

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or filing under the securities laws of any such jurisdiction.

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

PRELIMINARY OFFICIAL STATEMENT
Dated: June 11, 2020

NEW ISSUE: BOOK-ENTRY-ONLY

Interest on the Bonds (defined below) is not excludable for federal tax purposes under existing law. "TAX MATTERS" herein.

\$175,869,987.90*
FRISCO INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Collin and Denton Counties, Texas)
Unlimited Tax Refunding Bonds, Taxable Series 2020

Interest Accrual Date: Date of Delivery
Dated Date: July 1, 2020

Due: February 15, as shown on the inside cover page

The Frisco Independent School District Unlimited Tax Refunding Bonds, Taxable Series 2020 (the "Bonds") which are issued in part as Current Interest Bonds ("CIBs") and in part as Premium Capital Appreciation Bonds ("CABs"), as shown on the inside cover page hereof, are being issued pursuant to the Constitution and general laws of the State of Texas, including Chapter 1207, Texas Government Code, as amended ("Chapter 1207"), Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), and an order (the "Bond Order") authorizing the issuance of the Bonds adopted on April 7, 2020 by the Board of Trustees (the "Board") of the Frisco Independent School District (the "District"). As permitted by the provisions of Chapter 1207 and Chapter 1371, the Board, in the Bond Order, delegated the authority to certain District officials (each, a "Pricing Officer") to execute approval of a pricing certificate establishing the pricing terms for the Bonds (the "Pricing Certificate" and together with the Bond Order, the "Order"). The Bonds are payable as to principal and interest from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, against all taxable property located within the District. The District has received conditional approval from the Texas Education Agency for the Bonds to be guaranteed under the State of Texas Permanent School Fund Guarantee Program (hereinafter defined) which will automatically become effective when the Attorney General of Texas approves the Bonds. (See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").

Interest on the CIBs will accrue from the Date of Delivery and will be payable on February 15 and August 15 of each year, commencing February 15, 2021, until stated maturity or prior redemption. Interest on the CABs will accrete from the Date of Delivery, compound semiannually on each February 15 and August 15, commencing August 15, 2020, and will be payable only upon stated maturity. The CIBs will be issued in fully registered form in principal denominations of \$5,000 or any integral multiple thereof within a stated maturity, and the CABs will be issued as fully registered bonds in denominations of \$5,000 representing the total amount of principal, plus the initial premium, if any, paid therefor, and accreted interest payable upon stated maturity (the "Maturity Value"), or any integral multiple thereof. Principal and interest or Maturity Value 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; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein. Interest on the CIBs 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) refund a portion of the District's outstanding bonds for debt service savings and (ii) pay the costs of issuing the Bonds. (See "THE BONDS - Authorization and Purpose" and "SCHEDULE I - Schedule of Refunded Bonds").

The CIBs maturing on and after February 15, 2031 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, 2030 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. The CABs are not subject to redemption prior to stated maturity. (See "THE BONDS - Redemption Provisions"). If two or more serial CIBs of consecutive maturities are combined into one or more "Term Bonds" by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Order (see "THE BONDS - Mandatory Sinking Fund Redemption").

MATURITY SCHEDULE
(On Inside Cover)

The Bonds are offered for delivery when, as and if issued, and received by the Underwriters subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. The Bonds are expected to be available for initial delivery through the facilities of DTC on or about July 15, 2020.

PIPER SANDLER & CO.

FHN FINANCIAL CAPITAL MARKETS

RBC CAPITAL MARKETS

WELLS FARGO SECURITIES

**Preliminary, subject to change.*

\$175,869,987.90*
FRISCO INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Collin and Denton Counties, Texas)
UNLIMITED TAX REFUNDING BONDS, TAXABLE SERIES 2020

MATURITY SCHEDULE*
Base CUSIP No.: 35880C⁽¹⁾

\$172,815,000* Current Interest Bonds

Maturity Date <u>2/15</u>	Principal Amount*	Interest Rate	Initial Yield	CUSIP No. Suffix⁽¹⁾
2026	\$1,105,000			
2027	1,130,000			
2028	9,580,000			
2029	2,410,000			
2030	18,790,000			
2031	12,215,000			
2032	12,015,000			
2033	1,690,000			
2034	1,735,000			
2035	3,645,000			
2036	3,930,000			
2037	3,865,000			
2038	15,615,000			
2039	19,455,000			
2040	33,120,000			
2041	32,515,000			

(Interest to accrue from the Date of Delivery)

\$3,054,987.90* Capital Appreciation Bonds

Maturity Date <u>2/15</u>	Principal* Amount	Initial Yield to Maturity	Maturity* Value	Initial Offering Price per \$5,000 in Maturity Value	CUSIP Suffix No.⁽¹⁾
2021	\$778,549.00		\$1,025,000		
2022	673,136.80		1,420,000		
2023	420,092.80		1,420,000		
2024	263,097.75		1,425,000		
2025	920,111.55		7,985,000		

(Interest to accrete from the Date of Delivery)

⁽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 Underwriters are responsible for the selection or correctness of the CUSIP numbers set forth herein.

*Preliminary, subject to change.

FRISCO INDEPENDENT SCHOOL DISTRICT

BOARD OF TRUSTEES

<u>Name</u>	<u>Term Expires</u>	<u>Length of Service</u>	<u>Occupation</u>
Chad Rudy, President	2022	5 Years	Investment Advisor
John Classe, Vice President	2021	6 Years	Financial Planner
Debbie Gillespie, Secretary	2020	9 Years	Community/School Volunteer
Rene Archambault, Member	2021	2 Years	Deputy Director
Natalie Hebert, Member	2022	1 Year	Community/School Volunteer
Anne McCausland, Member	2020	9 Years	Community/School Volunteer
Gopal Ponangi, Member	2022	1 Year	Senior Manager

APPOINTED OFFICIALS

<u>Name</u>	<u>Position</u>	<u>Length of Education Service</u>
Dr. Mike Waldrip	Superintendent	38 Years
Kenny Chandler	Deputy Superintendent of Schools	35 Years
Dr. Todd Fouche	Deputy Superintendent for Business & Operations	15 Years
Melissa Fouche	Chief Technology Officer	27 Years
Wes Cunningham	Chief Academic Officer	27 Years
Pam Linton	Chief Human Resources Officer	28 Years
Cory McClendon	Chief Leadership Officer	16 Years
Amanda McCune	Chief Communications Officer	3 Years
Erin Miller	Chief Student Services Officer	24 Years
Kimberly Smith	Chief Financial Officer	8 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

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Plano, Texas 75024
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(214) 279-8683 (Fax)

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

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

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

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

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

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

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SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The District	The 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 \$175,869,987.90 (preliminary, subject to change) pursuant to the Constitution and general laws of the State of Texas, including Chapter 1207, Texas Government Code, as amended ("Chapter 1207"), Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), and an order adopted by the Board of Trustees on April 7, 2020 (the "Bond Order"). As permitted by the provisions of Chapter 1207, and Chapter 1371, the Board, in the Bond Order, delegated the authority to certain District officials (each, a "Pricing Officer") to execute a pricing certificate establishing the pricing terms for the Bonds (the "Pricing Certificate" and together with the Bond Order, the "Order"). The Bonds are being issued in part as Current Interest Bonds ("CIBs") and in part as Premium Capital Appreciate Bonds ("CABs"). Proceeds from the sale of the Bonds will be used to (i) refund a portion of the District's outstanding bonds for debt service savings and (ii) pay the costs of issuing the Bonds. (See "THE BONDS - Authorization and Purpose" and "SCHEDULE I – Schedule of Refunded Bonds").
Paying Agent/Registrar	The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. The District intends to use the Book-Entry-Only System of DTC. (See "BOOK-ENTRY-ONLY SYSTEM" herein).
Security	The Bonds will constitute direct obligations of the District, payable as to principal and interest from ad valorem taxes levied annually against all taxable property located within the District, without legal limitation as to rate or amount. Payments of principal and interest on the Bonds will be guaranteed by the corpus of the Permanent School Fund of Texas. (See "THE BONDS – Security" and "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein).
Redemption Provisions	The CIBs maturing on and after February 15, 2031 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, 2030 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. The CABs are not subject to redemption prior to stated maturity. (See "THE BONDS – Redemption Provisions"). If two or more serial CIBs of consecutive maturities are combined into one or more "Term Bonds" by the Underwriter, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Order (see "THE BONDS – Mandatory Sinking Fund Redemption").
Permanent School Fund Guarantee	The District has received conditional approval from the Texas Education Agency for the payment of the Bonds to be guaranteed under the Permanent School Fund Guarantee Program, which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. (See "THE 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, respectively. (See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – Ratings of Bonds Guaranteed Under the Guarantee Program" and "RATINGS" herein.)
Tax Matters	Interest on the Bonds is not excludable from gross income for federal income tax purposes. (See "TAX MATTERS" herein).
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 July 15, 2020.

INTRODUCTORY STATEMENT

This Official Statement (the "Official Statement"), which includes the cover page, Schedules I and II 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 Refunding Bonds, Taxable Series 2020 (the "Bonds") identified on page ii 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, 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 to its date, and the information contained herein is subject to change. A copy of this Final Official Statement and the Escrow Agreement pertaining to the Bonds will be deposited with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system. See "CONTINUING DISCLOSURE OF INFORMATION" herein for a description of the District's undertaking to provide certain information on a continuing basis.

