,577,369	58,345,000
Accreted interest on capital appreciation bonds				49,552,818	6,032,590	852,022	54,733,386	
Unamortized bond premium				100,658,373	32,747,133	7,844,923	125,560,583	
Total bonded debt				2,066,361,628	321,014,723	239,505,013	2,147,871,338	58,345,000
District's portion of net pension liability				101,844,853	17,393,617	9,264,950	109,973,520	
Total long-term debt				$ 2,168,206,481	$ 338,408,340	$ 248,769,963	$ 2,257,844,858	$ 58,345,000

(Continued)

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Changes in debt-related deferred outflows of resources for the fiscal year ended June 30, 2017, were:

	Balance at June 30, 2016	Issued/ Increases	Retired/ Refunded	Balance at June 30, 2017
Deferred loss on refunding transactions	$ 18,953,665	7,071,450	1,103,488	$ 24,921,627

During the year, the District issued the following bonds:

- $75,790,000 (par value) of Unlimited Tax School Building Bonds, Series 2016B with interest rates of 2.50 to 5.00% to acquire, construct, renovate and equip school buildings. Proceeds were delivered on December 28, 2016.
- $206,445,000 (par value) of Unlimited Tax School Building and Refunding Bonds, Series 2017 with interest rates of 2.00 to 5.00%. Proceeds were delivered on June 15, 2017. $27,915,000 (par value) was issued to acquire, construct, renovate and equip school buildings. Deposits to escrow agents of $197,534,075 were used to purchase direct obligations of the U.S. government which were irrevocably pledged to the payment of $20,850,000 of the District's Unlimited Tax School Building and Refunding Bonds, Series 2007, $75,685,000 of the District's Unlimited Tax School Building Bonds, Series 2008 and $94,065,000 of the Districts Unlimited Tax School Building Bonds, Series 2008A. The District's refunding resulted in an economic gain of $40,301,337 and a book loss of $7,071,450 which will be amortized over the life of the refunded debt. The refunding decreased the District's future debt service requirement by $57,896,189.

Capital Appreciation Bonds

A capital appreciation bond (CAB) is a bond bearing no interest that is sold at a significant discount but matures at a stated value. Accreted interest is the obligation associated with CABs and reflects period increases in the obligation to reflect the bond at stated value at maturity. CAB premiums represent premium received on the issuance of these bonds which must also be paid back at maturity. Current year accreted interest expense recognized in the government-wide financial statements was $6,032,590, and $852,022 of outstanding accreted interest was paid off during the year. Total accreted interest on CABs at June 30, 2017 is $54,733,386, and total premiums on CABs are $26,038,518, both of which are reported as long-term liabilities in the government-wide financial statements.

Defeased Debt

In prior years, the District defeased previously issued and outstanding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. As of June 30, 2017, $190,600,000 of outstanding bonds are considered legally defeased.

Bond Authorization and Obligations

General obligation bonds of the District are reported as long-term liabilities of the governmental activities. At June 30, 2017, $107,502,072 was available in the Debt Service Fund to service these bonds.

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management asserts that the District is in compliance with all significant limitations and restrictions at June 30, 2017.

In May 2014, voters in the District approved $775,000,000 of general obligation bonds. As of June 30, 2017, $220,000,000 remains authorized but unissued.

(Continued)

The following table summarizes the annual debt service requirements of outstanding debt at June 30, 2017, to maturity:

Year ending June 30,	Principal*	Interest	Total
2018	$ 58,941,144	78,677,987	$137,619,131
2019	49,984,001	78,764,739	128,748,740
2020	52,461,260	77,479,974	129,941,234
2021	54,196,393	76,187,667	130,384,060
2022	56,516,762	73,774,655	130,291,417
2023-2027	300,515,868	355,121,368	655,637,236
2028-2032	346,055,198	308,963,636	655,018,834
2033-2037	394,223,238	255,612,393	649,835,631
2038-2042	479,633,505	94,887,248	574,520,753
2043-2047	173,465,000	13,103,169	186,568,169
2048	1,585,000	31,700	1,616,700
Total	$ 1,967,577,369	$ 1,412,604,536	$ 3,380,181,905

*includes premiums on capital appreciation bonds

NOTE 8. **UNEARNED REVENUE**

Unearned revenue at June 30, 2017, consisted of the following:

	General Fund	Non-Major Fund	Total
Summer school second session	$ 504,580		$ 504,580
Tower Rentals	90,000		90,000
Instrument rental	16,850		16,850
Pre-K Deposits	1,600		1,600
School Lunch Deposits		$ 739,334	739,334
Total	$ 613,030	$ 739,334	$ 1,352,364

NOTE 9. **REVENUES FROM LOCAL AND INTERMEDIATE SOURCES**

During fiscal year 2017, revenues from local and intermediate sources consisted of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Non-major Governmental Funds	Total
Property taxes	$ 325,148,261	$ 123,671,523			$ 448,819,784
Food sales				$ 17,491,137	17,491,137
Investment income	1,157,443	394,823	$ 420,492	22,193	1,994,951
Penalties, interest and other tax related income	2,465,835	18,315,659			20,781,494
Co-curricular student activities	2,423,340				2,423,340
Facilities rentals	2,818,152				2,818,152
Other	2,380,802		296,814	2,181,790	4,859,406
Total	$ 336,393,833	$ 142,382,005	$ 717,306	$ 19,695,120	$ 499,188,264

NOTE 10. **RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2017, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Health Care Coverage

For the year ending June 30, 2017, all employees of the District were offered health care coverage under the TRS ActiveCare insurance plan (the Plan), which is a statewide health coverage program for public education employees established by the 77th Texas Legislature. The District contributed $325 per month per enrolled employee to the Plan, and employees, at their option, authorized payroll withholdings to pay the additional cost of premiums for themselves and dependents.

Workers' Compensation

The District is self-funded for workers' compensation insurance and has an interlocal agreement with Claims Administrative Services, Inc. (CAS) to serve as the District's third party administrator. The District pays service fees to CAS for its claims management services. The District also maintains an excess workers compensation insurance policy with MECC-Midwest Employers Casualty Company for claims exceeding the specific retention of $350,000. At June 30, 2017, the District's unpaid claims totaled $1,480,000, which include incurred but not reported claims. The liability is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information obtained prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

Changes in the workers' compensation claims liability for fiscal year 2016 and fiscal year 2017 were:

	2016	2017
Beginning liability	$ 858,000	1,109,000
Claims and changes in estimates	1,326,000	640,000
Claim payments	(1,075,000)	(269,000)
Ending liability	$1,109,000	$1,480,000

Litigation and Contingencies

The District is the defendant in a small number of lawsuits arising principally in the normal course of operations. In the opinion of the administration, the outcome of these lawsuits will not have a materially adverse effect on the accompanying financial statements. A total of $1,000,000 of fund balance has been assigned to cover potential legal fees and insurance deductibles for claims and judgments.

State and Federal Programs

The District participates in numerous state and federal funding programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies. Therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2017, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 11. **PENSION PLAN AND OTHER POST EMPLOYMENT BENEFITS**

Employee Retirement Plan

Plan Description - The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). 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 work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position - Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling 512.542.6592.

The information provided in the Notes to the Financial Statements in the 2016 CAFR for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2016:

Net Pension Liability	Total
Total Pension Liability	$ 171,797,150,487
Less: Plan Fiduciary Net Position	(134,008,637,473)
Net Pension Liability	$ 37,788,513,014
Net Position as a percentage of Total Pension Liability	78.00%

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

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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.

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. 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.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for plan years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for plan years 2016 and 2017.

Contribution Rates	2016	2017
Member	7.2%	7.7%
Non-employer contributing entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
FISD 2016 plan year member contributions		$ 21,916,565
FISD 2016 plan year State contributions		$ 15,112,420
FISD 2016 plan year District contributions		$ 9,264,950

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

As the non-employer contributing entity for public education 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. The District is 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.

(Continued)

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

- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the State contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the State contribution rate for certain instructional or administrative employees, and 100% of the State contribution rate for all other employees.

Actuarial Assumptions - The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	August 31, 2016
Actuarial cost method	Individual Entry Age Normal
Asset valuation method	Market Value
Single discount rate	8.00%
Long-term expected investment rate of return	8,00%
Inflation	2.5%
Salary increases including inflation	3.5% to 9.5%
Payroll growth rate	2.5%
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

Discount Rate - The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan 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 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 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2016 are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns*
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100%		8.7%

** The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.*

Discount Rate Sensitivity Analysis - The following schedule shows the impact of the District's proportion of the TRS Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2016 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
FISD's proportionate share of the net pension liability:	$170,201,977	$109,973,520	$58,887,630

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions - At June 30, 2017, the District reported a liability of $109,973,520 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:

FISD's proportionate share of the collective net pension liability	$ 109,973,520
State's proportionate share that is associated with FISD	179,382,080
Total	$ 289,355,600

The net pension liability was measured as of August 31, 2016, 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 employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015 thru August 31, 2016.

At August 31, 2016, the District's proportion of the collective net pension liability was 0.2910237%, which was an increase of 0.0029086% from its proportion measured as of August 31, 2015.

Changes Since the Prior Actuarial Valuation – There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

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

For the year ended June 30, 2017, the District recognized pension expense of $30,889,162, including $15,112,420 paid by the State on-behalf of the District.

At June 30, 2017, 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 economic experience	$ 1,724,364	$ 3,283,745
Changes in actuarial assumptions	3,351,796	3,048,320
Difference between projected and actual investment earnings	21,192,047	11,879,717
Changes in proportion and differences between District contributions and the proportionate share of contributions	13,737,840	10,748
District contributions paid to TRS subsequent to the measurement date	8,557,363	
Total	$48,563,410	$18,222,530

$8,557,363 reported as a deferred outflow 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 ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	$ 3,571,079
2019	3,571,079
2020	9,510,937
2021	3,114,724
2022	1,491,758
Thereafter	523,940
	$ 21,783,517

Retiree Health Plan

Plan Description - The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS–Care), a cost–sharing multiple–employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS–Care provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The Teacher Retirement System of Texas issues a publicly available financial report that includes financial statements and required supplementary information for TRS–Care. That report may be obtained by visiting the TRS Web site at www.trs.state.tx.us under the TRS Publications heading, by calling the TRS Communications Department at

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1.800.223.8778, or by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701.

Funding Policy - Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code 1575.202, 203 and 204 establish state, active employee and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage.

Contribution rates and amounts are shown in the table below for fiscal years 2015-2017. The District recognized contributions made by the State as revenues and expenditures in the General Fund. Actual contributions equaled required contributions for the period.

	Active Member		State		District	
Year	Rate	Amount	Rate	Amount	Rate	Amount
2017	0.65%	$ 2,134,657	1.00%	$ 3,233,658	0.55%	$ 1,806,495
2016	0.65%	$ 1,951,408	1.00%	$ 2,953,505	0.55%	$ 1,699,880
2015	0.65%	$ 1,790,244	1.00%	$ 2,705,380	0.55%	$ 1,563,710

Rates follow the TRS plan year of September 1st through August 31st. For the District's 2017 fiscal year, the State of Texas contributed an amount equal to 1.00% of public school payroll. Similarly to the TRS pension plan contributions, the District is required to pay the state's contribution of 1.00% in addition to its regular contribution when any part or all of an employee's salary is paid by federal funding sources. Those contributions are included in the District contribution amounts above.

Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. The funds allocated to the District are considered on-behalf payments and are recognized as equal revenues and expenditures in the General Fund. For the year ended June 30, 2017, the contribution made on behalf of the District was $1,161,190.