COVID-19

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

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency (including TEA) that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation. These include, for example, the issuance on May 18, 2020 of Executive Order GA-23 which, among other things, maintained the previously ordered closure of in-person classroom attendance at school districts through the remainder of the 2019-2020 school year, maintained certain mandates regarding the minimization of in-person contact with people who are not in the same household, and reopened certain services under certain conditions and limitations (as provided therein). Public education teachers and staff are encouraged to continue to work remotely from home if possible, but may return to schools to conduct remote video instruction, as well as perform administrative duties, under the minimum standard health protocols found in guidance issued by the TEA. Beginning June 1, 2020, public school districts may offer, and public education students may accordingly visit school campuses for, in-person classroom instructional activities and learning options, such as summer school programs, special education evaluations, specialized assessments, and individualized tutoring, under the minimum standard health protocols found in guidance issued by the TEA. Executive Order GA-23 remains in place until 11:59 p.m. on June 3, 2020 unless otherwise modified, amended, rescinded or superseded by the Governor. Many of the federal, state and local actions and policies under the aforementioned disaster declarations are focused on limiting instances where the public can congregate or interact with each other, which affects the operation of schools.

The District continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of the Pandemic upon the District. While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values within the District. See "AD VALOREM TAX PROCEDURES". The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

Additionally, state funding of District operations and maintenance in future fiscal years could be adversely impacted by the negative effects on economic growth and financial markets resulting from the Pandemic as well as ongoing disruptions in the global oil markets. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM".

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

THE BONDS

Authorization and Purpose

The Bonds are being issued in the principal amount of \$175,869,987.90 (preliminary, subject to change) pursuant to the Constitution and general laws of the State, including Chapter 1207, Texas Government Code, as amended ("Chapter 1207"), Chapter 1371, Texas Government Code, as amended ("Chapter 1371") and an order adopted on April 7, 2020 (the "Bond Order") by the Board of Trustees of the District (the "Board") authorizing the issuance of the Bonds. As permitted by the provisions of Chapter 1207 and Chapter 1371, the Board, in the Bond Order, delegated the authority to certain District officials (each, a "Pricing Officer") to execute a pricing certificate establishing the pricing terms for the Bonds (the "Pricing Certificate" and together with the Bond Order, the "Order"). Proceeds from the sale of the Bonds will be used to (i) refund a portion of the District's outstanding bonds (the "Refunded Bonds") for debt service savings and (ii) pay the costs of issuing the Bonds. (See "Schedule I – Schedule of Refunded Bonds").

Refunded Bonds

The Order provides that the District will deposit a portion of the proceeds of the sale of the Bonds to the Underwriters with The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, the escrow agent for the Refunded Bonds (the "Escrow Agent"), an amount, together with other lawfully available funds of the District, if required, which will be sufficient to accomplish the discharge and final payment of the Refunded Bonds on the applicable redemption dates set forth in Schedule I (the "Redemption Dates"). Such funds will be held by the Escrow Agent in an escrow account (the "Escrow Fund") and held in cash uninvested or will be invested in Defeasance Securities authorized by Section 1207.062 Texas Government Code and the bond orders authorizing the Refunded Bonds. Public Finance Partners LLC, will issue its report (the "Report") verifying at the time of delivery of the Bonds to the Underwriters the mathematical accuracy of the schedules that demonstrate the Defeasance Securities will mature and pay interest in such amounts which, together with any uninvested funds in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds on and to the applicable Redemption Dates. Such maturing principal of and interest on the Defeasance Securities will not be available to pay the Bonds (see "VERIFICATION OF MATHEMATICAL COMPUTATIONS").

By the deposit of cash and/or Defeasance Securities with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of Chapter 1207, Texas Government Code, and the bond orders authorizing the issuance of the Refunded Bonds. It is the opinion of Bond Counsel that as a result of such deposit, and in reliance on the Report, the Refunded Bonds will be outstanding only for the purpose of receiving payments from the cash and/or Defeasance Securities held for such purpose by the Escrow Agent, and the Refunded Bonds will not be deemed as being outstanding obligations of the District, payable from the sources and secured in the manner provided in the bond orders authorizing their issuance or for any other purpose, and the District will have no further responsibility with respect to amounts available in the Escrow Fund for the payment of the Refunded Bonds. Upon defeasance of the Refunded Bonds, the payment of the Refunded Bonds will no longer be guaranteed by the Permanent School Fund of Texas.

General Description

The Bonds will be dated July 1, 2020 and are issued as (i) obligations on which interest accrues and is payable semiannually and at stated maturity or prior redemption (the "Current Interest Bonds" or the "CIBs") and (ii) obligations on which interest accretes and is payable only at Stated Maturity (the "Premium Capital Appreciation Bonds" or "CABs"). Interest on the CIBs will accrue from the date of their initial delivery (the "Date of Delivery") to the initial purchasers thereof set forth on the cover page of this Official Statement (the "Underwriters"); interest on the CABs will accrete from the Date of Delivery to their respective dates of stated maturity (the principal amount of each CAB, plus the initial premium (if any) paid therefor, and accreted interest on such CAB payable at stated maturity is referred to herein as the "Maturity Value"). The CIBs will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. The CABs will mature on the dates and in the Maturity Values set forth on the inside cover page, and will accrete interest at the stated interest rates, but the yields to the Underwriters will be the approximate yields shown on the inside cover page resulting from the initial offering prices to the public.

Interest on the CIBs will be computed on the basis of a 360-day year of twelve 30-day months, and is payable initially on February 15, 2021, and on each February 15 and August 15 thereafter until stated maturity or prior redemption. Interest on the CABs will compound on each February 15 and August 15, commencing August 15, 2020, until stated maturity. The sum of the principal of, interest accreted on and the initial premium, if any, on the CABs per \$5,000 Maturity Value as of each February 15 and August 15 is computed on the basis of the initial offering price to the public as adjusted by semiannual compounding at the initial offering yield set forth on the inside cover page of this Official Statement (the "Accreted Value"). A table of Accreted Values based on such initial offering price is set forth herein under Schedule II. Such Accreted Value table is provided for informational purposes only and may not reflect prices for the CABs in the secondary market.

The Bonds will be issued only as fully registered bonds. The CIBs will be issued in the denominations of \$5,000 of principal amount or any integral multiple thereof within a stated maturity. The CABs will be issued in the denominations of \$5,000 of Maturity Value or any integral multiple thereof.

Interest on the CIBs 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 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 CIBs, and the Maturity Value of the CABs will be payable only upon presentation of such Bonds at the corporate trust office of the Paying Agent/Registrar at stated maturity or prior redemption. So long as the Bonds are registered in the name of CEDE & CO. or other nominee for The Depository Trust Company, New York, New York ("DTC"), payments of principal and interest or Maturity Value, as applicable, of the Bonds will be made as described in "BOOK-ENTRY-ONLY SYSTEM" herein.

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

Redemption Provisions

Optional Redemption of CIBs: The CIBs maturing on and after February 15, 2031 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, 2030, 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 CIBs 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 CIBs, or portions thereof, to be redeemed.

No Redemption of CABs: The CABs are not subject to redemption prior to stated maturity.

Mandatory Sinking Fund Redemption

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

Notice of Redemption and DTC Notices

Not less than 30 days prior to a redemption date for the CIBs, 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 CIB to be redeemed, in whole or in part, at the address of the holder appearing on the Bond Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE BONDHOLDERS FAILED TO RECEIVE SUCH NOTICE. NOTICE HAVING

BEEN SO GIVEN, THE CIBS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CIB OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CIB OR PORTION THEREOF SHALL CEASE TO ACCRUE.

The Paying Agent/Registrar and the District, so long as the Book-Entry-Only System is used for the Bonds, will send any notice of redemption of a CIB, 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 CIBs called for redemption or any other action premised on such notice or any such notice. Redemption of portions of the CIBs by the District will reduce the outstanding principal amount of such CIBs held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such CIBs 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 CIBs from the Beneficial Owners. Any such selection of CIBs 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.)

Yield on Premium Capital Appreciation Bonds

The yields of the CABs as set forth on the inside cover page of this Official Statement are the approximate yields based upon the initial offering price therefor set forth on the inside cover page of this Official Statement. Such offering price includes the principal amount of such CABs plus premium equal to the amount by which such offering price exceeds the principal amount of such CABs. Because of such premium, the approximate offering yield on the CABs is lower than the bond interest rates thereon. The yield on the CABs to a particular purchaser may differ depending upon the price paid by that purchaser. For various reasons, securities that do not pay interest periodically, such as the CABs, have traditionally experienced greater price fluctuations in the secondary market than securities that pay interest on a periodic basis.

Security

The Bonds are direct obligations of the District and are payable as to both principal and interest from ad valorem taxes levied annually on all taxable property within the District, without legal limitation as to rate or amount. 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 will automatically become effective when the Attorney General of Texas approves the Bonds. (See "AD VALOREM TAX PROCEDURES", "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein).

Permanent School Fund Guarantee

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

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

Legality

The Bonds are offered when, as and if issued, subject to the approval of legality by the Attorney General of the State and McCall, Parkhurst & Horton L.L.P., 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 of the Bonds for the purpose of amending or supplementing the Order to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of the Order that do not materially adversely affect the interests of the holders, (iv) qualify the Order under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect or (v) make such other provisions in regard to matters or questions arising under the Order that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the District, do not materially adversely affect the interests of the holders.

The Order further provides that the holders of the Bonds in majority principal amount and Maturity Value, as applicable, of the outstanding Bonds shall have the right from time to time to approve any amendment not described above to the Order if it is deemed necessary or desirable by the District; provided, however, that without the consent of 100% of the holders in principal amount or Maturity Value, as applicable, 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, or Maturity Value of outstanding Bonds; (iv) modifying the terms of payment of principal or interest or redemption premium or Maturity Value on outstanding Bonds or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount and Maturity Value 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 of and premium, if any, on the CIBs and Maturity Value of the CABs, as applicable, plus interest on the CIBs to the due date thereof (whether such due date be by reason of 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. A Pricing Officer may restrict such eligible securities and obligations as deemed appropriate. 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 adopts or approves the proceedings authorizing the issuance of refunding bonds, 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 have been refunded and that on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of the refunding bonds 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. After firm banking and financial arrangements for the discharge and final payment of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the CIBs for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, the District has the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption at an earlier date those CIBs 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 CIBs for redemption, (ii) gives notice of the reservation of that right to the owners of the CIBs 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 cancels the Permanent School Fund guarantee with respect to such defeased Bonds.