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

FRISCO INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over/(Under)
	REVENUES				
5700	Local and intermediate sources	$ 356,841,300	$ 356,841,300	$ 336,393,833	$ (20,447,467)
5800	State program revenues	127,834,200	127,834,200	133,522,734	5,688,534
5900	Federal program revenues	1,500,000	1,500,000	2,320,903	820,903
5020	**Total Revenues**	486,175,500	486,175,500	472,237,470	(13,938,030)
	EXPENDITURES				
	Current:				
0011	Instruction	288,053,579	292,621,897	282,993,597	(9,628,300)
0012	Instructional resources and media services	6,262,944	7,266,308	6,557,162	(709,146)
0013	Curriculum and instructional staff development	10,538,131	9,920,087	8,853,065	(1,067,022)
0021	Instructional leadership	6,183,153	6,536,683	6,006,327	(530,356)
0023	School leadership	27,789,975	29,165,266	28,474,277	(690,989)
0031	Guidance, counseling and evaluation services	15,319,654	15,182,824	14,309,802	(873,022)
0032	Social work services	479,604	734,304	275,677	(458,627)
0033	Health services	5,076,955	5,974,221	5,386,188	(588,033)
0034	Student transportation	11,118,288	12,567,991	11,284,361	(1,283,630)
0035	Food Services		281,150	268,820	(12,330)
0036	Extracurricular activities	15,813,761	15,192,039	14,155,340	(1,036,699)
0041	General administration	8,433,812	8,730,095	8,223,475	(506,620)
0051	Facilities maintenance and operations	37,093,292	37,539,549	33,880,207	(3,659,342)
0052	Security and monitoring services	2,800,718	4,400,000	3,568,407	(831,593)
0053	Data processing services	6,801,702	6,836,829	5,982,344	(854,485)
0061	Community services	686,883	1,005,983	871,383	(134,600)
0081	Facilities Acquistions and Construction		27,200	25,787	(1,413)
	Intergovernmental:				
0091	Contracted instructional services between schools	5,700,000	-	-	-
0095	Payments to juvenile justice alternative education programs	50,000	120,000	67,814	(52,186)
0097	Payments tax increment fund	20,700,000	22,800,000	22,583,104	(216,896)
0099	Other intergovernmental charges	2,500,000	2,975,000	2,683,175	(291,825)
6030	**Total Expenditures**	471,402,451	479,877,426	456,450,312	(23,427,114)
1100	Excess (deficiency) of revenues over (under) expenditures	14,773,049	6,298,074	15,787,158	9,489,084
	OTHER FINANCING SOURCES (USES)				
7915	Transfers in	-	-	16,998	16,998
8911	Transfers out	-	-	(6,035,000)	(6,035,000)
7080	**Total Other Financing Sources (Uses)**	-	-	(6,018,002)	(6,018,002)
1200	Net change in fund balances	14,773,049	6,298,074	9,769,156	3,471,082
0100	Fund balances - beginning	123,493,141	123,493,141	123,493,141	-
3000	Fund balances - ending	$ 138,266,190	$ 129,791,215	$ 133,262,297	$ 3,471,082

FRISCO INDEPENDENT SCHOOL DISTRICT
NOTES TO BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017

Budgets - Annual budgets are adopted for the General Fund, Child Nutrition Special Revenue Fund and the Debt Service Fund on a basis consistent with accounting principles generally accepted in the United States of America. To comply with those principles, each annual budget is presented on the modified accrual basis. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The Budgetary Comparison Schedules for the Debt Service Fund and Child Nutrition Fund can be found on Exhibits G-1 and G-4, respectively. The remaining special revenue funds and the Capital Projects Fund adopt project-length budgets which do not correspond to the District's fiscal year.

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

A. Prior to June 20 of the preceding fiscal year, the District prepares a budget for the subsequent fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
B. A meeting of the Board of Trustees is then called for the purpose of adopting the proposed budget after ten days public notice of the meeting has been given.
C. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board of Trustees

Once a budget is approved, it can be amended at the fund and function level only. To do so requires the approval of a majority of the members of the Board of Trustees. Amendments are presented to the Board at its regular meetings. Such amendments are reflected in the official minutes of the Board. During the year, several amendments were necessary.

The Chief Financial Officer controls each budget for revenues and expenditures at the fund, function, and object level. Management is able to transfer amounts within each function. Budgeted amounts are as amended by the Board of Trustees. All budget appropriations lapse at year-end.

EXHIBIT F-2

FRISCO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE TEACHER RETIREMENT SYSTEM OF TEXAS
NET PENSION LIABILITY
FOR THE LAST TEN PLAN YEARS[1]

	2014	2015	2016
District's proportion of the net pension liability	0.002314258	0.002881151	0.002910237
District's proportionate share of the net pension liability	$ 61,817,031	$ 101,844,853	$ 109,973,520
Total	$ 61,817,031	$ 101,844,853	$ 109,973,520
District's covered payroll[(2)]	$ 253,369,679	$ 279,985,062	$ 304,425,906
District's proportionate share of the net pension liability as a percentage of its covered payroll	24.40%	36.38%	36.12%
Plan fiduciary net position as a percentage of the total pension liability	83.25%	78.43%	78.00%

[1] The amounts for each fiscal year were determined as of August 31, the pension measurement date. Information for plan years prior to 2014 is not available.

[2] Covered payroll includes all TRS-eligible payroll paid by the district during the plan year (September 1 - August 31)

"ABANDONED ROBOT IN DESERT" BY PATRICK THOMAS
Frisco High School

2017 State VASE Gold Medal
Teacher: Suzanne Blair

EXHIBIT F-3

FRISCO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE LAST TEN FISCAL YEARS[1]

	2008[2]	2009	2010	2011	2012	2013	2014	2015	2016	2017
Contractually required contribution	$ 1,424,850	$ 2,003,172	$ 2,049,495	$ 3,349,384	$ 3,648,289	$ 4,235,762	$ 5,667,342	$ 8,087,677	$ 9,123,803	$ 10,166,019
Contributions in relation to the contractually required contribution	1,424,850	2,003,172	2,049,495	3,349,384	3,648,289	4,235,762	5,667,342	8,087,677	9,123,803	10,166,019
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll (1)	$ 121,747,050	$ 171,452,886	$ 196,423,334	$ 214,315,590	$ 217,577,872	$ 232,571,151	$ 250,101,147	$ 275,426,852	$ 300,219,324	$ 328,408,774
Contributions as a percentage of covered payroll	1.17%	1.17%	1.04%	1.56%	1.68%	1.82%	2.27%	2.94%	3.04%	3.10%

[1] Covered payroll includes all TRS-eligible payroll paid by the district during the fiscal year (July 1 - June 30).
[2] Fiscal year 2008 represents a 10 month transitional year for the period of August 31 to June 30.

OTHER SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

FRISCO INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2017

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over/(Under)
	REVENUES				
5700	Local and intermediate sources	$ 136,945,000	$ 134,945,000	$ 142,382,005	$ 7,437,005
5800	State program revenues	-	2,000,000	2,087,417	87,417
5020	**Total Revenues**	136,945,000	136,945,000	144,469,422	7,524,422
	EXPENDITURES				
	Debt Service:				
0071	Principal on long-term debt	46,555,000	45,649,000	40,208,068	(5,440,932)
0072	Interest on long-term debt	81,443,507	81,837,507	82,689,419	851,912
0073	Bond issuance costs and fees	1,000,000	1,512,000	1,504,485	(7,515)
6030	**Total Expenditures**	128,998,507	128,998,507	124,401,972	(4,596,535)
1100	Excess (deficiency) of revenues over (under) expenditures	7,946,493	7,946,493	20,067,450	12,120,957
	OTHER FINANCING SOURCES (USES):				
7901	Refunding bonds issued			178,530,000	178,530,000
7916	Premium on issuance of bonds			20,481,828	20,481,828
8949	Payment to refunded bond escrow agent			(197,534,075)	(197,534,075)
7080	**Total Other Financing Sources (Uses)**	-	-	1,477,753	1,477,753
1200	Net change in fund balances	7,946,493	7,946,493	21,545,203	13,598,710
0100	Fund balances - beginning	85,956,869	85,956,869	85,956,869	-
3000	Fund balances - ending	$ 93,903,362	$ 93,903,362	$ 107,502,072	$ 13,598,710

OTHER SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The Special Revenue Funds account for the proceeds of specific revenue sources that have been restricted or committed to expenditures for specific purposes other than expendable trusts or for major capital projects. The programs included in these funds are as follows:

Head Start Fund is used to account for funds granted for the Head Start Program by the U.S. Department of Health and Human Services, as passed through the State of Texas.

ESEA, Title I, Part A Fund is used to account for funds allocated by the U.S. Department of Education, as passed through Region X ESC, to enable schools to provide opportunities for children served to acquire the knowledge and skills to meet state performance standards.

IDEA-B Formula Fund is funded by the U.S. Department of Education, as passed through the State of Texas, for the purpose of providing special education and related services to children with disabilities, ages 3-21.

IDEA-B Preschool Fund is funded by the U.S. Department of Education, as passed through the State of Texas, for the purpose of providing special education and related services to children with disabilities, ages 3-5.

IDEA-B Discretionary Fund is funded by the U.S. Department of Education, as passed through the State of Texas, for the purpose of providing special education and related services to children with disabilities.

Child Nutrition Fund is used for school lunch and breakfast programs using federal reimbursement revenues from the U.S. Department of Agriculture, as passed through the State of Texas, for the purpose of charging for and providing meals to

Career and Technical Basic Grant Fund is a fund granted by the U.S. Department of Education, as passed through the State of Texas, to develop new and/or improve existing career and technical education programs for paid and unpaid employment. Full participation in the grant is from individuals who are members of special populations at (1) a limited number of campuses, or (2) a limited number of program areas.

ESEA, Title II, Part A Fund is a teacher and principal training and recruiting program funded by the U.S. Department of Education, as passed through Region X ESC. Funds are used to provide financial assistance to local education agencies to (1) increase student academic achievement through improving teacher and principal quality and increasing the number of highly qualified teachers in classrooms and highly qualified principals and assistant principals in schools, and (2) hold local education agencies and schools accountable for improving student academic achievement.

ESEA, Title III, Part A Fund is an English language acquisition program funded by the U.S. Department of Education, as passed through Region X ESC. Funds are used to improve the education of limited English proficient children by assisting the children with challenging State academic content and helping them meet student academic achievement standards.

Medicaid Administrative Claiming Fund is funded by the U.S. Department of Health and Human Services, as passed through the State of Texas, and is used to account, on a project basis, for funds allocated to local education agencies for reimbursement of eligible administrative costs for activities attributed to the implementation of the Medicaid State plan.

Summer School LEP Fund is funded by the State of Texas for a required summer school program which provides summer school to limited English proficient students who will be eligible for admission to kindergarten and first grade at the beginning of the next school year.

FRISCO INDEPENDENT SCHOOL DISTRICT
NON-MAJOR GOVERNMENTAL FUNDS

Visually Impaired SSVI Fund is used to account for State supplemental visually impaired funds. This fund is used to account for, on a project basis, funds received from Region X ESC as part of a shared service arrangement.

Noneducational Community Based Support Fund is used to account, on a project basis, for the provision of noneducational community-based support services to students with disabilities who would remain or have to be placed in residential facilities for educational reasons without the provision of these services.

Advanced Placement Incentives Fund is funded by the State of Texas to provide test fee subsidies for AP and IB exams taken by public school students with demonstrated financial need. These funds also reimburse TEA approved Pre-AP, AP, and IB teacher training for eligible teachers.

State Textbook Fund is funded by the State of Texas to purchase technological software or equipment that contributes to student learning or to pay for training for educational personnel involved in the use of these materials.

Read to Succeed Fund is a license plate program funded by the State of Texas. The fund is designed to help generate money for public school libraries and strengthen the campus reading program. Funds are generated through the sale of specialty license plates sold to members of the community who support the District.

Campus Activity Funds are funds held at each campus and controlled by the campus principal to fund supplemental operating expenditures for that campus. Revenues are generated by sales and fundraising events at each campus.

Restricted Donations and Grants are *funds* used to account for donations or grants given by outside organization to be spent as directed donor or grantor.

Frisco Partners Fund is used to account for grants given by Frisco Education Foundation to be spent as directed.

Child Development Center Fund is a local fund used to account for day care services provided to District employees' children.