Sources and Uses of Funds

The proceeds from the sale of the Bonds, together with an Issuer contribution, will be applied approximately as follows:

Sources

Par Amount of the CIBs	\$
Par Amount of CABs	
[Net] Original Issue Premium	
Issuer Contribution	
Total Sources of Funds	\$ <u> </u>

Uses

Deposit to Escrow Fund	\$
Costs of Issuance	
Underwriters' Discount	
Total Uses of Funds	\$ <u> </u>

REGISTERED OWNERS' REMEDIES

The Order establishes specific events of default with respect to the Bonds and provides that if the District defaults in the payment of principal or interest on or Maturity Value of the Bonds when due, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Order, and the continuation thereof for a period of 60 days after notice of default is given by the District by any registered owner, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or the Order covenants and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Chapter 1371, Texas Government Code, as amended ("Chapter 1371") which pertains to the issuance of public securities by issuers such as the District permits the District to waive sovereign immunity in the proceedings authorizing its bonds, but in connection with the issuance of the Bonds, the District has not waived sovereign immunity, with respect thereto. Because it is unclear whether the Texas Legislature has effectively waived the District's sovereign immunity from a suit for money damages outside of Chapter 1371, bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the

pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein for a description of the procedures to be followed for payment of the Bonds by the Permanent School Fund in the event the District fails to make a payment on the Bonds when due. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Order and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, by general principles of equity which permit the exercise of judicial discretion and by governmental immunity.

BOOK-ENTRY-ONLY SYSTEM

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

The District and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption (CIBs only) 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 (CIBs only) 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, New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each stated maturity of the Bonds, each in the aggregate principal amount or Maturity Value 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 an S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

regulatory requirements as may be in effect from time to time. All payments with respect to the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

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

Replacement Bonds

If any Bond is mutilated, destroyed, stolen or lost, a new Bond in the same principal amount or Maturity Value, as the case may be, as the Bond so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Bond, such new Bond will be delivered only upon surrender and cancellation of such mutilated Bond. In the case of any Bond issued in lieu of and substitution for a Bond which has been destroyed, stolen or lost, such new Bond will be delivered only (a) upon filing with the District and the Paying

Agent/Registrar a certificate to the effect that such Bond has been destroyed, stolen or lost and proof of the ownership thereof, and (b) upon furnishing the District and the Paying Agent/Registrar with indemnity satisfactory to them. The person requesting the authentication and delivery of a new Bond must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

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

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

History and Purpose

The PSF was created with a \$2,000,000 appropriation by the Texas Legislature (the "Legislature") in 1854 expressly for the benefit of the public schools of Texas. The Constitution of 1876 stipulated that certain lands and all proceeds from the sale of these lands should also constitute the PSF. Additional acts later gave more public domain land and rights to the PSF. In 1953, the U.S. Congress passed the Submerged Lands Act that relinquished to coastal states all rights of the U.S. navigable waters within state boundaries. If the state, by law, had set a larger boundary prior to or at the time of admission to the Union, or if the boundary had been approved by Congress, then the larger boundary applied. After three years of litigation (1957-1960), the U. S. Supreme Court on May 31, 1960, affirmed Texas' historic three marine leagues (10.35 miles) seaward boundary. Texas proved its submerged lands property rights to three leagues into the Gulf of Mexico by citing historic laws and treaties dating back to 1836. All lands lying within that limit belong to the PSF. The proceeds from the sale and the mineral-related rental of these lands, including bonuses, delay rentals and royalty payments, become the corpus of the Fund. Prior to the approval by the voters of the State of an amendment to the constitutional provision under which the Fund is established and administered, which occurred on September 13, 2003 (the "Total Return Constitutional Amendment"), and which is further described below, the PSF had as its main sources of revenues capital gains from securities transactions and royalties from the sale of oil and natural gas. The Total Return Constitutional Amendment provides that interest and dividends produced by Fund investments will be additional revenue to the PSF. The State School Land Board ("SLB") maintains the land endowment of the Fund on behalf of the Fund and is generally authorized to manage the investments of the capital gains, royalties and other investment income relating to the land endowment. The SLB is a five member board, the membership of which consists of the Commissioner of the Texas General Land Office (the "Land Commissioner") and four citizen members appointed by the Governor. (See "2019 Texas Legislative Session" for a description of legislation that changed the composition of the SLB). As of August 31, 2019, the General Land Office (the "GLO") managed approximately 26% of the PSF, as reflected in the fund balance of the PSF at that date.

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

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

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

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

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

The sole purpose of the PSF is to assist in the funding of public education for present and future generations. Prior to the adoption of the Total Return Constitutional Amendment, all interest and dividends produced by Fund investments flowed into the Available School Fund (the "ASF"), where they are distributed to local school districts and open-enrollment charter schools based on average daily attendance. Any net gains from investments of the Fund accrue to the corpus of the PSF. Prior to the approval by the voters of the State of the Total Return Constitutional Amendment, costs of administering the PSF were allocated to the ASF. With the approval of the Total Return Constitutional Amendment, the administrative costs of the Fund have shifted from the ASF to the PSF. In fiscal year 2019, distributions to the ASF amounted to an estimated \$306 per student and the total amount distributed to the ASF was \$1,535.8 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, 2019, as filed with the MSRB in accordance with the PSF undertaking and agreement made in

accordance with Rule 15c2-12 ("Rule 15c2-12") of the federal Securities and Exchange Commission (the "SEC"), as described below, is hereby incorporated by reference into this disclosure. Information included herein for the year ended August 31, 2019 is derived from the audited financial statements of the PSF, which are included in the Annual Report as it is filed and posted. Reference is made to the Annual Report for the complete Message and MD&A for the year ended August 31, 2019 and for a description of the financial results of the PSF for the year ended August 31, 2019, the most recent year for which audited financial information regarding the Fund is available. The 2019 Annual Report speaks only as of its date and the TEA has not obligated itself to update the 2019 Annual Report or any other Annual Report. The TEA posts each Annual Report, which includes statistical data regarding the Fund as of the close of each fiscal year, the most recent disclosure for the Guarantee Program, the Statement of Investment Objectives, Policies and Guidelines of the Texas Permanent School Fund, which is codified at 19 Texas Administrative Code, Chapter 33 (the "Investment Policy"), monthly updates with respect to the capacity of the Guarantee Program (collectively, the "Web Site Materials") on the TEA web site at http://tea.texas.gov/Finance_and_Grants/Permanent_School_Fund/ and with the MSRB at www.emma.msrb.org. Such monthly updates regarding the Guarantee Program are also incorporated herein and made a part hereof for all purposes. In addition to the Web Site Materials, the Fund is required to make quarterly filings with the SEC under Section 13(f) of the Securities Exchange Act of 1934. Such filings, which consist of a list of the Fund's holdings of securities specified in Section 13(f), including exchange-traded (e.g., NYSE) or NASDAQ-quoted stocks, equity options and warrants, shares of closed-end investment companies and certain convertible debt securities, is available from the SEC at www.sec.gov/edgar.shtml. A list of the Fund's equity and fixed income holdings as of August 31 of each year is posted to the TEA web site and filed with the MSRB. Such list excludes holdings in the Fund's securities lending program. Such list, as filed, is incorporated herein and made a part hereof for all purposes.

2019 Texas Legislative Session

During the 86th Regular Session of the Texas Legislature, which concluded on May 27, 2019 (the "86th Session"), various bills were enacted that relate to the PSF. Among such enacted legislation are bills that relate to the composition of the SLB and its relationship to the SBOE with respect to the management of the PSF. Legislation was approved that will change the composition of the SLB to a five member board from a three member board. Under that bill, the Land Commissioner will continue to head the SLB, but the remaining four members will be appointed by the Governor, and of those four members, two are required to be selected from a list of nominees to be submitted to the Governor by the SBOE. That legislation also requires an annual joint meeting of the SLB and the SBOE for the purpose of discussing the allocation of the assets of the PSF and the investment of money in the PSF. Other enacted legislation requires the SLB and the SBOE to provide quarterly financial reports to each other and creates a "permanent school fund liquid account" in the PSF for the purpose of receiving funds transferred from the SLB on a quarterly basis that are not then invested by the SLB or needed within the forthcoming quarter for investment by the SBOE. Such funds shall be invested in liquid assets in the same manner that the PSF is managed until such time as the funds are required for investment by the SLB. That legislation also requires the Texas Education Agency, in consultation with the GLO, to conduct a study regarding distributions to the ASF from the PSF. In addition, a joint resolution was approved that proposed a constitutional amendment to the Texas Constitution to increase the permissible amount of distributions to the ASF from revenue derived during a year from PSF land or other properties from \$300 million to \$600 million annually by one or more entities. That constitutional change was approved by State voters at a referendum on November 5, 2019. See "2011 and 2019 Constitutional Amendments."

Other legislation enacted during the 86th Session provides for the winding up of the affairs of an open-enrollment charter school that ceases operations, including as a result of the revocation or other termination of its charter. In particular, among other provisions, the legislation addresses the disposition of real and personal property of a discontinued charter school and provides under certain circumstances for reimbursement to be made to the State, if the disposed property was acquired with State funds; authorizes the Commissioner to adopt a rule to govern related party transactions by charter schools; and creates a "charter school liquidation fund" for the management of any reclaimed State funds, including, in addition to other potential uses, for the use of deposit of such reclaimed funds to the Charter District Reserve Fund.

No assessment has been made by the TEA or PSF staff as to the potential financial impact of any legislation enacted during the 86th Session, including the increase in the permissible amount that may be transferred from the PSF to the ASF, as approved by State voters at the November 5, 2019 referendum.

The Total Return Constitutional Amendment

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

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

attendance State-wide, the projected contributions and expenses of the Fund, projected returns in the capital markets and a projected inflation rate.

See “2011 and 2019 Constitutional Amendments” below for a discussion of the historic and current Distribution Rates, and a description of amendments made to the Texas Constitution on November 8, 2011 and November 5, 2019 that may affect Distribution Rate decisions.

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

With respect to the management of the Fund’s financial assets portfolio, the single most significant change made to date as a result of the Total Return Constitutional Amendment has been new asset allocation policies adopted from time to time by the SBOE. The SBOE generally reviews the asset allocations during its summer meeting in even numbered years. The first asset allocation policy adopted by the SBOE following the Total Return Constitutional Amendment was in February 2004, and the policy was reviewed and modified or reaffirmed in the summers of each even-numbered year, most recently in 2018. 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, which was reviewed and reaffirmed in June 2018, is as follows: (i) an equity allocation of 35% (consisting of U.S. large cap equities targeted at 13%, international large cap equities at 14%, emerging market equities at 3%, 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. In accordance with legislation enacted during the 86th Session and effective September 1, 2019, the PSF has established an investment account for purposes of investing cash received from the GLO to be invested in liquid assets and managed by the SBOE in the same manner it manages the PSF. That cash has previously been included in the PSF valuation, but was held and invested by the State Comptroller.

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, 2019, the Fund’s financial assets portfolio was invested as follows: 34.91% in public market equity investments; 13.35% in fixed income investments; 10.58% in absolute return assets; 11.31% in private equity assets; 8.71% in real estate assets; 7.46% in risk parity assets; 6.16% in real return assets; 7.03% in emerging market debt; and 0.49% 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, changes in international trade policies, economic activity and investments, in general, application of the prudent person investment standard, which may eliminate certain investment opportunities for the Fund; management fees paid to external managers and embedded management fees for some fund investments; and limitations on the number and compensation of internal and external investment staff, which is subject to legislative oversight. The Guarantee Program could also be impacted by changes in State or federal law or the implementation of new accounting standards.

Management and Administration of the Fund

The Texas Constitution and applicable statutes delegate to the SBOE the authority and responsibility for investment of the PSF’s financial assets. In investing the Fund, the SBOE is charged with exercising the judgment and care under the circumstances then prevailing which persons of ordinary prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income therefrom as well as

the probable safety of their capital. The SBOE has adopted a "Statement of Investment Objectives, Policies, and Guidelines of the Texas Permanent School Fund," which is codified in the Texas Administrative Code beginning at 19 TAC section 33.1.

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

Texas law assigns control of the Fund's land and mineral rights to the SLB. Administrative duties related to the land and mineral rights reside with the GLO, which is under the guidance of the Commissioner of the GLO. In 2007, the Legislature established the real estate special fund account of the PSF (the "Real Estate Account") consisting of proceeds and revenue from land, mineral or royalty interest, real estate investment, or other interest, including revenue received from those sources, that is set apart to the PSF under the Texas Constitution and laws, together with the mineral estate in riverbeds, channels, and the tidelands, including islands. The investment of the Real Estate Account is subject to the sole and exclusive management and control of the SLB and the Land Commissioner, who is also the head of the GLO. The 2007 legislation presented constitutional questions regarding the respective roles of the SBOE and the SLB relating to the disposition of proceeds of real estate transactions to the ASF, among other questions. Amounts in the investment portfolio of the PSF are taken into account by the SBOE for purposes of determining the Distribution Rate. An amendment to the Texas Constitution was approved by State voters on November 8, 2011, which permits the SLB to make transfers directly to the ASF, see "2011 and 2019 Constitutional Amendments" below.

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

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

Capacity Limits for the Guarantee Program

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

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

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

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

At its September 2015 meeting, the SBOE voted to modify the SDBGP Rules and the CDBGP Rules to increase the State Law Capacity from 3 times the cost value multiplier to 3.25 times. At that meeting, the SBOE also approved a new 5% capacity reserve for the Charter District Bond Guarantee Program. The change to the State Law Capacity became effective on February 1, 2016. At its November 2016 meeting, the SBOE again voted to increase the State Law Capacity and, in accordance with applicable requirements for the modification of SDBGP and CDBGP Rules, a second and final vote to approve the increase in the State Law Capacity occurred on February 3, 2017. As a result, the State Law Capacity increased from 3.25 times the cost value multiplier to 3.50 times effective March 1, 2017. The State Law Capacity increased from \$118,511,255,268 on August 31, 2018 to \$123,509,204,770 on August 31, 2019 (but at such date the IRS Limit was lower, \$117,318,653,038, so it is the currently effective capacity limit for the Fund).

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

Based upon historical performance of the Fund, the legal restrictions relating to the amount of bonds that may be guaranteed has generally resulted in a lower ratio of guaranteed bonds to available assets as compared to many other types of credit enhancements that may be available for Texas school district bonds and charter district bonds. However, the ratio of Fund assets to guaranteed bonds and the growth of the Fund in general could be adversely affected by a number of factors, including changes in the value of the Fund due to changes in securities markets, investment objectives of the Fund, an increase in bond issues by school districts in the State or legal restrictions on the Fund, changes in State laws that implement funding decisions for school districts and charter districts, which could adversely affect the credit quality of those districts, the implementation of the Charter District Bond Guarantee Program, or an increase in the calculation base of the Fund for purposes of making transfers to the ASF. It is anticipated that the issuance of the IRS Notice and the 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 March 20, 2020 (the most recent date for which data is available), the percentage of students enrolled in open-enrollment charter schools (excluding charter schools authorized by school districts) to the total State scholastic census was approximately 6.15%. At March 24, 2020, there were 183 active open-enrollment charter schools in the State and there were 790 charter school campuses operating under such charters (though as of such date, four of such campuses are not currently serving students for various reasons). Section 12.101, Texas Education Code, as amended by the Legislature in 2013, limits the number of charters that the Commissioner may grant to 215 charters as of the end of fiscal year 2014, with the number increasing in each fiscal year thereafter through 2019 to a total number of 305 charters. While legislation limits the number of charters that may be granted, it does not limit the number of campuses that may operate under a particular charter. For information regarding the capacity of the Guarantee Program, see "Capacity Limits for the Guarantee Program." The Act provides that the Commissioner may not approve the guarantee of refunding or refinanced bonds under the Charter District Bond Guarantee Program in a total amount that exceeds one-half of the total amount available for the guarantee of charter district bonds under the Charter District Bond Guarantee Program.

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

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

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

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

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

From time to time, TEA has limited new guarantees under the Charter District Bond Guarantee Program to conform to capacity limits specified by the Act. Legislation enacted during the Legislature's 2017 regular session modified the manner of calculating the capacity of the Charter District Bond Guarantee Program (the "CDBGP Capacity"), which further increased the amount of the CDBGP Capacity, beginning with State fiscal year 2018, but that provision of the law does not increase overall Program capacity, it merely allocates capacity between the School District Bond Guarantee Program and the Charter District Bond Guarantee Program. See "Capacity

Limits for the Guarantee Program" and "2017 Legislative Changes to the Charter District Bond Guarantee Program." Other factors that could increase the CDBG Capacity include Fund investment performance, future increases in the Guarantee Program multiplier, changes in State law that govern the calculation of the CDBG 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 CDBG 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 CDBG 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 CDBG 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, 2019, the amount of outstanding bond guarantees represented 71.94% of the IRS Limit (which is currently the applicable capacity limit) for the Guarantee Program (based on unaudited data). SB 1480 amended the CDBG 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 CDBG 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 CDBG 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 CDBG Capacity, as that percentage has grown from 3.53% in September, 2012 to 5.85% in February 2019. 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 CDBG 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 CDBG 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 CDBG 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 CDBG 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 CDBG Capacity for any year may not exceed the limit provided in the schedule set forth in SB 1480. As a result of SB 1480, the amount of charter district bonds eligible for guarantee in fiscal years 2018, 2019 and 2020 increased by the full 20% increase permitted by SB 1480, which increased the relative capacity of the Charter District Bond Guarantee Program to the School District Bond Guarantee Program for those fiscal years.

Taking into account the enactment of SB 1480 and the increase in the CDBG Capacity effected thereby, at the Winter 2018 meeting the SBOE determined not to implement a previously approved multiplier increase to 3.75 times market value, opting to increase the multiplier to 3.50 times effective in late March 2018.

In addition to modifying the manner of determining the CDBG 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 CDBG 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 February 29, 2020, the Charter District Reserve Fund contained \$35,183,564, which represented approximately 1.49% of the guaranteed charter district bonds. SB 1480 also authorized the SBOE to manage the Charter District Reserve Fund in the same manner as it manages the PSF. Previously, the Charter District Reserve Fund was held by the Comptroller, but effective April 1, 2018, the management of the Reserve Fund was transferred to the PSF division of TEA, where it will be held and invested as a non-commingled fund under the administration of the PSF staff.