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FRISCO INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

Data Control Codes		205 Head Start Fund	211 ESEA, Title I, Part A Fund	224 IDEA-B Formula Fund	225 IDEA-B Preschool Fund	226 IDEA-B Discretionary Fund	240 Child Nutrition Fund	244 Career and Technical Basic Grant Fund
	ASSETS							
1110	Cash and investments						$ 5,963,270	
1240	Due from other governments	$ 44,544	$ 264,741	$ 1,667,728	$ 8,587	$ 89,985	45,984	$ 73,036
1290	Other receivables						6,556	
1410	Prepaid expenditures							
1000	**Total Assets**	$ 44,544	$ 264,741	$ 1,667,728	$ 8,587	$ 89,985	$ 6,015,810	$ 73,036
	LIABILITIES							
2110	Accounts payable		335	91,048		32,033	47,566	
2160	Accrued wages payable	13,157	90,668	597,493	4,587		1,406,236	
2170	Due to other funds	31,387	173,738	979,187	4,000	57,952		73,036
2300	Unearned revenue						739,334	
2000	**Total Liabilities**	44,544	264,741	1,667,728	8,587	89,985	2,193,136	73,036
	FUND BALANCES							
	Nonspendable:							
3430	Prepaid expenditures							
	Restricted for:							
3450	Federal and state grant programs						3,822,674	
	Committed to:							
3545	Local grants, awards and contributions							
3000	**Total Fund Balances**	-	-	-	-	-	3,822,674	-
4000	**Total Liabilities and Fund Balances**	$ 44,544	$ 264,741	$ 1,667,728	$ 8,587	$ 89,985	$ 6,015,810	$ 73,036

EXHIBIT G-2
(Continued)

FRISCO INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

Data Control Codes		255 ESEA, Title II, Part A Fund	263 ESEA, Title III, Part A Fund	272 Medicaid Administrative Claiming Fund	289 Summer School LEP Fund	385 Visually Impaired SSVI Fund	392 Noneducational Community Based Support Fund	397 Advanced Placement Incentives Fund
	ASSETS							
1110	Cash and investments			$ 24,125	$ 8,667			
1240	Due from other governments	$ 21,395	$ 111,642				$ 4,635	
1290	Other receivables			10,214				
1410	Prepaid expenditures							
1000	**Total Assets**	$ 21,395	$ 111,642	$ 34,339	$ 8,667	$ -	$ 4,635	$ -
	LIABILITIES							
2110	Accounts payable		-	1,648				
2160	Accrued wages payable	762	69,369		286		2,281	
2170	Due to other funds	20,633	42,273				2,354	
2300	Unearned revenue							
2000	**Total Liabilities**	21,395	111,642	1,648	286	-	4,635	-
	FUND BALANCES							
	Nonspendable:							
3430	Prepaid expenditures							
	Restricted for:							
3450	Federal and state grant programs			32,691	8,381			
	Committed to:							
3545	Local grants, awards and contributions							
3000	**Total Fund Balances**	-	-	32,691	8,381	-	-	-
4000	**Total Liabilities and Fund Balances**	$ 21,395	$ 111,642	$ 34,339	$ 8,667	$ -	$ 4,635	$ -

EXHIBIT G-2
(Concluded)

FRISCO INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

Data Control Codes		410 State Textbook Fund	429 Read to Succeed Fund	461 Campus Activity Fund	480 Restricted Donations and Grants	497 Frisco Partners Fund	498 Child Development Center Fund	Total Non-Major Governmental Funds
	ASSETS							
1110	Cash and investments	$ 2,210,068		$ 2,091,007	$ 179,499	$ 12,366	$ 338,182	$ 10,827,184
1240	Due from other governments		$ 38,536					2,370,813
1290	Other receivables							16,770
1410	Prepaid expenditures			65,712				65,712
1000	**Total Assets**	$ 2,210,068	$ 38,536	$ 2,156,719	$ 179,499	$ 12,366	$ 338,182	$ 13,280,479
	LIABILITIES							
2110	Accounts payable	598,795	7,991	39,265	-	12,366	113	831,160
2160	Accrued wages payable		13,497		-		99,789	2,298,125
2170	Due to other funds		17,048					1,401,608
2300	Unearned revenue							739,334
2000	**Total Liabilities**	598,795	38,536	39,265	-	12,366	99,902	5,270,227
	FUND BALANCES							
	Nonspendable:							
3430	Prepaid expenditures			65,712				65,712
	Restricted for:							
3450	Federal and state grant programs	1,611,273						5,475,019
	Committed to:							
3545	Local grants, awards and contributions			2,051,742	179,499		238,280	2,469,521
3000	**Total Fund Balances**	1,611,273	-	2,117,454	179,499	-	238,280	8,010,252
4000	**Total Liabilities and Fund Balances**	$ 2,210,068	$ 38,536	$ 2,156,719	$ 179,499	$ 12,366	$ 338,182	$ 13,280,479

FRISCO INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

Data Control Codes		205 Head Start Fund	211 ESEA, Title I, Part A Fund	224 IDEA-B Formula Fund	225 IDEA-B Preschool Fund	226 IDEA-B Discretionary Fund	240 Child Nutrition Fund	244 Career and Technical Basic Grant Fund
	REVENUES							
5700	Local and intermediate sources						$ 17,513,996	
5800	State program revenues						102,150	
5900	Federal program revenues	$ 91,609	$ 683,541	$ 4,940,638	$ 28,952	$ 391,595	5,597,502	$ 223,664
5020	**Total Revenues**	91,609	683,541	4,940,638	28,952	391,595	23,213,648	223,664
	EXPENDITURES							
	Current:							
0011	Instruction	91,609	612,714	1,960,623	28,952	391,595		223,664
0012	Instructional resources and media services							
0013	Curriculum and instructional staff development		16,818	24,579				
0021	Instructional leadership		49,097	2,917				
0023	School leadership		4,904					
0031	Guidance, counseling and evaluation services			2,952,519				
0033	Health services		8					
0035	Food services						23,130,551	
0036	Extracurricular activities							
0051	Facilities maintenance and operations						241,250	
0061	Community services							
6030	**Total Expenditures**	91,609	683,541	4,940,638	28,952	391,595	23,371,801	223,664
1100	Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-	(158,153)	-
	OTHER FINANCING SOURCES (USES)							
7915	Transfers in							
8911	Transfers out							
7080	**Total Other Financing Sources (Uses)**	-	-	-	-	-	-	-
1200	Net change in fund balances	-	-	-	-	-	(158,153)	-
0100	Fund balances - beginning						3,980,827	
3000	Fund balances - ending	$ -	$ -	$ -	$ -	$ -	$ 3,822,674	$ -

FRISCO INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

Data Control Codes		255 ESEA, Title II, Part A Fund	263 ESEA, Title III, Part A Fund	272 Medicaid Administrative Claiming Fund	289 Summer School LEP Fund	385 Visually Impaired SSVI Fund	392 Noneducational Community Based Support Fund	397 Advanced Placement Incentives Fund
	REVENUES							
5700	Local and intermediate sources							
5800	State program revenues					$ 6,115	$ 4,635	$ 56,250
5900	Federal program revenues	$ 97,357	$ 264,050	$ 26,080	$ 18,639		$ -	
5020	**Total Revenues**	97,357	264,050	26,080	18,639	6,115	4,635	56,250
	EXPENDITURES							
	Current:							
0011	Instruction		235,529		15,881	5,865		
0012	Instructional resources and media services							
0013	Curriculum and instructional staff development	87,573						56,250
0021	Instructional leadership	9,784	28,367					
0023	School leadership							
0031	Guidance, counseling and evaluation services					250		
0033	Health services		154	20,675				
0035	Food services							
0036	Extracurricular activities							
0051	Facilities maintenance and operations							
0061	Community services						4,635	
6030	**Total Expenditures**	97,357	264,050	20,675	15,881	6,115	4,635	56,250
1100	Excess (deficiency) of revenues over (under) expenditures	-	-	5,405	2,758	-	-	-
	OTHER FINANCING SOURCES (USES)							
7915	Transfers in							
8911	Transfers out							
7080	**Total Other Financing Sources (Uses)**	-	-	-	-	-	-	-
1200	Net change in fund balances	-	-	5,405	2,758	-	-	-
0100	Fund balances - beginning			27,286	5,623			
3000	Fund balances - ending	$ -	$ -	$ 32,691	$ 8,381	$ -	$ -	$ -

FRISCO INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

Data Control Codes		410 State Textbook Fund	429 Read to Succeed Fund	461 Campus Activity Fund	480 Restricted Donations and Grants	497 Frisco Partners Fund	498 Child Development Center Fund	Total Non-Major Governmental Funds
	REVENUES							
5700	Local and intermediate sources	$ 7,297		$ 1,228,296	$ 193,596	$ 90,678	$ 661,257	$ 19,695,120
5800	State program revenues	3,138,529	$ 140,233				46,700	3,494,612
5900	Federal program revenues							12,363,627
5020	**Total Revenues**	3,145,826	140,233	1,228,296	193,596	90,678	707,957	35,553,359
	EXPENDITURES							
	Current:							
0011	Instruction	2,010,261	134,244		7,773	52,604		5,771,314
0012	Instructional resources and media services		26			29,199		29,225
0013	Curriculum and instructional staff development		2,463					187,683
0021	Instructional leadership		3,500					93,665
0023	School leadership							4,904
0031	Guidance, counseling and evaluation services				172			2,952,941
0033	Health services				1,757			22,594
0035	Food services				1,676			23,132,227
0036	Extracurricular activities			1,139,846	2,719	8,875		1,151,440
0051	Facilities maintenance and operations				-			241,250
0061	Community services				-		748,364	752,999
6030	**Total Expenditures**	2,010,261	140,233	1,139,846	14,097	90,678	748,364	34,340,242
1100	Excess (deficiency) of revenues over (under) expenditures	1,135,565	-	88,450	179,499	-	(40,407)	1,213,117
	OTHER FINANCING SOURCES (USES)							
7915	Transfers in			35,000				35,000
8911	Transfers out			(16,998)				(16,998)
7080	**Total Other Financing Sources (Uses)**	-	-	18,002	-	-	-	18,002
1200	Net change in fund balances	1,135,565	-	106,452	179,499	-	(40,407)	1,231,119
0100	Fund balances - beginning	475,708		2,011,002	-	-	278,687	6,779,133
3000	Fund balances - ending	$ 1,611,273	$ -	$ 2,117,454	$ 179,499	$ -	$ 238,280	$ 8,010,252

EXHIBIT G-4

FRISCO INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
CHILD NUTRITION FUND
FOR THE YEAR ENDED JUNE 30, 2017

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over/(Under)
	REVENUES				
5700	Local and intermediate sources	$ 19,549,000	$ 19,549,000	$ 17,513,996	$ (2,035,004)
5800	State program revenues	555,000	555,000	102,150	(452,850)
5900	Federal program revenues	5,300,000	5,300,000	5,597,502	297,502
5020	**Total Revenues**	25,404,000	25,404,000	23,213,648	(2,190,352)
	EXPENDITURES				
	Current:				
0035	Food services	24,999,800	25,002,500	23,130,551	(1,871,949)
0051	Facilities maintenance and operations	401,500	401,500	241,250	(160,250)
0061	Community services	2,700	-	-	-
6030	**Total Expenditures**	25,404,000	25,404,000	23,371,801	(2,032,199)
1100	Excess (deficiency) of revenues over (under) expenditures	-	-	(158,153)	(158,153)
1200	Net change in fund balances	-	-	(158,153)	(158,153)
0100	Fund balances - beginning	3,980,827	3,980,827	3,980,827	-
3000	Fund balances - ending	$ 3,980,827	$ 3,980,827	$ 3,822,674	$ (158,153)

OTHER SUPPLEMENTARY INFORMATION

AGENCY FUND

EXHIBIT G-5

FRISCO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2017

Data Control Codes		Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
	ASSETS				
1110	Cash and investments	$ 1,092,187	$ 1,603,581	$ 1,530,987	$ 1,164,781
	Total Assets	$ 1,092,187	$ 1,603,581	$ 1,530,987	$ 1,164,781
	LIABILITIES				
2110	Accounts payable	$ 104,679	$ 1,444,770	$ 1,454,869	$ 94,580
2190	Due to student groups	987,508	1,602,206	1,519,513	1,070,201
	Total Liabilities	$ 1,092,187	$ 3,046,976	$ 2,974,382	$ 1,164,781

OTHER SUPPLEMENTARY INFORMATION

REQUIRED TEA SCHEDULE

FRISCO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED JUNE 30, 2017

	1	2	3	10	20	31	32	40	50
Last Ten Fiscal Years	Tax Rates Maintenance	Tax Rates Debt Service	Assessed/Appraised Value for School Tax Purposes	Beginning Balance	Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance
Prior to 2009	Various	Various	Various	$ (321,345)		$ 4,881	$ 1,346	$ (50,767)	(378,339)
2009	$1.00	$0.37	16,633,312,029	160,571		13,394	4,956	-	142,221
2010	$1.00	$0.39	17,179,510,153	158,235		11,908	4,644	344	142,027
2011	$1.00	$0.39	16,875,842,501	474,796		341,421	133,154	213,133	213,354
2012	$1.00	$0.42	17,504,188,590	435,769		1,250,327	525,138	1,462,671	122,975
2013	$1.04	$0.42	18,411,182,624	556,574		1,301,906	525,770	1,909,928	638,826
2014	$1.04	$0.42	20,072,776,233	653,413		1,358,534	548,639	1,973,901	720,141
2015	$1.04	$0.42	23,005,771,528	1,063,881		1,545,284	624,057	2,106,981	1,001,521
2016	$1.04	$0.42	26,230,139,504	2,227,644		2,027,998	818,999	1,979,843	1,360,490
2017	$1.04	$0.42	30,621,651,034		427,954,821	311,428,275	125,769,110	12,305,695	3,063,131
Totals				$ 5,409,538	$ 427,954,821	$ 319,283,928	$ 128,955,813	$ 21,901,729	$ 7,026,347

Portion of total collections paid into Tax Increment Zone Under Chapter 311, Tax Code	$ 18,949,784

“99 HATS” BY MONTSERRAT PATINO
Independence High School

2017 State VASE Gold Medal
Teacher: Ryan Rimmer

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STATISTICAL SECTION
(UNAUDITED)

FRISCO INDEPENDENT SCHOOL DISTRICT
STATISTICAL SECTION
(Unaudited)

This section of the Frisco Independent School District's Comprehensive Annual Financial Report presents information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall health.