Charter District Risk Factors

Open-enrollment charter schools in the State may not charge tuition and, unlike school districts, charter districts have no taxing power. Funding for charter district operations is largely from amounts appropriated by the Legislature. The amount of such State payments a charter district receives is based on a variety of factors, including the enrollment at the schools operated by a charter district. The overall amount of education aid provided by the State for charter schools in any year is also subject to appropriation by the Legislature. The Legislature may base its decisions about appropriations for charter schools on many factors, including the State's economic

performance. Further, because some public officials, their constituents, commentators and others have viewed charter schools as controversial, political factors may also come to bear on charter school funding, and such factors are subject to change.

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

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

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

Infectious Disease Outbreak

A respiratory disease named "2019 novel coronavirus" ("COVID-19") has recently spread to many parts of the world, including Texas and elsewhere in the U.S. On March 13, 2020, the U.S. president declared a national emergency and the Governor of Texas (the "Governor") declared COVID-19 as a statewide public health disaster (the "COVID-19 Declarations"). Subsequent actions by the Governor imposed temporary restrictions on certain businesses and ordered all schools in the State to temporarily close. This situation is rapidly developing; for additional information on these events in the State, reference is made to the website of the Governor, <https://gov.texas.gov/>, and, with respect to public school events, the website of TEA, <https://tea.texas.gov/texas-schools/safe-and-healthy-schools/coronavirus-covid-19-support-and-guidance>.

Potential Impact of COVID-19 in the State and Investment Markets

The anticipated continued spread of COVID-19, and measures taken to prevent or reduce its spread, will likely adversely impact State, national and global economic activities and, accordingly, materially adversely impact the financial condition and performance of the State. The continued spread of COVID-19, and measures taken to prevent or reduce its spread, may also adversely affect the tax bases of school districts in the State, including districts that have bonds that are guaranteed under the Guarantee Program.

As noted herein, the PSF investments are in diversified investment portfolios and it is expected that the Fund will reflect the general performance returns of the markets in which it is invested. Stock values, crude oil prices and other investment categories in the U.S. and globally in which the Fund is invested or which provide income to the Fund, have seen significant volatility attributed to COVID-19 concerns, which could adversely affect the Fund's values.

TEA Continuity of Operations

Since 2007, Texas Labor Code Section 412.054 has required each State agency to develop and submit to the State Office of Risk Management an agency-level continuity of operations plan to keep the agency operational in case of disruptions to production, finance, administration or other essential operations. Such plans may be implemented during the occurrence or imminent threat of events such as extreme weather, natural disasters and infectious disease outbreaks. TEA has adopted a continuity of operations plan, which provides for, among other measures and conditions, steps to be taken to ensure performance of its essential missions and functions under such threats and conditions in the event of a pandemic event. TEA annually conducts risk assessments and risk impact analysis that include stress testing and availability analysis of system resources, including systems that enable TEA employees to work remotely, as is occurring as a result of the COVID-19 declarations. As noted above, under "The School District Bond Guarantee Program," the Guarantee Program is in significant part an intercept program whereby State funding for school districts and charter districts reimburse the Fund for any guarantee payment from the Fund for a non-performing district. In addition to the continuity of operations plan provisions noted above, the Fund maintains cash positions in its portfolios that are intended to provide liquidity to the Fund for payments under the Guarantee Program pending reimbursement of the Fund by the Comptroller. Fund management is of the view that its liquidity position, which changes from time to time in light of then current circumstances, is sufficient for payment of claims made on the Guarantee Program.

Impact of COVID-19 on School Districts and Charter Districts

TEA cannot predict whether any school or charter district may experience short- or longer-term cash flow emergencies as a direct or indirect effect of COVID-19 that would require a payment from the PSF to be made to a paying agent for a guaranteed bond. Most school district bonds in the State are issued as fixed rate debt, with semiannual payments in February and August. Taxes levied by school districts for payment of bonds are generally collected by the end of January in each year. Consequently, PSF management is of the view that scheduled bond payments for school districts for the 2020 calendar year are unlikely to be affected by COVID-19. TEA has issued guidance to school districts and charter districts regarding, among other matters, the closure of schools, and TEA has established waivers for payment to school districts and charter districts, as such payments are in large part based on school attendance. Those waivers are intended to provide continued funding during the period of closure, although certain of the waivers require schools to provide on-line or at home curriculum in order to benefit from waivers. Reference is made to "Charter School Risk Factors," herein for a description of unique circumstances that pertain to the funding of charter districts.

Ratings of Bonds Guaranteed Under the Guarantee Program

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

Valuation of the PSF and Guaranteed Bonds

Permanent School Fund Valuations

Fiscal Year Ended 8/31	Book Value ⁽¹⁾	Market Value ⁽¹⁾
2015	\$29,081,052,900	\$36,196,265,273
2016	30,128,037,903	37,279,799,335
2017	31,870,581,428	41,438,672,573
2018	33,860,358,647	44,074,197,940
2019 ⁽²⁾	35,288,344,219	46,464,447,981

⁽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, 2019, mineral assets, sovereign and other lands and internally managed discretionary real estate, external discretionary real estate investments, domestic equities, and cash managed by the SLB had book values of approximately \$13.4 million, \$216.7 million, \$3,640.2 million, \$7.5 million, and \$4,457.3 million, respectively, and market values of approximately \$3,198.2 million, \$619.7 million, \$3,927.6 million, \$1.3 million, and \$4,457.3 million, respectively. At February 29, 2020, the PSF had a book value of \$35,908,691,818 and a market value of \$46,992,040,588. February 29, 2020 values are based on unaudited data, which is subject to adjustment.

Permanent School Fund Guaranteed Bonds

At 8/31	Principal Amount ⁽¹⁾
2015	\$63,955,449,047
2016	68,303,328,445
2017	74,266,090,023
2018	79,080,901,069
2019	84,397,900,203 ⁽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, 2019 (the most recent date for which such data is available), the TEA expected that the principal and interest to be paid by school districts and charter districts over the remaining life of the bonds guaranteed by the Guarantee Program was \$133,188,149,265, of which \$48,790,249,062 represents interest to be paid. As shown in the table above, at August 31, 2019, there were \$84,397,900,203 in principal amount of bonds guaranteed under the Guarantee Program, and using the IRS Limit at that date of \$117,318,653,038 (the IRS Limit is currently the lower of the two federal and State capacity limits of Program capacity), 97.22% of Program capacity was available to the School District Bond Guarantee Program and 2.78% was available to the Charter District Bond Guarantee Program.

Permanent School Fund Guaranteed Bonds by Category⁽¹⁾

Fiscal Year Ended 8/31	School District Bonds		Charter District Bonds		Totals	
	No. of Issues	Principal Amount	No. of Issues	Principal Amount	No. of Issues	Principal Amount
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	3,253	72,884,480,023	40	1,381,610,000	3,293	74,266,090,023
2018	3,249	77,647,966,069	44	1,432,935,000	3,293	79,080,901,069
2019 ⁽²⁾	3,297	82,537,755,203	49	1,860,145,000	3,346	84,397,900,203

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

⁽²⁾ At February 29, 2020 (based on unaudited data, which is subject to adjustment), there were \$87,684,853,251 of bonds guaranteed under the Guarantee Program, representing 3,361 school district issues, aggregating \$85,321,228,251 in principal amount and 54 charter district issues, aggregating \$2,363,625,000 in principal amount. At February 29, 2020, the capacity allocation of the Charter District Bond Guarantee Program was \$4,551,091,422 (based on unaudited data, which is subject to adjustment).

Discussion and Analysis Pertaining to Fiscal Year Ended August 31, 2019

The following discussion is derived from the Annual Report for the year ended August 31, 2019, including the Message of the Executive Administrator of the Fund and the Management's Discussion and Analysis contained therein. Reference is made to the Annual Report, as filed with the MSRB, for the complete Message and MD&A. Investment assets managed by the fifteen member

SBOE are referred to throughout this MD&A as the PSF(SBOE) assets. As of August 31, 2019, 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 2019, the Fund balance was \$46.5 billion, an increase of \$2.4 billion from the prior year. This increase is primarily due to overall increases in value of all asset classes in which the Fund has invested and restatements of fund balance. During the year, the SBOE 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, 2019, net of fees, were 4.17%, 5.25% and 8.18%, 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, five-year, and ten-year annualized total returns for the PSF(SLB) externally managed real assets, net of fees and including cash, were 5.84%, 6.13%, and 6.41%, 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, 2019, 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, 2019, the SBOE has approved and the Fund made capital commitments to externally managed real estate investment funds in a total amount of \$5.1 billion and capital commitments to private equity limited partnerships for a total of \$6.3 billion. Unfunded commitments at August 31, 2019, totaled \$1.9 billion in real estate investments and \$2.3 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, 2019, the remaining commitments totaled approximately \$2.5 billion.

The PSF(SBOE)'s investment in domestic large cap, domestic small/mid cap, international large cap, and emerging market equity securities experienced returns, net of fees, of 3.14%, -8.99%, -2.93%, and -4.15%, respectively, during the fiscal year ended August 31, 2019. The PSF(SBOE)'s investment in domestic fixed income securities produced a return of 10.54% during the fiscal year and absolute return investments yielded a return of 2.28%. The PSF(SBOE) real estate and private equity investments returned 7.22% and 11.93%, respectively. Risk parity assets produced a return of 10.89%, while real return assets yielded 0.71%. Emerging market debt produced a return of 10.40%. Combined, all PSF(SBOE) asset classes produced an investment return, net of fees, of 4.17% for the fiscal year ended August 31, 2019, out-performing the benchmark index of 3.76% by approximately 41 basis points. All PSF(SLB) externally managed investments (including cash) returned 6.41% net of fees for the fiscal year ending August 31, 2019.