CONTENTS

FRISCO INDEPENDENT SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Unaudited)

	2008 [1]	2009	2010	2011	2012	2013	2014	2015	2016	2017
GOVERNMENTAL ACTIVITIES										
Net Investment in capital assets	$ (122,276,884)	$ (171,154,403)	$ (204,940,333)	$ (233,522,841)	$ (274,216,290)	$ (293,661,182)	$ (273,081,937)	$ (305,309,356)	$ (232,937,713)	$ (232,777,187)
Restricted for Federal and State grant programs	2,161,968	3,121,981	2,831,739	2,606,162	3,208,210	2,904,294	3,789,148	5,261,965	4,489,444	5,475,019
Restricted for debt services	46,270,566	59,011,864	68,589,961	64,478,051	71,170,986	72,023,378	53,919,728	54,250,586	57,086,768	80,911,177
Restricted for capital projects	3,083,347	4,187,350	7,833,126	-	-	-	-	-	-	-
Unrestricted Net Position	30,377,993	21,933,272	22,911,965	26,295,778	47,511,053	51,311,286	66,159,069	353,464	(86,843,097)	(99,981,333)
Total Net Position	$ (40,383,010)	$ (82,899,936)	$ (102,773,542)	$ (140,142,850)	$ (152,326,041)	$ (167,422,224)	$ (149,213,992)	$ (245,443,341)	$ (258,204,598)	$ (246,372,324)

[1] Fiscal year 2008 represents a 10 month transitional year for the period of August 31 to June 30.

Source: Frisco ISD Annual Financial Reports

FRISCO INDEPENDENT SCHOOL DISTRICT
EXPENSES, PROGRAM REVENUES, AND NET (EXPENSE)/REVENUE
LAST TEN FISCAL YEARS

EXHIBIT S-2

(Unaudited)

	2008 [1]	2009	2010	2011	2012	2013	2014	2015	2016	2017
EXPENSES										
Governmental Activities:										
Instruction	$ 133,565,149	$ 179,255,336	$ 200,270,949	$ 210,372,150	$ 207,257,489	$ 220,404,517	$ 237,776,317	$ 284,653,714	$ 305,605,412	$ 325,140,742
Instructional resources and media services	4,759,048	7,527,217	7,456,175	7,041,284	5,072,392	6,878,260	7,563,264	9,187,036	9,796,673	9,325,687
Curriculum and instructional staff development	2,440,703	3,701,535	4,416,790	4,196,290	5,540,212	6,695,992	7,496,653	8,527,459	8,937,996	9,447,290
Instructional leadership	2,513,617	3,707,131	4,152,342	4,183,981	3,496,529	4,538,265	4,625,073	5,075,185	5,474,033	6,192,970
School leadership	10,875,501	13,771,309	16,296,540	19,604,431	18,585,563	22,284,476	21,657,026	28,254,017	30,178,920	32,328,267
Guidance, counseling and evaluation services	6,888,436	8,615,821	10,135,488	11,165,424	11,195,982	12,552,997	12,828,364	14,672,505	16,612,319	17,508,585
Social work services	275,107	233,822	311,030	309,809	292,395	343,427	360,371	352,044	361,960	279,911
Health services	2,474,489	2,875,656	3,401,665	3,612,048	3,388,277	3,738,802	3,885,439	4,700,476	5,183,496	5,496,484
Student transportation	5,889,588	7,405,694	9,747,990	9,511,115	9,476,656	9,854,542	10,489,264	11,631,466	12,127,267	12,899,257
Food services	10,181,062	12,921,293	15,352,293	17,089,059	16,966,824	18,662,958	20,138,815	22,671,955	25,943,835	25,477,572
Extracurricular activities	9,456,889	12,113,595	13,978,597	16,269,145	14,145,666	14,929,811	15,493,350	17,804,290	19,434,773	19,440,200
General administration	5,800,055	9,650,382	7,289,357	7,371,999	7,647,253	6,560,127	6,752,192	8,271,754	9,432,967	9,747,588
Facilities maintenance and operations	19,271,020	27,055,506	29,109,608	31,567,513	28,970,801	30,168,059	31,796,821	37,020,121	45,202,540	46,480,755
Security and monitoring services	1,077,827	1,529,372	1,610,482	2,219,918	2,418,991	2,731,959	3,595,026	3,808,630	3,916,348	3,826,564
Data processing services	1,785,957	4,766,862	4,986,191	5,930,740	6,275,652	6,718,444	7,194,012	9,499,233	9,131,244	8,927,287
Community services	850,082	1,424,151	1,498,050	1,539,113	1,514,281	1,572,685	1,516,206	1,992,750	1,857,437	1,900,499
Debt service - interest on long-term debt	39,593,981	66,796,474	60,341,816	61,708,857	64,807,149	70,402,767	45,233,434	73,966,028	81,825,335	79,783,468
Debt service - bond issuance costs and fees	102,649	213,326	224,619	303,281	784,857	1,034,160	1,288,269	2,511,829	3,518,708	2,474,789
Contracted instructional services between schools	8,276,629	12,904,887	1,331,260	3,004,389	1,582,625	1,785,899	1,004,896	1,177,873	217,771	-
Payments to fiscal agent/member districts of SSA	149,060	127,022	135,132	195,897	-	-	-	-	-	-
Payments to juvenile justice alternative education program:	115,834	112,838	87,929	90,309	60,791	44,573	23,499	47,931	37,077	67,814
Payments to tax increment fund	11,073,196	15,516,540	13,078,366	12,475,699	15,300,909	16,558,936	17,605,466	19,317,219	20,698,870	22,583,104
Other intergovernmental charges	-	-	1,613,714	1,637,072	1,658,054	1,801,088	1,924,946	2,102,040	2,377,535	2,683,175
Total Governmental Activities Expenses	277,415,879	392,225,769	406,826,383	431,399,523	426,439,348	460,262,744	460,248,703	567,245,555	617,872,516	642,012,008
PROGRAM REVENUES										
Governmental Activities:										
Charges for Services:										
Instruction	73,267	315,818	195,799	234,762	206,936	290,231	350,717	396,872	403,481	310,309
Food services	8,619,622	10,534,707	11,381,160	12,372,825	13,077,118	13,685,406	14,494,346	16,242,616	17,585,643	17,491,137
Extracurricular activities	564,693	746,020	926,755	1,475,974	1,522,873	1,506,143	1,525,824	1,605,535	1,798,238	2,423,340
Facilities maintenance and operations	537,487	761,560	731,934	536,802	1,913,519	2,299,332	2,394,812	2,554,502	2,864,952	2,818,152
Community services	539,047	-	-	-	-	-	-	-	-	-
Operating Grants and Contributions	16,447,353	18,596,276	31,313,190	32,628,060	25,145,775	22,544,354	26,278,448	38,071,093	34,845,658	38,224,087
Total Governmental Activities Program Revenues	26,781,469	30,954,381	44,548,838	47,248,423	41,866,221	40,325,466	45,044,147	58,870,618	57,497,972	61,267,025
Net (Expense) Revenue	(250,634,410)	(361,271,388)	(362,277,545)	(384,151,100)	(384,573,127)	(419,937,278)	(415,204,556)	(508,374,937)	(560,374,544)	(580,744,983)

[1] Fiscal year 2008 represents a 10 month transitional year for the period of August 31 to June 30.

Source: Frisco ISD Annual Financial Reports

FRISCO INDEPENDENT SCHOOL DISTRICT
GENERAL REVENUES AND TOTAL CHANGES IN NET POSITION
LAST TEN FISCAL YEARS

EXHIBIT S-3

(Unaudited)

	2008 [1]	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net (Expense) Revenue	$ (250,634,410)	$ (361,271,388)	$ (362,277,545)	$ (384,151,100)	$ (384,573,127)	$ (419,937,278)	$ (415,204,556)	$ (508,374,937)	$ (560,374,544)	$ (580,744,983)
GENERAL REVENUES										
Governmental Activities:										
Taxes:										
Property taxes, levied for general purposes	134,235,359	168,875,322	173,721,989	171,001,679	177,079,758	199,562,589	229,889,558	265,133,759	279,061,789	328,154,575
Property taxes, levied for debt service	54,533,671	57,650,495	62,409,766	61,736,118	68,875,705	72,822,119	80,937,836	93,922,813	105,578,096	124,819,619
State aid - formula grants	52,027,127	68,601,051	85,246,982	99,211,962	104,324,856	117,087,935	119,733,020	120,405,390	139,758,001	115,510,634
Grants and contributions not restricted to specific programs	-	27,945	17,407	180	20,083	516,970	-	-	2,332,383	2,320,903
Investment earnings	6,400,879	2,509,504	358,496	246,295	184,963	238,659	98,009	166,062	720,988	1,994,950
Miscellaneous local and intermediate revenue	28,255,988	21,090,145	16,969,299	17,308,973	21,901,571	20,559,060	2,754,365	3,625,774	20,162,030	19,776,576
Total General Revenue	275,453,024	318,754,462	338,723,939	349,505,207	372,386,936	410,787,332	433,412,788	483,253,798	547,613,287	592,577,257
Change in net position	24,818,614	(42,516,926)	(23,553,606)	(34,645,893)	(12,186,191)	(9,149,946)	18,208,232	(25,121,139)	(12,761,257)	11,832,274
Net position - beginning, as adjusted	(65,201,624)	(40,382,010)	(79,219,936)	(105,496,957)	(140,142,850)	(158,272,278)	(167,422,224)	(220,322,202)	(245,443,341)	(258,204,598)
Net position - ending	$ (40,383,010)	$ (82,898,936)	$ (102,773,542)	$ (140,142,850)	$ (152,329,041)	$ (167,422,224)	$ (149,213,992)	$ (245,443,341)	$ (258,204,598)	$ (246,372,324)

[1] Fiscal year 2008 represents a 10 month transitional year for the period of August 31 to June 30.

Source: Frisco ISD Annual Financial Reports

EXHIBIT S-4

FRISCO INDEPENDENT SCHOOL DISTRICT
FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Unaudited)

	2008 [1]	2009	2010	2011	2012	2013	2014	2015	2016	2017
GENERAL FUND										
Reserved			$ 51,281							
Nonspendable				$ 251,404	$ 141,684	$ 163,824	$ 264,523	$ 410,917	$ 702,073	$ 905,361
Restricted										
Assigned									11,058,554	3,750,957
Unreserved /Unassigned	$ 22,473,686	$ 21,962,721	46,286,952	42,818,991	60,123,335	72,501,978	84,900,184	92,068,189	111,732,514	128,605,979
Total General Fund	22,473,686	21,962,721	46,338,233	43,070,395	60,265,019	72,665,802	85,164,707	92,479,106	123,493,141	$ 133,262,297
All OTHER GOVERNMENTAL FUNDS										
Reserved for:										
Debt service fund	46,270,566	59,011,864	67,245,565							
Child nutrition service	2,161,968	3,121,981	2,831,739							
Designated for:										
Construction	80,804,147	69,653,941	7,833,126							
Other Purposes	21,000,000	23,000,000								
Nonspendable							71,910	45,631	64,406	65,712
Restricted				118,756,851	78,941,316	125,818,111	173,944,026	226,127,518	204,022,445	175,399,955
Committed						2,171,829	2,117,958	2,088,957	2,225,283	2,469,521
Assigned										5,889,126
Unreserved/Unassigned	1,680,111	1,499,215	1,569,851	1,750,466	1,958,933					
Total All Other Governmental Funds	151,916,792	156,287,001	79,480,281	120,507,317	80,900,249	127,989,940	176,133,894	228,262,106	206,312,134	$ 183,824,314
Total Governmental Funds	$ 174,390,478	$ 178,249,722	$ 125,818,514	$ 163,577,712	$ 141,165,268	$ 200,655,742	$ 261,298,601	$ 320,741,212	$ 329,805,275	$ 317,086,611

[1] Fiscal year 2008 represents a 10 month transitional year for the period of August 31 to June 30.
[2] Beginning with the fiscal year ended June 30, 2011, the District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Types*, which required a change in the reported classification of fund balance.
[3] Prior to the implementation of GASB 54, the portion of fund balance available for spending at the District's discretion was classified as "Unreserved." After the implementation of GASB 54, this amount is classified as "Unassigned."

Source: Frisco ISD Annual Financial Reports

EXHIBIT S-5

FRISCO INDEPENDENT SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Unaudited)

	2008 [1]	2009	2010	2011	2012	2013	2014	2015	2016	2017
REVENUES										
Local and intermediate sources	$ 232,308,432	$ 262,542,603	$ 266,335,275	$ 265,159,734	$ 286,574,924	$ 309,077,472	$ 333,806,178	$ 381,193,995	$ 432,689,498	$ 499,188,264
State program revenues	62,382,339	80,784,250	97,190,014	111,289,016	115,321,314	129,671,656	133,799,695	133,975,235	161,187,530	139,189,304
Federal program revenues	6,092,141	6,441,022	19,387,565	20,551,186	14,169,400	10,477,603	11,423,023	12,432,495	13,641,401	14,684,530
	300,782,912	349,767,875	382,912,854	396,999,936	416,065,638	449,226,731	479,028,896	527,601,725	607,518,429	653,062,098
EXPENDITURES										
Current:										
Instruction	118,453,890	150,799,050	173,467,078	182,496,322	176,860,360	196,244,658	210,384,860	234,760,839	259,362,734	288,828,129
Instructional resources and media services	4,484,132	5,621,291	5,119,964	5,048,034	4,411,159	5,057,068	5,272,336	5,578,571	5,903,740	6,586,387
Curriculum and instructional staff development	2,444,288	3,702,110	4,417,134	4,173,666	5,497,695	6,696,310	7,496,653	8,307,911	8,808,991	9,040,748
Instructional leaderhsip	2,517,202	3,705,939	4,152,686	4,161,357	3,452,915	4,538,583	4,625,073	4,893,191	5,399,089	6,099,992
School leadership	10,727,046	13,377,731	15,986,938	19,117,432	17,936,465	21,966,564	21,321,892	23,588,233	26,215,585	28,479,181
Guidance, counseling and evaluation services	6,899,190	8,618,090	10,136,519	11,120,177	11,067,229	12,553,335	12,827,113	14,112,899	16,381,866	17,262,743
Social work services	275,107	233,822	311,030	309,809	292,395	343,427	360,371	343,027	356,988	275,677
Health services	2,478,074	2,781,160	3,386,708	3,562,679	3,328,177	3,729,920	3,872,931	4,566,068	5,079,075	5,408,782
Student transportation	4,913,154	5,878,917	7,832,691	7,529,367	7,454,070	8,124,128	8,769,634	9,558,458	10,435,043	11,284,361
Food services	9,325,193	11,615,911	14,103,336	15,105,284	15,090,635	16,800,946	18,146,918	19,973,220	23,090,610	23,401,047
Extracurricular activities	6,426,914	8,131,289	9,615,377	11,031,634	11,480,974	12,155,988	12,380,344	13,161,741	14,863,418	15,354,435
General administration	5,534,560	6,952,987	6,228,714	6,431,057	4,991,034	5,706,743	5,685,941	6,470,414	7,823,941	8,223,475
Facilities maintenance and operations	17,784,247	23,214,246	26,336,467	28,722,255	24,674,238	27,818,925	28,974,793	30,974,767	33,256,966	34,121,457
Security and monitoring services	1,006,037	1,237,700	1,326,543	1,768,526	1,923,659	1,865,957	2,510,096	3,091,852	3,279,043	3,568,407
Data processing services	1,274,856	1,770,527	1,775,221	2,163,063	3,309,326	5,146,610	5,307,632	6,206,388	6,138,332	5,982,344
Community services	849,783	1,412,118	1,496,786	1,527,079	1,502,248	1,560,970	1,514,385	1,633,826	1,582,736	1,624,382
Debt Service:										
Principal on long-term debt	22,670,113	14,393,638	19,153,596	20,672,773	18,376,134	20,579,605	27,935,713	28,407,368	33,165,766	40,208,068
Interest on long-term debt	546,209	47,192,970	56,970,707	55,877,774	60,861,887	62,655,429	61,273,182	70,090,988	79,264,169	82,689,419
Bond issuance costs and fees	-	3,069,950	841,153	942,386	555,641	1,034,160	1,288,269	2,511,829	3,518,708	2,474,790
Capital Outlay:										
Facilities acquisition and construction	160,908,619	197,245,977	92,337,806	66,948,012	97,792,344	81,302,872	167,713,439	231,716,698	213,578,123	166,980,903
Intergovernmental:										
Contracted instructaional services between schools	8,276,629	12,904,887	1,331,260	3,004,389	1,582,625	1,785,899	1,004,896	1,177,873	217,771	-
Payments to fiscal agent/member districts of SSA	149,060	127,022	135,132	195,897	-	-	-	-	-	-
Payments to juvenile justice alternative education programs	115,834	112,838	87,929	90,309	60,791	44,573	23,499	47,931	37,077	67,814
Payments tax increment fund	11,073,196	15,516,540	13,078,366	12,475,699	15,300,909	16,558,936	17,605,466	19,317,219	20,698,870	22,583,104
Other intergovernmental charges	-	-	1,613,714	1,637,072	1,658,054	1,801,088	1,924,946	2,102,040	2,377,535	2,683,175
	399,133,333	539,616,710	471,242,855	466,112,052	489,460,964	516,072,694	628,220,382	742,593,351	780,836,176	783,228,820
Excess (deficiency) of revenues over (under) expenditures	(98,350,421)	(189,848,835)	(88,330,001)	(69,112,116)	(73,395,326)	(66,845,963)	(149,191,486)	(214,991,626)	(173,317,747)	(130,166,722)
OTHER FINANCING SOURCES (USES)										
Capital related debt issued (regular and refunding bonds)	190,000,000	199,170,000	85,250,000	181,031,260	147,610,357	258,246,992	202,300,000	299,320,000	381,640,000	282,235,000
Premium on issuance of bonds	595,395	8,865,586	2,361,017	9,692,980	11,084,272	30,271,957	10,436,146	19,187,662	38,051,415	32,747,133
Sale of real and personal property	339,103	17,096	-	13,057	2,412	7,464,755	2,253,199	6,916,575	3,884,912	-
Transfers in	-	10,491,431	28,148,312	12,325,434	8,958,340	16,486,477	14,511,144	7,774,470	7,119,500	6,051,998
Other resources	-	-	-	-	270	-	-	-	-	-
Transfers out	-	(10,491,431)	(28,148,312)	(13,621,257)	(13,241,717)	(16,422,968)	(14,511,144)	(7,774,470)	(7,119,500)	(6,051,998)
Paymen to refunded bond escrow agent	-	(14,326,603)	(51,712,224)	(79,846,745)	(103,431,052)	(169,710,776)	(5,155,000)	(50,990,000)	(241,194,517)	(197,534,075)
	190,934,498	193,726,079	35,898,793	109,594,729	50,982,882	126,336,437	209,834,345	274,434,237	182,381,810	117,448,058
Net change in fund balances	92,584,077	3,877,244	(52,431,208)	40,482,613	(22,412,444)	59,490,474	60,642,859	59,442,611	9,064,063	(12,718,664)
Fund balances - beginning, as adjusted	81,806,401	174,390,478	178,249,722	123,095,099	163,577,712	141,165,268	200,655,742	261,298,601	320,741,212	329,805,275
Fund balances - ending	$ 174,390,478	$ 178,267,722	$ 125,818,514	$ 163,577,712	$ 141,165,268	$ 200,655,742	$ 261,298,601	$ 320,741,212	$ 329,805,275	$ 317,086,611
Debt service as a percentage of non-capital expenditures	9.75%	18.88%	20.31%	19.41%	20.37%	19.38%	19.18%	18.35%	19.24%	19.64%

[1] Fiscal year 2008 represents a 10 month transitional year for the period of August 31 to June 30.

Source: Frisco ISD Annual Financial Reports

EXHIBIT S-6

FRISCO INDEPENDENT SCHOOL DISTRICT
TAXABLE ASSESSED VALUATION BY PROPERTY USE CATEGORY
LAST TEN FISCAL YEARS
(Unaudited)

	Actual Value												
Fiscal Year	Single Family Property	Multi-Family Property	Vacant Lots Tracts	Acreage (Land Only)	Farm and Ranch Improvements	Commercial & Industrial (Real)	Utilities	Commercial & Industrial (Personal)	Other	Total Assessed Value	Less: Exemptions	Total Taxable Value	Total District Rate
2007	9,798,010,024	697,691,492	266,328,691	2,258,395,104	21,299,008	2,640,463,134	112,861,870	635,539,523	788,876,767	17,219,465,613	2,291,854,327	14,927,611,286	$1.35
2008[1]	10,968,639,445	818,695,375	396,264,241	2,272,350,941	23,431,597	3,215,066,625	127,215,788	716,602,406	516,112,940	19,054,379,358	2,421,069,338	16,633,310,020	$1.37
2009	11,318,629,269	959,222,680	379,432,588	1,978,541,543	21,394,569	3,481,674,802	130,731,808	787,615,513	399,621,865	19,456,864,637	2,277,356,494	17,179,508,143	$1.39
2010	11,504,077,061	998,825,739	299,761,332	1,752,437,036	20,930,610	3,215,213,475	115,645,665	706,809,701	362,745,531	18,976,446,150	2,100,605,660	16,875,840,490	$1.39
2011	12,062,374,158	1,048,925,351	305,794,907	1,726,339,089	18,546,875	3,316,365,172	128,181,093	733,630,488	307,640,722	19,647,797,855	2,143,611,277	17,504,186,578	$1.42
2012	12,627,501,202	1,202,898,036	293,379,271	1,730,873,484	17,685,947	3,499,967,601	130,695,320	775,039,766	262,013,501	20,540,054,128	2,128,873,517	18,411,180,611	$1.46
2013	13,675,913,279	1,413,163,612	298,801,710	1,393,693,816	321,808,894	3,764,176,806	136,448,465	828,032,175	353,434,184	22,185,472,941	2,112,698,722	20,072,774,219	$1.46
2014	15,793,610,094	1,704,527,510	397,306,356	1,564,168,999	371,885,899	4,178,276,253	151,707,976	888,658,217	361,313,589	25,411,454,893	2,405,683,365	23,005,771,528	$1.46
2015	18,531,227,482	1,953,611,983	432,451,349	1,691,512,254	519,090,462	4,778,991,671	163,717,344	940,465,225	398,329,187	29,409,396,957	3,179,257,453	26,230,139,504	$1.46
2016	21,617,912,704	2,308,485,474	548,452,795	1,677,217,322	683,537,417	5,613,500,147	174,364,345	983,165,673	527,152,241	34,133,788,118	3,512,137,084	30,621,651,034	$1.46

[1] Fiscal year 2008 represents a 10 month transitional year for the period of August 31 to June 30.