For fiscal year 2019, total revenues, inclusive of unrealized gains and losses and net of security lending rebates and fees, totaled \$3.7 billion, a decrease of \$0.3 billion from fiscal year 2018 earnings of \$4.0 billion. This decrease reflects the performance of the securities markets in which the Fund was invested in fiscal year 2019. In fiscal year 2019, revenues earned by the Fund included lease payments, bonuses and royalty income received from oil, gas and mineral leases; lease payments from commercial real estate; surface lease and easement revenues; revenues from the resale of natural and liquid gas supplies; dividends, interest, and securities lending revenues; the net change in the fair value of the investment portfolio; and, other miscellaneous fees and income.

Expenditures are paid from the Fund before distributions are made under the total return formula. Such expenditures include the costs incurred by the SLB to manage the land endowment, as well as operational costs of the Fund, including external management fees paid from appropriated funds. Total operating expenditures, net of security lending rebates and fees, decreased 10.0% for the fiscal year ending August 31, 2019. This decrease is primarily attributable to a decrease in PSF(SLB) quantities of purchased gas for resale in the State Energy Management Program, which is administered by the SLB as part of the Fund.

The Fund supports the public school system in the State by distributing a predetermined percentage of its asset value to the ASF. For fiscal years 2018 and 2019, the distribution from the SBOE to the ASF totaled \$1.2 billion and \$1.2 billion, respectively. Distributions from the SLB to the ASF for fiscal years 2018 and 2019 totaled \$0 and \$300 million, respectively.

At the end of the 2019 fiscal year, PSF assets guaranteed \$84.4 billion in bonds issued by 863 local school districts and charter districts, the latter of which entered into the Program during the 2014 fiscal year. Since its inception in 1983, the Fund has guaranteed 7,443 school district and charter district bond issues totaling \$186.2 billion in principal amount. During the 2019 fiscal year, the number of outstanding issues guaranteed under the Guarantee Program totaled 3,346. The dollar amount of guaranteed school and charter bond issues outstanding increased by \$5.3 billion or 6.7%. The State Capacity Limit increased by \$5.0 billion, or 4.2%, during fiscal year 2019 due to continued growth in the cost basis of the Fund used to calculate that Program capacity limit. The effective capacity of the Program did not increase during fiscal year 2019 as the IRS Limit was reached during the prior fiscal year, and it is the lower of the two State and federal capacity limits for the Program.

2011 and 2019 Constitutional Amendment

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

The amendments approved at the referendum included an increase to the base used to calculate the Distribution Rate by adding to the calculation base certain discretionary real assets and cash in the Fund that is managed by entities other than the SBOE (at present, by the SLB). The value of those assets were already included in the value of the Fund for purposes of the Guarantee

Program, but prior to the amendment had not been included in the calculation base for purposes of making transfers from the Fund to the ASF. While the amendment provided for an increase in the base for the calculation of approximately \$2 billion, no new resources were provided for deposit to the Fund. As described under "The Total Return Constitutional Amendment" the SBOE is prevented from approving a Distribution Rate or making a pay out from the Fund if the amount distributed would exceed 6% of the average of the market value of the Fund, excluding real property in the Fund, but including discretionary real asset investments on the last day of each of the sixteen State fiscal quarters preceding the Regular Session of the Legislature that begins before that State fiscal biennium or if such pay out would exceed the Ten Year Total Return.

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

The Distribution Rates for the Fund were set at 3.5%, 2.5%, 4.2%, 3.3%, 3.5% and 3.7% for each of two year periods 2008-2009, 2010-2011, 2012-2013, 2014-2015, 2016-2017 and 2018-2019, respectively. In November 2018, the SBOE approved a \$2.2 billion distribution to the ASF for State fiscal biennium 2020-2021, to be made in equal monthly increments of \$92.2 million, which represents a 2.981% Distribution Rate for the biennium and a per student distribution of \$220.97, based on 2018 preliminary student average daily attendance of 5,004,998. In making the 2020-2021 biennium distribution decision, the SBOE took into account a commitment of the SLB to transfer \$10 million to the PSF in fiscal year 2020 and \$45 million in fiscal year 2021.

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 provided 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 PSF to determine whether to transfer an amount each year to the ASF from the revenue derived during the current year from such land or properties. Prior to November 2019, the amount authorized to be transferred to the ASF from the GLO was limited to \$300 million per year. On November 5, 2019, a constitutional amendment was approved by State voters that increased the maximum transfer to the ASF to \$600 million each year from the revenue derived during that year from the PSF from each of the GLO, the SBOE or any other entity that may have the responsibility to manage such properties (at present there are no such other entities). Any amount transferred to the ASF pursuant to this constitutional provision is excluded from the 6% Distribution Rate limitation applicable to SBOE transfers. The exercise of the increased authorization for such transfers is subject to the discretion of the GLO and the SBOE, and such transfers could be taken into account by the SBOE for purposes of its distributions to the ASF that are made pursuant to the Total Return Constitutional Amendment. However, future legal and/or financial analysis may be needed before the impact on the Fund of the constitutional change effected in November 2019 can be determined.

Other Events and Disclosures

The State Investment Ethics Code governs the ethics and disclosure requirements for financial advisors and other service providers who advise certain State governmental entities, including the PSF. In accordance with the provisions of the State Investment Ethics Code, the SBOE periodically modifies its code of ethics, which occurred most recently in April 2018. The SBOE code of ethics includes prohibitions on sharing confidential information, avoiding conflict of interests and requiring disclosure filings with respect to contributions made or received in connection with the operation or management of the Fund. The code of ethics applies to members of the SBOE as well as to persons who are responsible by contract or by virtue of being a TEA PSF staff member for managing, investing, executing brokerage transactions, providing consultant services, or acting as a custodian of the PSF, and persons who provide investment and management advice to a member of the SBOE, with or without compensation under certain circumstances. The code of ethics is codified in the Texas Administrative Code at 19 TAC sections 33.5 et seq., and is available on the TEA web site at <http://ritter.tea.state.tx.us/rules/tac/chapter033/ch033a.html#33.5>.

In addition, the GLO has established processes and controls over its administration of real estate transactions and is subject to provisions of the Texas Natural Resources Code and its own internal procedures in administering real estate transactions for assets it manages for the Fund.

In the 2011 legislative session, the Legislature approved an increase of 31 positions in the full-time equivalent employees for the administration of the Fund, which was funded as part of an \$18 million appropriation for each year of the 2012-13 biennium, in addition to the operational appropriation of \$11 million for each year of the biennium. The TEA has begun increasing the PSF administrative staff in accordance with the 2011 legislative appropriation, and the TEA received an appropriation of \$30.2 million for the administration of the PSF for fiscal years 2016 and 2017, respectively, and \$30.4 million for each of the fiscal years 2018 and 2019.

As of August 31, 2019, 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_State_ment_-_Bond_Guarantee_Program/](http://tea.texas.gov/Finance_and_Grants/Texas_Permanent_School_Fund/Texas_Permanent_School_Fund_Disclosure_State_ment_-_Bond_Guarantee_Program/). The most recent amendment to the TEA Rule was adopted by the SBOE on February 1, 2019, and is summarized below. Through the adoption of the TEA Rule and its commitment to guarantee bonds, the SBOE has made the following agreement for the benefit of the issuers, holders and beneficial owners of guaranteed bonds. The TEA (or its successor with respect to the management of the Guarantee Program) is required to observe the agreement for so long as it remains an "obligated person," within the meaning of Rule 15c2-12, with respect to guaranteed bonds. Nothing in the TEA Rule obligates the TEA to make any filings or disclosures with respect to guaranteed bonds, as the obligations of the TEA under the TEA Rule pertain solely to the Guarantee Program. The issuer or an "obligated person" of the guaranteed bonds has assumed the applicable obligation under Rule 15c2-12 to make all disclosures and filings relating directly to guaranteed bonds, and the TEA

takes no responsibility with respect to such undertakings. Under the TEA agreement, the TEA will be obligated to provide annually certain updated financial information and operating data, and timely notice of specified material events, to the MSRB.

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

Annual Reports

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

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

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

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

Event Notices

The TEA will also provide timely notices of certain events to the MSRB. Such notices will be provided not more than ten business days after the occurrence of the event. The TEA will provide notice of any of the following events with respect to the Guarantee Program: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if such event is material within the meaning of the federal securities laws; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax-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; (14) the appointment of a successor or additional trustee with respect to the Guarantee Program or the change of name of a trustee, if such event is material within the meaning of the federal securities laws; (15) the incurrence of a financial obligation of the Guarantee Program, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Program, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Guarantee Program, any of which reflect financial difficulties. (Neither the Act nor any other law, regulation or instrument pertaining to the Guarantee Program make any provision with respect to the Guarantee Program for bond calls, debt service reserves, credit enhancement, liquidity enhancement, early redemption or the appointment of a trustee with respect to the Guarantee Program.) In addition, the TEA will provide timely notice of any failure by the TEA to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information

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

Limitations and Amendments

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

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

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

Compliance with Prior Undertakings

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

SEC Exemptive Relief

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

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Litigation Relating to the Texas Public School Finance System

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

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

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

Possible Effects of Changes in Law on District Bonds

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

During the 2019 Legislative Session, the State Legislature made numerous changes to the current public school finance system, the levy and collection of ad valorem taxes, and the calculation of defined tax rates, including particularly those contained in House Bill 3 (“HB 3”) and Senate Bill 2 (“SB 2”). In some instances, the provisions of HB 3 and SB 2 will require further interpretation in connection with their implementation in order to resolve ambiguities contained in the bills. The District is still in the process of (a) analyzing the provisions of HB 3 and SB 2, and (b) monitoring the on-going guidance provided by TEA. The information contained herein under the captions “CURRENT PUBLIC SCHOOL FINANCE SYSTEM” and “TAX RATE LIMITATIONS” is subject to

change, and only reflects the District's understanding of HB 3 and SB 2 based on information available to the District as of the date of this Official Statement. Prospective investors are encouraged to review HB 3, SB 2, and the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes, the calculation of the defined tax rates, and the administration of the current public school finance system.