Source: Texas Comptroller of Public Accounts - School District Summary Worksheet

EXHIBIT S-8

FRISCO INDEPENDENT SCHOOL DISTRICT
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)

Taxpayer	Business Type	2017 Taxable Value	2017 Percentage of Total Taxable Value
Capital One National Association	Banking & Finance	$ 149,429,000	0.49%
BPR Shopping Center LP	Shopping Center	121,936,281	0.40%
Tollway/121 Partners LTD	Real Estate Development	114,367,577	0.37%
Granite Park I LLC	Real Estate Development	112,989,648	0.37%
TxApt 8205 Towne Main Drive LP	Real Estate Development	84,897,767	0.28%
KDC Legacy HQ Investments One LP	Real Estate Development	78,184,757	0.26%
Hall Office Portfolio DB LLC	Real Estate Development	77,440,725	0.25%
Frisco Station Partners LP	Real Estate Development	69,588,841	0.23%
PPF Amli Parkwood Boulevard LLC	Real Estate Development	66,124,988	0.22%
Speciified Properties LLP	Real Estate Development	64,642,933	0.21%
		$ 939,602,517	3.07%

Taxpayer	Business Type	2008 Taxable Value	2008 Percentage of Total Taxable Value
Tenet Frisco LTD	Medical	$ 91,569,865	0.55%
Tollway/121 Partners LTD	Real Estate Development	85,997,990	0.52%
Roddman LLC	Real Estate Development	69,027,693	0.42%
Capital One National Association	Finance	50,118,589	0.30%
Virtu Investments LLC	Real Estate Development	50,044,785	0.30%
Sonebriar Mall Ltd Partnership	Retail	45,542,951	0.28%
GP Park II LLC	Real Estate Development	44,000,000	0.27%
Granite Park I LLC	Real Estate Development	44,000,000	0.27%
OTR	Real Estate Development	43,767,617	0.26%
Teacher Insurance & Annuity Association	Finance	42,102,243	0.25%
		$ 566,171,733	3.42%

Source: Collin and Denton County Appraisal Districts

EXHIBIT S-7

FRISCO INDEPENDENT SCHOOL DISTRICT
DIRECT AND OVERLAPPING TAX RATES
LAST TEN FISCAL YEARS
(Unaudited)

		Overlapping Rates								
Fiscal Year	Frisco ISD	City of Frisco	Collin County	Collin County Community College (CCCC)	City of McKinney	City of Plano	Denton County	Town of Little Elm	City of Hackberry	Denton County FWSD
2007	1.5800	0.4500	0.2500	0.0870	0.5200	0.4735	0.2359	0.5358	0.5798	1.0000
2008	1.3500	0.4500	0.2450	0.0865	0.6100	0.4735	0.2357	0.5697	0.5798	1.0000
2009	1.3700	0.4650	0.2425	0.0863	0.6100	0.4886	0.2498	0.6345	0.4478	1.0000
2010	1.3900	0.4650	0.2425	0.0863	0.6100	0.4886	0.2739	0.6652	0.4754	1.0000
2011	1.3900	0.4620	0.2400	0.0863	0.6100	0.4886	0.2774	0.6650	0.4766	1.0000
2012	1.4200	0.4620	0.2400	0.0863	0.6100	0.4886	0.2829	0.6650	0.4857	1.0000
2013	1.4600	0.4620	0.2380	0.0863	0.6100	0.4886	0.2829	0.6650	0.4627	1.0000
2014	1.4600	0.4620	0.2380	0.0836	0.5855	0.4886	0.2850	0.6650	0.4627	1.0000
2015	1.4600	0.4600	0.2250	0.0820	0.5830	0.4886	0.2620	0.6616	0.4009	1.0000
2016	1.4600	0.4600	0.2250	0.0820	0.5830	0.4886	0.2620	0.6617	0.4010	1.0000

Source: Texas Comptroller of Public Accounts - Tax Rates and Levies

FRISCO INDEPENDENT SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Taxes Levied for the Fiscal Year[1]	Collected within the Fiscal Year of the Levy: Amount	Collected within the Fiscal Year of the Levy: Percentage of Levy	Collections in Subsequent Years	Current Year Adjusted Levy[2]	Total Collections to Date: Amount[3]	Total Collections to Date: Percentage of Levy
2008	193,268,272	190,616,176	98.63%	3,948,603	194,376,427	194,564,779	100.10%
2009	188,873,783	186,511,500	98.75%	3,426,455	188,742,540	189,937,955	100.63%
2010	226,592,154	222,910,277	98.38%	3,699,553	226,699,911	226,609,830	99.96%
2011	236,338,412	232,171,603	98.24%	5,099,640	236,691,286	237,271,243	100.25%
2012	233,360,846	230,656,112	98.84%	4,645,509	234,724,534	235,301,621	100.25%
2013	246,595,889	244,576,313	99.18%	5,310,573	249,653,890	249,886,886	100.09%
2014	271,222,819	269,428,955	99.34%	5,202,805	273,825,590	274,631,760	100.29%
2015	292,572,378	289,972,452	99.11%	6,043,409	298,697,537	296,015,861	99.10%
2016	333,326,629	330,473,983	99.14%	2,846,997	335,306,472	333,320,980	99.41%
2017	440,260,516	437,197,385	99.30%		440,260,516	437,197,385	99.30%

[1] Includes adjustments during the year of the levy.
[2] Includes all adjustments to the levy made in subsequent years.
[3] Includes penalties and interest.

Sources: Frisco ISD Annual Financial Reports and Collin County Tax Office

"GIRL IN BLUE SHIRT" BY TYRA HALLADAY
Heritage High School

2017 State VASE Gold Medal
Teacher: Sarah Watkins

FRISCO INDEPENDENT SCHOOL DISTRICT
ESTIMATED OVERLAPPING DEBT STATEMENT
JUNE 30, 2017
(Unaudited)

Taxing Body	Amount	Percentage Overlapping	Amount Overlapping
Collin County	$ 352,380,000	19.08%	$ 67,234,104
Collin County CCD	16,910,000	19.08%	3,226,428
Denton County	605,835,000	10.71%	64,884,929
Denton County FWSD # 8-C	40,493,277	100.00%	40,493,277
City of Frisco	414,722,478	91.90%	381,129,957
Town of Little Elm	53,941,856	36.34%	19,602,470
City of McKinney	248,335,000	17.52%	43,508,292
City of Plano	357,330,000	10.53%	37,626,849
Subtotal, overlapping debt			657,706,306
District gross bonded debt			2,147,871,338
Total direct and overlapping debt			$ 2,805,577,644
Ratio of net direct and overlapping debt to net taxable valuation			9.16%
Per capita direct and overlapping debt			$ 12,236.36

Source: Municipal Advisory Council of Texas
The method of determining the percentage overlapping was not disclosed to the District.

EXHIBIT S-11

FRISCO INDEPENDENT SCHOOL DISTRICT
RATIO OF BONDED DEBT TO TAXABLE ASSESSED VALUATION AND NET BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Taxable Assessed Value	Bonded Debt Outstanding at Year-End	Ratio of Bonded Debt to Taxable Assessed Value	Estimated Population	Taxable Assessed Value per Capita	Bonded Debt per Capita	Personal Income	Ratio of Bonded Debt to Personal Income
2008	14,927,611,286	992,862,979	6.65%	122,922	121,440	8,077	5,828,009,200	17.04%
2009	16,633,310,020	1,163,469,342	6.99%	141,521	117,532	8,221	5,736,497,260	20.28%
2010	17,179,508,143	1,178,615,748	6.86%	162,932	105,440	7,234	6,277,062,090	18.78%
2011	16,875,840,490	1,265,634,232	7.50%	167,332	100,852	7,564	7,054,209,240	17.94%
2012	17,504,186,578	1,310,323,851	7.49%	173,002	101,179	7,574	7,941,628,760	16.50%
2013	18,411,180,611	1,353,110,843	7.35%	186,743	98,591	7,246	8,423,152,562	16.06%
2014	20,072,774,219	1,679,166,027	8.37%	195,558	102,644	8,587	8,423,152,562	19.94%
2015	23,005,771,528	1,911,006,819	8.31%	206,900	111,193	9,236	8,906,351,924	21.46%
2016	26,230,139,504	2,066,361,628	7.88%	218,374	120,116	9,462	9,520,014,530	21.71%
2017	30,621,651,034	2,147,871,338	7.01%	229,282	133,555	9,368	10,951,884,012	19.61%

Sources: Collin and Denton County appraisal districts; the Municipal Advisory Council of Texas; and Population and Survey Analysts

EXHIBIT S-12

FRISCO INDEPENDENT SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(Unaudited)

Legal Debt Margin Calculation for the Fiscal Year 2016:

Taxable Assessed value		$ 30,621,651,034
Debt limit (10% of assessed value)[1]		3,062,165,103
Total bonded debt	$ 2,147,871,338	
Less reserve for retirement of debt[2]	107,502,072	
Debt applicable to limit		2,040,369,266
Legal debt margin		$ 1,021,795,837

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt Limit	$ 1,492,172,776	$ 1,663,331,002	$ 1,717,950,814	$ 1,687,584,049	$ 1,750,418,658	$ 1,841,118,061	$ 2,007,277,422	$ 2,300,577,153	$ 2,623,013,950	$ 3,062,165,103
Total net debt applicable to limit	946,592,413	1,104,457,477	1,111,370,180	1,202,435,238	1,225,113,663	1,306,550,128	1,504,107,915	1,721,846,816	1,830,193,568	2,040,369,266
Legal debt Margin	$ 2,438,765,189	$ 2,767,788,479	$ 2,829,320,994	$ 2,890,019,287	$ 2,975,532,321	$ 3,147,668,189	$ 3,511,385,337	$ 4,022,423,969	$ 4,453,207,518	$ 5,102,534,369
Total net debt applicable to the limit as a percentage of the debt limit	63.44%	66.40%	64.69%	71.25%	69.99%	70.97%	74.93%	74.84%	69.77%	66.63%

[1] Bonded Debt Limitation: Total principal amount of tax fund indebtedness cannot exceed 10% of assessed valuation of taxable property in the District according to the approved ad valorem tax roll at the time of the issuance of bonds.
[2] Amount represents fund balance restricted for the retirement of long-term debt. See Exhibit C-1. This amount differs from government-wide net position restricted for debt service by amounts payable for accrued or accreted interest

Source: Frisco ISD Annual Financial Reports

FRISCO INDEPENDENT SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Estimated Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2008	122,922	5,266,857,570	42,847	4.10%
2009	141,521	5,736,497,260	40,535	5.90%
2010	162,932	6,277,062,090	38,526	6.80%
2011	167,332	7,054,209,240	42,157	6.30%
2012	173,002	7,941,628,760	45,905	5.40%
2013	186,743	8,423,152,562	45,106	5.00%
2014	195,558	8,423,152,562	43,072	5.40%
2015	206,900	8,906,351,924	43,047	3.20%
2016	218,374	9,520,014,530	43,595	2.70%
2017	229,282	10,951,884,012	47,766	3.80%

Sources: U.S. Census Bureau; American Community Survey Data; Texas Workforce Commission

EXHIBIT S-14

FRISCO INDEPENDENT SCHOOL DISTRICT
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)

	2017		
Employer	**Approximate Number of Employees**	**Percentage of Total Estimated Employees**	**Rank**
Frisco Independent School District	7,500	7.32%	1
T-Mobile	1,500	1.46%	2
City of Frisco	1,102	1.07%	3
Mario Sinacola & Sons Excavating	603	0.59%	4
CCCD Preston Ridge Campus	550	0.54%	5
Amerisource Bergens Specialty Group	500	0.49%	6
CLA USA, Inc.	450	0.44%	7
IKEA Frisco	400	0.39%	8
Tenet of Texas RBO	300	0.29%	9
Market Street	300	0.29%	10
	13,205		

	2008		
Taxpayer	**Approximate Number of Employees**	**Percentage of Total Estimated Employees**	**Rank**
Frisco Independent School District	4274	7.48%	1
T-Mobile	2500	4.37%	2
Rodman Companies	780	1.36%	3
IntegraSys	550	0.96%	4
Mario Sinacola & Sons	500	0.87%	5
City of Frisco	455	0.80%	6
IKEA	400	0.70%	7
Tenet of Texas RBO	340	0.59%	8
Option One Mortgage Co.	250	0.44%	9
Aastra Telecom	250	0.44%	10
	10,299		

Sources: Texas Employment Commission and the Frisco Economic Development Corp.

"COMPOSED COLLISION" BY EMMA MYERS
Wakeland High School

2017 State VASE Gold Medal Teacher:
Cristen Garza

FRISCO INDEPENDENT SCHOOL DISTRICT
FULL-TIME-EQUIVALENT DISTRICT EMPLOYEES BY IDENTIFIABLE ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2017
(Unaudited)

	FTE Count	Average Base Pay
Teaching Staff		
Pre-Kindergarten	19.00	53,291
Kindergarten	216.31	53,803
Elementary (Grades 1-6)	1,292.53	54,451
Middle School (Grades 6-8)	905.68	54,117
High School (Grades 9-12)	1,113.45	54,933
All Grade Levels	267.53	55,254
	3,814.50	**54,526**
Support Staff		
Counselor	113.68	67,247
Educational Diagnostician	39.00	69,182
Librarian	58.98	60,041
LSSP/Psychologist	21.00	64,020
Music Therapist	2.00	50,500
Occupational Therapist	16.81	62,856
Orientation/Mobility Specialist	1.50	58,396
Other Campus Professionals	22.75	14,565
Other Non-Instructional	127.09	75,506
Physical Therapist	5.00	65,511
School Nurse	67.01	53,775
Speech Therapist/Pathologist	67.48	61,431
Teacher Facilitator	60.53	56,881
Truant Officer/Visiting Teacher	3.00	72,263
	605.83	**62,950**
Administrative Staff		
Assistant Principal	115.62	74,556
Asst./Deputy Superintendent	4.00	162,779
Athletic Director	3.00	108,407
Business Manager	1.00	135,609
Director of Personnel/Human Resources	6.00	114,571
District Instructional Program Director	31.50	95,297
Principal	66.93	92,733
Superintendent	1.00	290,000
Teacher Supervisor	9.00	85,344
	238.05	**86,898**
Paraprofessional Staff/Auxiliary		
Educational Aide	543.10	24,844
Auxiliary	1,444.65	26,187
	1,987.75	**25,820**
Total	**6,646.13**	**$ 47,868**

Source: Public Education Information Management System (TEA)

EXHIBIT S-17

FRISCO INDEPENDENT SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION - HIGH SCHOOLS
LAST TEN FISCAL YEARS
(Unaudited)

			2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
High Schools (Grades 9-12):												
Frisco High												
Site:	45.10 acres	Square Feet	245,024	245,024	245,024	245,024	289,866	289,866	289,866	352,978	357,510	357,510
Opened:	1995	Enrollment	1,477	1,398	1,442	1,587	1,688	1,810	1,893	2,139	1,804	1,677
Centennial High												
Site:	76.48 acres	Square Feet	288,561	288,561	288,561	335,346	335,346	335,346	335,346	379,897	370,350	370,350
Opened:	2000	Enrollment	1,626	1,477	1,618	1,800	1,904	2,010	2,156	2,021	2,001	2,026
Wakeland High												
Site:	71.39 acres	Square Feet	302,645	302,645	302,645	302,645	339,716	339,716	339,716	345,646	354,413	354,413
Opened:	2006	Enrollment	1,459	1,857	2,056	1,727	1,639	1,868	1,993	2,199	2,031	2,100
Liberty High												
Site:	63.33 acres	Square Feet	306,179	306,179	306,179	306,179	344,261	344,261	344,261	348,496	346,994	346,994
Opened:	2007	Enrollment	1,223	1,795	1,641	1,739	1,772	2,009	2,203	2,025	2,080	2,052
Heritage High												
Site:	46.81 acres	Square Feet	NA	NA	355,695	355,695	355,695	355,695	355,695	356,738	357,001	357,001
Opened:	2009	Enrollment	NA	NA	634	1,043	1,541	1,753	1,951	1,802	1,904	2,073
Lone Star High												
Site:	56.32 acres	Square Feet	NA	NA	NA	354,722	354,722	354,722	354,722	345,445	352,564	352,564
Opened:	2010	Enrollment	NA	NA	NA	523	823	963	1,245	1,379	1,715	1,930
Independence High												
Site:	63.43 acres	Square Feet	NA	NA	NA	NA	NA	NA	NA	345,969	382,158	382,158
Opened:	2014	Enrollment	NA	NA	NA	NA	NA	NA	NA	1,168	1,692	1,832
Reedy High												
Site:	56 acres	Square Feet	NA	NA	NA	NA	NA	NA	NA	NA	390,207	390,207
Opened:	2015	Enrollment	NA	NA	NA	NA	NA	NA	NA	NA	913	1,344
Lebanon Trail High												
Site:	69.3 acres	Square Feet	NA	NA	NA	NA	NA	NA	NA	NA	NA	368,260
Opened:	2016	Enrollment	NA	NA	NA	NA	NA	NA	NA	NA	NA	450

Source: Frisco ISD real property inventory and demographic records

EXHIBIT S-16

FRISCO INDEPENDENT SCHOOL DISTRICT
EXPENDITURES, ENROLLMENT, AND PER PUPIL COSTS
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Operating Expenditures[2]	Enrollment	Cost per Pupil	Student to Teacher Ratio	Percentage of Students Receiving Free or Reduced-price Meals
2008[1]	177,827,973	27,256	6,524	13.8	10.60%
2009	228,100,685	30,584	7,458	13.6	11.50%
2010	250,450,838	33,757	7,419	13.5	12.80%
2011	267,150,573	37,043	7,212	14.0	12.40%
2012	263,531,024	39,903	6,604	15.0	12.30%
2013	302,452,047	42,707	7,082	15.1	12.00%
2014	319,144,528	46,053	6,930	15.1	11.30%
2015	356,030,326	50,349	7,071	15.1	12.16%
2016	392,980,844	53,301	7,373	15.1	10.58%
2017	431,116,219	55,923	7,709	14.7	10.49%

[1] Fiscal year 2008 represents a 10 month transitional year for the period of August 31 to June 30.
[2] Excludes intergovernmental charges.

Source: Frisco ISD Financial Statements

FRISCO INDEPENDENT SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION - MIDDLE SCHOOLS
LAST TEN FISCAL YEARS
(Unaudited)

EXHIBIT S-18
(Continued)

			2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Middle Schools (Grades 6-8):												
Staley												
Site:	74.87 acres	Square Feet	128,330	128,330	128,330	128,330	128,330	128,330	128,330	128,330	128,330	128,330
Opened:	1987	Enrollment	669	626	610	606	643	675	717	707	715	667
Clark												
Site:	36.69 acres	Square Feet	147,926	147,926	147,926	147,926	147,926	147,926	147,926	147,926	147,926	147,926
Opened:	2000	Enrollment	563	658	776	800	826	865	864	853	844	816
Pioneer												
Site:	39.99 acres	Square Feet	135,803	135,803	135,803	135,803	135,803	135,803	135,803	135,803	135,803	135,803
Opened:	2000	Enrollment	826	919	1,012	609	701	762	897	1,085	735	824
Wester												
Site:	20.35 acres	Square Feet	135,803	135,803	135,803	135,803	135,803	135,803	135,803	135,803	135,803	135,803
Opened:	2002	Enrollment	802	801	766	809	829	879	902	877	899	1,001
Griffin												
Site:	31.43 acres	Square Feet	138,428	138,428	138,428	138,428	138,428	138,428	138,428	138,428	138,428	138,428
Opened:	2004	Enrollment	1,132	854	977	526	598	672	705	855	853	900
Roach												
Site:	20.21 acres	Square Feet	138,651	138,651	138,651	138,651	138,651	138,651	138,651	138,428	138,428	138,428
Opened:	2005	Enrollment	1,118	799	902	619	691	784	865	855	1,095	770
Fowler												
Site:	20.47 acres	Square Feet	138,650	138,650	138,650	138,650	138,650	138,650	138,650	138,651	138,651	138,651
Opened:	2006	Enrollment	713	851	971	1,076	1,172	859	890	939	1,060	1,091
Scoggins												
Site:	21.47 acres	Square Feet	NA	142,108	142,108	142,108	142,108	142,108	142,108	142,108	142,108	142,108
Opened:	2008	Enrollment	NA	550	711	820	853	586	683	805	938	988
Stafford												
Site:	21.40 acres	Square Feet	NA	142,108	142,108	142,108	142,108	142,108	142,108	142,108	142,108	142,108
Opened:	2008	Enrollment	NA	620	678	689	793	928	1,029	1,134	745	818
Cobb												
Site:	21.65 acres	Square Feet	NA	NA	NA	143,160	143,160	143,160	143,160	143,160	143,160	143,160
Opened:	2010	Enrollment	NA	NA	NA	643	756	817	911	906	954	966

FRISCO INDEPENDENT SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION - MIDDLE SCHOOLS
LAST TEN FISCAL YEARS
(Unaudited)

EXHIBIT S-18
(Concluded)

			2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Maus												
Site:	25.00 acres	Square Feet	NA	NA	NA	NA	143,160	143,160	143,160	143,160	143,160	143,160
Opened:	2010	Enrollment	NA	NA	NA	NA	491	604	723	831	907	981
Hunt												
Site:	32.44 acres	Square Feet	NA	NA	NA	NA	143,160	143,160	143,160	143,160	143,160	143,160
Opened:	2010	Enrollment	NA	NA	NA	NA	573	625	698	738	797	833
Vandeventer												
Site:	20 acres	Square Feet	NA	NA	NA	NA	NA	NA	143,160	143,160	143,160	143,160
Opened:	2012	Enrollment	NA	NA	NA	NA	NA	NA	782	891	1,056	1,056
Pearson												
Site:	25 acres	Square Feet	NA	NA	NA	NA	NA	NA	NA	NA	143,160	143,160
Opened:	2015	Enrollment	NA	NA	NA	NA	NA	NA	NA	NA	616	691
Trent												
Site:	25.378 acres	Square Feet	NA	NA	NA	NA	NA	NA	NA	NA	143,160	143,160
Opened:	2015	Enrollment	NA	NA	NA	NA	NA	NA	NA	NA	652	786
Nelson												
Site:	17.781 acres	Square Feet	NA	NA	NA	NA	NA	NA	NA	NA	NA	145,000
Opened:	2016	Enrollment	NA	NA	NA	NA	NA	NA	NA	NA	NA	653

Source: Frisco ISD real property inventory and demographic records

FRISCO INDEPENDENT SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION - ELEMENTARY SCHOOLS
LAST TEN FISCAL YEARS
(Unaudited)

EXHIBIT S-19
(Continued)

			2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Elementary Schools (Grades K-5):												
Rogers												
Site:	9.81acres	Square Feet	64,586	64,586	64,586	64,586	64,586	64,586	64,586	64,586	64,586	64,586
Opened:	1987	Enrollment	635	654	665	673	662	622	610	557	547	539
Curtsinger												
Site:	15.22 acres	Square Feet	76,762	76,762	76,762	76,762	76,762	76,762	76,762	76,762	76,762	76,762
Opened:	1995	Enrollment	729	707	691	672	642	660	813	661	730	812
Smith												
Site:	Shared	Square Feet	73,922	73,922	73,922	73,922	73,922	73,922	73,922	73,922	73,922	73,922
Opened:	1997	Enrollment	792	801	811	778	721	694	646	617	602	601
Anderson												
Site:	7.99 acres	Square Feet	74,010	74,010	74,010	74,010	74,010	74,010	74,010	74,010	74,010	74,010
Opened:	1999	Enrollment	635	619	654	651	717	688	656	710	714	687
Christie												
Site:	8.83 acres	Square Feet	74,010	74,010	74,010	74,010	74,010	74,010	74,010	74,010	74,010	74,010
Opened:	1999	Enrollment	720	667	702	735	730	700	707	640	663	611
Shawnee												
Site:	9.51 acres	Square Feet	74,977	74,977	74,977	74,977	74,977	74,977	74,977	74,977	74,977	74,977
Opened:	2000	Enrollment	564	573	609	681	655	614	639	583	589	584
Borchardt												
Site:	8.31 acres	Square Feet	71,806	71,806	71,806	71,806	71,806	71,806	71,806	71,806	71,806	71,806
Opened:	2001	Enrollment	580	668	660	637	633	662	725	725	750	716
Bright												
Site:	10.36 acres	Square Feet	74,591	74,591	74,591	74,591	74,591	74,591	74,591	74,591	74,591	74,591
Opened:	2001	Enrollment	540	548	509	549	535	536	541	558	494	415
Fisher												
Site:	10.00 acres	Square Feet	73,327	73,327	73,327	73,327	73,327	73,327	73,327	73,327	73,327	73,327
Opened:	2001	Enrollment	613	661	711	704	708	658	660	664	667	633
Sparks												
Site:	8.00 acres	Square Feet	72,399	72,399	72,399	72,399	72,399	72,399	72,399	72,399	72,399	72,399
Opened:	2002	Enrollment	613	661	711	704	708	658	689	710	728	736