Overview

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

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

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

Local Funding for School Districts

During the 2019 Legislative Session, the State Legislature made several significant changes to the funding methodology for school districts (the "2019 Legislation"). The 2019 Legislation orders a school district's M&O tax rate into two distinct parts: the "Tier One Tax Rate", which is the local M&O tax rate required for a school district to receive any part of the basic level of State funding (referred to herein as "Tier One") under the Foundation School Program, as further described below, and the "Enrichment Tax Rate", which is any local M&O tax effort in excess of its Tier One Tax Rate. The 2019 Legislation amended formulas for the State Compression Percentage and Maximum Compressed Tax Rate (each as described below) to compress M&O tax rates in response to year-over-year increases in property values across the State and within a school district, respectively. The discussion in this subcaption "Local Funding For School Districts" is generally intended to describe funding provisions applicable to all school districts; however, there are distinctions in the funding formulas for school districts that generate local M&O tax revenues in excess of the school districts' funding entitlements, as further discussed under the subcaption "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Revenue Level In Excess of Entitlement" herein.

State Compression Percentage

The "State Compression Percentage" for the State fiscal year ending in 2020 (the 2019-2020 school year) is a statutorily-defined percentage of the rate of \$1.00 per \$100 at which a school district must levy its Tier One Tax Rate to receive the full amount of the Tier One funding to which a school district is entitled. For the State fiscal year ending in 2020, the State Compression Percentage is set at 93% per \$100 of taxable value. Beginning in the State fiscal year ending in 2021, the State Compression Percentage is the lesser of three alternative calculations: (1) 93% or a lower percentage set by appropriation for a school year; (2) a percentage determined by formula if the estimated total taxable property value of the State (as submitted annually to the State Legislature by the State Comptroller) has increased by at least 2.5% over the prior year; and (3) the prior year State Compression Percentage. For any year, the maximum State Compression Percentage is 93%.

Maximum Compressed Tax Rate

Pursuant to the 2019 Legislation, beginning with the State fiscal year ending in 2021 (the 2020-2021 school year) the Maximum Compressed Tax Rate (the "MCR") is the tax rate per \$100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of three alternative calculations: (1) the school district's prior year MCR; (2) a percentage determined by formula if the school district experienced a year-over-year increase in property value of at least 2.5%; or (3) the product of the State Compression Percentage for the current year multiplied by \$1.00. However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district's MCR is calculated to be less than 90% of any other school district's MCR for the current year, then the school district's MCR is instead equal to the school district's prior year MCR, until TEA determines that the difference between the school district's MCR and any other school district's MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase.

Tier One Tax Rate

For the 2019-2020 school year, the Tier One Tax Rate is the State Compression Percentage multiplied by (i) \$1.00, or (ii) for a school district that levied an M&O tax rate for the 2018-2019 school year that was less than \$1.00 per \$100 of taxable value, the total number of cents levied by the school district for the 2018-2019 school year for M&O purposes; effectively setting the Tier One Tax Rate for the State fiscal year ending in 2020 for most school districts at \$0.93. Beginning in the 2020-2021 school year, a school district's Tier One Tax Rate is defined as a school district's M&O tax rate levied that does not exceed the school district's MCR.

Enrichment Tax Rate

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

School districts may levy an Enrichment Tax Rate at a level of their choice, subject to the limitations described under "TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate"; however to levy any of the Enrichment Tax Rate in a given year, a school district must levy a Tier One Tax Rate equal to \$0.93 for the 2019-2020 school year, or equal to the school district's MCR for the 2020-2021 and subsequent years. Additionally, a school district's levy of Copper Pennies is subject to compression if the guaranteed yield (i.e., the guaranteed level of local tax revenue and State aid generated for each cent of tax effort) of Copper Pennies is increased from one year to the next (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts – Tier Two").

State Funding for School Districts

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

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

The current public school finance system also provides an Existing Debt Allotment ("EDA") to subsidize debt service on eligible outstanding school district bonds, an Instructional Facilities Allotment ("IFA") to subsidize debt service on newly issued bonds, and a New Instructional Facilities Allotment ("NIFA") to subsidize operational expenses associated with the opening of a new instructional facility. IFA primarily addresses the debt service needs of property-poor school districts. For the 2020-2021 State fiscal biennium, the State Legislature appropriated funds in the amount of \$1,323,444,300 for the EDA, IFA, and NIFA.

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

Tier One

Tier One funding is the basic level of funding guaranteed to a school district, consisting of a State-appropriated baseline level of funding (the "Basic Allotment") for each student in "Average Daily Attendance" (being generally calculated as the sum of student attendance for each State-mandated day of instruction divided by the number of State-mandated days of instruction, defined herein as "ADA"). The Basic Allotment is revised downward if a school district's Tier One Tax Rate is less than the State-determined threshold. The Basic Allotment is supplemented by additional State funds, allotted based upon the unique school district characteristics and demographics of students in ADA, to make up most of a school district's Tier One entitlement under the Foundation School Program.

For the 2019-2020 State fiscal year, the Basic Allotment for school districts with a Tier One Tax Rate equal to \$0.93, is \$6,160 for each student in ADA and is revised downward for school districts with a Tier One Tax Rate lower than \$0.93. For the State fiscal year ending in 2021 and subsequent State fiscal years, the Basic Allotment for a school district with a Tier One Tax Rate equal to the school district's MCR, is \$6,160 (or a greater amount as may be provided by appropriation) for each student in ADA and is revised downward for a school district with a Tier One Tax Rate lower than the school district's MCR. The Basic Allotment is then supplemented for all school districts by various weights to account for differences among school districts and their student populations. Such additional allotments include, but are not limited to, increased funds for students in ADA who: (i) attend a qualified special education program, (ii) are diagnosed with dyslexia or a related disorder, (iii) are economically disadvantaged, or (iv) have limited English language proficiency. Additional allotments to mitigate differences among school districts include, but are not limited to: (i) a transportation allotment for mileage associated with transporting students who reside two miles or more from their home campus, (ii) a fast growth allotment (for school districts in the top 25% of enrollment growth relative to other school districts), and (iii) a college, career and military readiness allotment to further Texas' goal of increasing the number of students who attain a post-secondary education or workforce credential, and (iv) a teacher incentive allotment to increase teacher compensation retention in disadvantaged or rural school districts. A school district's total Tier One funding, divided by \$6,160, is a school district's measure of students in "Weighted Average Daily Attendance" ("WADA"), which serves to calculate Tier Two funding.

Tier Two

Tier Two supplements Tier One funding and provides two levels of enrichment with different guaranteed yields (i.e., Golden Pennies and Copper Pennies) depending on the school district's Enrichment Tax Rate. Golden Pennies generate a guaranteed yield equal to the greater of (i) the local revenue per student in WADA per cent of tax effort available to a school district at the ninety-sixth (96th) percentile of wealth per student in WADA, or (ii) the Basic Allotment (or a greater amount as may be provided by appropriation) multiplied by 0.016. For the 2020-2021 State fiscal biennium, school districts are guaranteed a yield of \$98.56 per student in WADA for each Golden Penny levied. Copper Pennies generate a guaranteed yield per student in WADA equal to the school district's Basic Allotment (or a greater amount as may be provided by appropriation) multiplied by 0.008. For the 2020-2021 State fiscal biennium, school districts are guaranteed a yield of \$49.28 per student in WADA for each Copper Penny levied. For any school year in which the guaranteed yield of Copper Pennies per student in WADA exceeds the guaranteed yield of Copper Pennies per student in WADA for the preceding school year, a school district is required to reduce its Copper Pennies levied so as to generate no more revenue per student in WADA than was available to the school district for the preceding year.

Accordingly, the increase in the guaranteed yield from \$31.95 per Copper Penny per student in WADA for the 2018-2019 school year to \$49.28 per Copper Penny per student in WADA for the 2019-2020 school year requires school districts to compress their levy of Copper Pennies by a factor of 0.64834. As such, school districts that levied an Enrichment Tax Rate of \$0.17 in school year 2018-2019 must reduce their Enrichment Tax Rate to approximately \$0.138 per \$100 taxable value for the 2019-2020 school year.

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

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

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

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

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

Tax Rate and Funding Equity

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

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

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

Local Revenue Level in Excess of Entitlement

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

Whereas prior to the 2019 Legislation, the recapture process had been based on the proportion of a school district's assessed property value per student in ADA, recapture is now measured by the "local revenue level" (being the M&O tax revenues generated in a school district) in excess of the entitlements appropriated by the State Legislature each fiscal biennium. Therefore, school

districts are now guaranteed that recapture will not reduce revenue below their statutory entitlement. The changes to the wealth transfer provisions are expected to reduce the cumulative amount of recapture payments paid by school districts by approximately \$3.6 billion during the 2020-2021 State fiscal biennium.

Options for Local Revenue Levels in Excess of Entitlement

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

For the 2019-2020 school year, the District was designated as an "excess local revenue" Chapter 49 school district by TEA. Accordingly, the District has entered into a wealth equalization agreement with the Commissioner for the purchase of attendance credits for the 2019-20 school year, for the purpose of implementing permitted wealth equalization options.

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

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

AD VALOREM TAX PROCEDURES

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

Valuation of Taxable Property

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

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

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

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

State Mandated Homestead Exemptions

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

Local Option Homestead Exemptions

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The governing body of a school district may not repeal or reduce the amount of the local option homestead exemption described in (1), above, that was in place for the 2014 tax year (fiscal year 2015) for a period ending December 31, 2019. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit. See "Appendix A – Financial Information of the District – Assessed Valuation" for the reduction in taxable valuation, if any, attributable to local option homestead exemptions.