FRISCO INDEPENDENT SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION - ELEMENTARY SCHOOLS
LAST TEN FISCAL YEARS
(Unaudited)

EXHIBIT S-19
(Continued)

			2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Spears												
Site:	9.76 acres	Square Feet	71,755	71,755	71,755	71,755	71,755	71,755	71,755	71,755	71,755	71,755
Opened:	2002	Enrollment	706	770	636	708	732	716	741	780	770	722
Gunstream												
Site:	8.67 acres	Square Feet	71,755	71,755	71,755	71,755	71,755	71,755	71,755	71,755	71,755	71,755
Opened:	2002	Enrollment	644	680	687	710	695	705	709	708	721	704
Riddle												
Site:	9.38 acres	Square Feet	73,572	73,572	73,572	73,572	73,572	73,572	73,572	73,572	73,572	73,572
Opened:	2003	Enrollment	588	636	656	743	814	756	772	761	749	740
Boals												
Site:	8.08 acres	Square Feet	75,736	75,736	75,736	75,736	75,736	75,736	75,736	75,736	75,736	75,736
Opened:	2003	Enrollment	651	731	736	784	810	643	679	715	742	759
Isbell												
Site:	12.00 acres	Square Feet	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904
Opened:	2004	Enrollment	670	709	740	764	782	765	737	684	642	617
Pink												
Site:	Shared	Square Feet	75,326	75,326	75,326	75,326	75,326	75,326	75,326	75,326	75,326	75,326
Opened:	2005	Enrollment	576	689	806	635	735	710	719	586	543	516
Ashley												
Site:	9.15 acres	Square Feet	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904
Opened:	2005	Enrollment	601	631	763	570	687	754	850	828	573	655
Bledsoe												
Site:	8.00 acres	Square Feet	75,326	75,326	75,326	75,326	75,326	75,326	75,326	75,326	75,326	75,326
Opened:	2005	Enrollment	685	791	606	721	789	705	845	700	749	737
Taylor												
Site:	10.70 acres	Square Feet	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904
Opened:	2006	Enrollment	492	543	554	565	561	615	674	678	652	705
Corbell												
Site:	9.00 acres	Square Feet	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904
Opened:	2006	Enrollment	661	712	775	589	616	608	675	712	723	742
Ogle												
Site:	10.00 acres	Square Feet	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904
Opened:	2006	Enrollment	782	519	554	607	643	604	684	647	658	672

EXHIBIT S-19
(Continued)

FRISCO INDEPENDENT SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION - ELEMENTARY SCHOOLS
LAST TEN FISCAL YEARS
(Unaudited)

			2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Sem												
Site:	acres	Square Feet	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904
Opened:	2006	Enrollment	687	470	426	464	517	514	679	651	735	810
Carroll												
Site:	12.03 acres	Square Feet	75,902	75,902	75,902	75,902	75,902	75,902	75,902	75,902	75,902	75,902
Opened:	2007	Enrollment	416	543	629	704	730	713	729	520	502	452
Mooneyham												
Site:	10.55 acres	Square Feet	75,902	75,902	75,902	75,902	75,902	75,902	75,902	75,902	75,902	75,902
Opened:	2007	Enrollment	526	668	712	627	735	792	810	807	775	810
Robertson												
Site:	7.69 acres	Square Feet	75,902	75,902	75,902	75,902	75,902	75,902	75,902	75,902	75,902	75,902
Opened:	2007	Enrollment	563	726	795	721	854	736	810	780	861	709
Elliott												
Site:	9.12 acres	Square Feet	NA	75,902	75,902	75,902	75,902	75,902	75,902	75,902	75,902	75,902
Opened:	2008	Enrollment	NA	579	682	780	829	506	553	553	534	575
Tadlock												
Site:	8.18 acres	Square Feet	NA	77,184	77,184	77,184	77,184	77,184	77,184	77,184	77,184	77,184
Opened:	2008	Enrollment	NA	430	462	533	617	685	783	723	721	685
Allen												
Site:	9.78 acres	Square Feet	NA	NA	83,960	83,960	83,960	83,960	83,960	83,960	83,960	83,960
Opened:	2009	Enrollment	NA	NA	617	683	748	614	654	630	623	639
Purefoy												
Site:	8.75 acres	Square Feet	NA	NA	NA	79,844	79,844	79,844	79,844	79,844	79,844	79,844
Opened:	2010	Enrollment	NA	NA	NA	625	683	713	703	690	650	601
Sonntag												
Site:	9.38 acres	Square Feet	NA	NA	NA	77,184	77,184	77,184	77,184	77,184	77,184	77,184
Opened:	2010	Enrollment	NA	NA	NA	511	586	668	814	696	683	625
Comstock												
Site:	15.09 acres	Square Feet	NA	NA	NA	NA	NA	79,844	79,844	79,844	79,844	79,844
Opened:	2012	Enrollment	NA	NA	NA	NA	NA	442	533	640	741	756

EXHIBIT S-19
(Concluded)

FRISCO INDEPENDENT SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION - ELEMENTARY SCHOOLS
LAST TEN FISCAL YEARS
(Unaudited)

			2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Nichols												
Site:	10.95 acres	Square Feet	NA	NA	NA	NA	NA	83,332	83,332	83,332	83,332	83,332
Opened:	2012	Enrollment	NA	NA	NA	NA	NA	619	717	677	761	463
Phillips												
Site:	12.52 acres	Square Feet	NA	NA	NA	NA	NA	79,844	79,844	79,844	79,844	79,844
Opened:	2012	Enrollment	NA	NA	NA	NA	NA	570	804	758	772	645
Newman												
Site:	9.43 acres	Square Feet	NA	NA	NA	NA	NA	NA	NA	82,530	82,530	82,530
Opened:	2014	Enrollment	NA	NA	NA	NA	NA	NA	NA	650	838	762
Scott												
Site:	8.56 acres	Square Feet	NA	NA	NA	NA	NA	NA	NA	82,530	82,530	82,530
Opened:	2014	Enrollment	NA	NA	NA	NA	NA	NA	NA	618	633	694
McSpedden												
Site:	17.99 acres	Square Feet	NA	NA	NA	NA	NA	NA	NA	81,118	81,118	81,118
Opened:	2012	Enrollment	NA	NA	NA	NA	NA	NA	NA	587	652	649
Hosp												
Site:	9.05 acres	Square Feet	NA	NA	NA	NA	NA	NA	NA	81,118	81,118	81,118
Opened:	2014	Enrollment	NA	NA	NA	NA	NA	NA	NA	471	664	685
Norris												
Site:	9.254 acres	Square Feet	NA	NA	NA	NA	NA	NA	NA	NA	79,844	79,844
Opened:	2015	Enrollment	NA	NA	NA	NA	NA	NA	NA	NA	580	692
Miller												
Site:	9.549 acres	Square Feet	NA	NA	NA	NA	NA	NA	NA	NA	NA	79,844
Opened:	2016	Enrollment	NA	NA	NA	NA	NA	NA	NA	NA	NA	545
Vaughn												
Site:	9.675 acres	Square Feet	NA	NA	NA	NA	NA	NA	NA	NA	NA	79,844
Opened:	2016	Enrollment	NA	NA	NA	NA	NA	NA	NA	NA	NA	510

Source: Frisco ISD real property inventory and demographic record

FEDERAL AWARDS SECTION

"DAYDREAMING GIRL" BY KAYLIEGH KOWALESKI
Heritage High School

2017 State VASE Gold Medal
Teacher: Sarah Watkins

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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*

Board of Trustees
Frisco Independent School District
5515 Ohio Drive
Frisco, Texas 75035

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 Frisco Independent School District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 6, 2017.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

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

Weaver and Tidwell, L.L.P.
WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
November 6, 2017

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Board of Trustees
Frisco Independent School District
5515 Ohio Drive
Frisco, Texas 75035

Report on Compliance for Each Major Federal Program

We have audited Frisco Independent School District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (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, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
November 6, 2017

EXHIBIT K-1

FRISCO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Direct Programs:			
Impact Aid - P.L. 81874	84.041		$ 14,706
Total Direct Programs			14,706
Passed Through Region X ESC:			
ESEA, Title I - Part A - Improving Basic Programs	84.010A	17610101057950	683,541
Title III - Part A - ELA Grant for UC & Y	84.365B	156711037110020	511
Title III - Part A - Immigrant	84.365A	17671003057950	88,990
Title III - Part A - English Language Acquisition	84.365A	17671001057950	174,549
ESEA, Title II - Part A, Teacher/Principal Training	84.367A	17694501057950	97,357
Total passed through Region X ESC			1,044,948
Passed through Texas Education Agency:			
Special Education Cluster:			
IDEA B - Part B, Formula	84.027	17660001043905	4,940,638
IDEA B - Part B, Discretionary	84.027	17660012043905	391,595
IDEA B - Part B - Preschool	84.173	17661001043905	28,952
Total Special Education Cluster (IDEA)			5,361,185
Career and Technical - Basic Grant	84.048	17420006043905	223,664
Summer School - LEP	84.369A	69551502	15,881
Total passed through Texas Education Agency			5,600,730
TOTAL U.S. DEPARTMENT OF EDUCATION			6,645,678
U.S.DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Texas Education Agency:			
Head Start	93.600	06CH7092	91,609
Direct Program:			
Medicaid Administrative Claiming	93.778		20,675
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			112,284
U.S DEPARTMENT OF AGRICULTURE			
Passed through Texas Department of Human Services:			
*National School Lunch Program - Noncash Assistance (Commodities)	10.555		1,313,843
Passed through Texas Department of Agriculture:			
*National School Breakfast Program	10.553		485,562
*National School Lunch Program	10.555		3,798,097
Total Passed through Texas Department of Agriculture			4,283,659
TOTAL U.S. DEPARTMENT OF AGRICULTURE			5,597,502
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 12,370,170

FRISCO INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

1. The District utilizes the fund types specified in the Texas Education Agency *Financial Accountability System Resource Guide.*

   Special Revenue Funds are used to account for resources restricted to specific purposes by a grantor. Federal and state awards generally are accounted for in a special revenue fund. Generally, unused balances are returned to the grantor at the close of specified project periods.

2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental fund types are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for in a special revenue fund, which is a governmental fund type. With this measurement focus, only current assets, current liabilities, and fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

   The modified accrual basis of accounting is used for the governmental fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e. both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable.

   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

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period end date, in accordance with Section H: Period of Availability of Federal Funds, Part 3 OMB Compliance Supplement.

4. The District received like kind goods under the National School Lunch Program (CFDA 10.555), which are reported on the SEFA as a noncash award. The monetary value of those goods was $1,313,843 for the year ended June 30, 2017.

5. School Health and Related Services reimbursements of $2,306,197 were recorded as federal program revenue in the General Fund, but are not considered federal awards for the purposes of the Schedule of Expenditures of Federal Awards.

6. Certain programs included in the Schedule of Expenditures of Federal Awards are not cost reimbursement grants, and therefore revenues do not equal expenditures. Expenditures on non-reimbursement grants exceeded revenues during the year by $149,990.

7. The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the District has not complied with rules and regulations governing the grants, refund of any money received may be required and the collectability of any related receivable at June 30, 2017 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

8. The District did not elect to use the 10% de minimus indirect cost rate as allowed by the Uniform Guidance, Section 414, for the year ended June 30, 2017.

FRISCO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

I. Summary of the Auditor's Results:

Financial Statements

a. An unmodified opinion was issued on the financial statements.

b. Internal control over financial reporting:

- Material weakness(es) identified? ______Yes __X__No
- Significant deficiency(ies) identified that are not considered a material weakness? ______Yes __X__None reported

c. Noncompliance material to financial statements noted. ______Yes __X__No

Major Federal Programs

d. Internal control over major federal programs:

- Material weakness(es) identified? ______Yes __X__No
- Significant deficiency(ies) identified that are not considered a material weakness? ______Yes __X__None reported

e. An unmodified opinion was issued on compliance for major federal programs.

f. Any audit findings disclosed that were required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes __X__No

g. Identification of major federal programs:

Special Education Cluster 84.027, 84.173

h. The dollar threshold used to distinguish between Type A and Type B programs. $750,000

i. Auditee qualified as a low-risk auditee. __X__Yes ______No

FRISCO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.

None

FRISCO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

III. Findings and Questioned Costs for Federal Awards

None

IV. Summary of Prior Year Audit Findings

None

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Financial Advisory Services
Provided By:

SAMCO CAPITAL MARKETS, INC.