State Mandated Freeze on School District Taxes

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

Personal Property

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

Freeport and Goods-In-Transit Exemptions

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

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

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

Other Exempt Property

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

Temporary Exemption for Qualified Property Damaged by a Disaster

The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. For more information on the exemption, reference is made to Section 11.35 of the Tax Code. Section 11.35 of the Tax Code was enacted during the 2019 legislative session, and there is no judicial precedent for how the statute will be applied. Texas Attorney General Opinion KP-0299, issued on April 13, 2020, concluded a court would likely find the Texas Legislature intended to limit the temporary tax exemption to apply to property physically harmed as a result of a declared disaster.

Tax Increment Reinvestment Zones

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones ("TIRZ") within its boundaries. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "tax increment". During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

Until September 1, 1999, school districts were able to reduce the value of taxable property reported to the State to reflect any taxable value lost due to TIRZ participation by the school district. The ability of the school district to deduct the taxable value of the tax increment that it contributed prevented the school district from being negatively affected in terms of state school funding. However, due to a change in law, local M&O tax rate revenue contributed to a TIRZ created on or after May 31, 1999 will count toward a school

district's Tier One entitlement (reducing Tier One State funds for eligible school districts) and will not be considered in calculating any school district's Tier Two entitlement (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts").

Tax Limitation Agreements

The Texas Economic Development Act (Chapter 313, Texas Tax Code, as amended), allows school districts to grant limitations on appraised property values to certain corporations and limited liability companies to encourage economic development within the school district. Generally, during the last eight (8) years of the ten-year term of a tax limitation agreement, a school district may only levy and collect M&O taxes on the agreed-to limited appraised property value. For the purposes of calculating its Tier One and Tier Two entitlements, the portion of a school district's property that is not fully taxable is excluded from the school district's taxable property values. Therefore, a school district will not be subject to a reduction in Tier One or Tier Two State funds as a result of lost M&O tax revenues due to entering into a tax limitation agreement (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts").

For a discussion of how the various exemptions described above are applied by the District, see "THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT" herein.

District and Taxpayer Remedies

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

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

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

Levy and Collection of Taxes

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

District's Rights in the Event of Tax Delinquencies

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

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

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

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

TAX RATE LIMITATIONS

M&O Tax Rate Limitations

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

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

For the 2019 tax year, the maximum M&O tax rate per \$100 of taxable value that may be adopted by a school district is the sum of \$0.17 and the product of the State Compression Percentage multiplied by \$1.00. For the 2019 tax year, the state compression percentage has been set at 93%.

For the 2020 and subsequent tax years, the maximum M&O tax rate per \$100 of taxable value that may be adopted by a school district is the sum of \$0.17 and the school district's MCR. A school district's MCR is, generally, inversely proportional to the change in taxable property values both within the school district and the State, and is subject to recalculation annually. For any year, the highest possible MCR for a school district is \$0.93 (see "TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Funding for School Districts" herein).

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

I&S Tax Rate Limitations

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

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

Public Hearing and Voter-Approval Tax Rate

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

For the 2019 tax year, a school district is required to adopt its annual tax rate before the later of September 30 or the sixtieth (60th) day after the date the certified appraisal roll is received by the taxing unit, and a failure to adopt a tax rate by such required date will result in the tax rate for the taxing unit being 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. "Effective tax rate" means the rate that will produce the prior year's total tax levy from the current year's total taxable values, adjusted such that lost values are not included in the calculation of the prior year's taxable values and new values are not included in the current year's taxable values.

For the 2019 tax year, the Voter-Approval Tax Rate for a school district is the sum of (i) the State Compression Percentage, multiplied by \$1.00; (ii) the greater of (a) the school district's M&O tax rate for the 2018 tax year, less the sum of (1) \$1.00, and (2) any amount by which the school district is required to reduce its Enrichment Tax Rate for the 2019 tax year, or (b) \$0.04; and (iii) the school district's I&S tax rate. For the 2019 tax year, a school district's M&O tax rate may not exceed the rate equal to the sum of (i) \$0.17 and (ii) the product of the State Compression Percentage multiplied by \$1.00.

For the 2019 tax year, a school district with a Voter-Approval Tax Rate equal to or greater than \$0.97 (excluding the school district's current I&S tax rate) may not adopt tax rate for the 2019 tax year that exceeds the school district's Voter-Approval Tax Rate. For the 2019 tax year, the District is not eligible to adopt a tax rate that exceeds its Voter-Approval Tax Rate.

Beginning with the 2020 tax year, a school district is required to adopt its annual tax rate before the later of September 30 or the sixtieth (60th) day after the date the certified appraisal roll is received by the taxing unit, except that a tax rate that exceeds the Voter-Approval Tax Rate must be adopted not later than the seventy-first (71st) day before the next occurring November uniform election date. A school district's failure to adopt a tax rate equal to or less than the Voter-Approval Tax Rate by September 30 or the sixtieth (60th) day after receipt of the certified appraisal roll, will result in the tax rate for such school district for the tax year to be the lower of the "no-new-revenue tax rate" calculated for that tax year or the tax rate adopted by the school district for the preceding tax year. A school district's failure to adopt a tax rate in excess of the Voter-Approval Tax Rate on or prior to the seventy-first (71st) day before the next occurring November uniform election date, will result in the school district adopting a tax rate equal to or less than its Voter-Approval Tax Rate by the later of September 30 or the sixtieth (60th) day after receipt of the certified appraisal roll. "No-new-revenue tax rate" means the rate that will produce the prior year's total tax levy from the current year's total taxable values, adjusted such that lost values are not included in the calculation of the prior year's taxable values and new values are not included in the current year's taxable values.

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

Beginning with the 2020 tax year, the governing body of a school district generally cannot adopt a tax rate exceeding the school district's Voter-Approval Tax Rate without approval by a majority of the voters approving the higher rate at an election to be held on the next uniform election date. Further, subject to certain exceptions for areas declared disaster areas, State law requires the board of trustees of a school district to conduct an efficiency audit before seeking voter approval to adopt a tax rate exceeding the Voter-Approval Tax Rate and sets certain parameters for conducting and disclosing the results of such efficiency audit. An election is not required for a tax increase to address increased expenditures resulting from certain natural disasters in the year following the year in which such disaster occurs; however, the amount by which the increased tax rate exceeds the school district's Voter-Approval Tax Rate for such year may not be considered by the school district in the calculation of its subsequent Voter-Approval Tax Rate.

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

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

Beginning with the 2020 tax year, a school district must annually calculate and prominently post on its internet website, and submit to the county tax assessor-collector for each county in which all or part of the school district is located, its Voter-Approval Tax Rate in accordance with forms prescribed by the State Comptroller.

THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT

The Appraisal District has the responsibility for appraising property in the District as well as other taxing units in each 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 2019/20 fiscal year, property valued at \$112,249,489 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 Tax Code. Charges for penalties and interest on the unpaid balance of delinquent taxes are as follows:

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 2019/2020 tax year is approximately \$1,720,049,304. 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."

EMPLOYEE BENEFIT 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 "Note 11" in the audited financial statements of the District for the year ended June 30, 2019, set forth in Appendix D hereto) 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, 2019, 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 Texas Permanent School Fund Guarantee Program. (See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein). The District's underlying, unenhanced ratings, including the Bonds, are "Aa1" and "AA+", respectively by Moody's and S&P.

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 or marketability of the Bonds.

LEGAL MATTERS

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

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

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

TAX MATTERS

Certain Federal Income Tax Considerations

General. The following discussion is a summary of certain expected material federal income tax consequences of the purchase, ownership and disposition of the Bonds and is based on the Internal Revenue Code of 1986 (the "Code"), the regulations promulgated thereunder, published rulings and pronouncements of the Internal Revenue Service ("IRS") and court decisions currently in effect. There can be no assurance that the IRS will not take a contrary view, and no ruling from the IRS, has been, or is expected to be, sought on the issues discussed herein. Any subsequent changes or interpretations may apply retroactively and could affect the opinion and summary of federal income tax consequences discussed herein.

The following discussion is not a complete analysis or description of all potential U.S. federal tax considerations that may be relevant to, or of the actual tax effect that any of the matters described herein will have on, particular holders of the Bonds and does not address U.S. federal gift or estate tax or (as otherwise stated herein) the alternative minimum tax, state, local or other tax consequences. This summary does not address special classes of taxpayers (such as partnerships, or other pass-thru entities treated as a partnerships for U.S. federal income tax purposes, S corporations, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, real estate investment trusts, grantor trusts, former citizens of the U.S., broker-dealers, traders in securities and tax-exempt organizations, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be subject to the branch profits tax or, personal holding company provisions of the Code or taxpayers qualifying for the health insurance premium assistance credit) that are subject to special treatment under U.S. federal income tax laws, or persons that hold Bonds as a hedge against, or that are hedged against, currency risk or that are part of hedge, straddle, conversion or other integrated transaction, or persons whose functional currency is not the "U.S. dollar". This summary is further limited to investors who will hold the Bonds as "capital assets" (generally, property held for investment) within the meaning of Section 1221 of the Code. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

As used herein, the term "U.S. Holder" means a beneficial owner of a Bond who or which is: (i) an individual citizen or resident of the United States, (ii) a corporation or partnership created or organized under the laws of the United States or any political subdivision thereof or therein, (iii) an estate, the income of which is subject to U.S. federal income tax regardless of the source; or (iv) a trust, if (a) a court within the U.S. is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (b) the trust validly elects to be treated as a U.S. person for U.S. federal income tax purposes. As used herein, the term "Non-U.S. Holder" means a beneficial owner of a Bond that is not a U.S. Holder.

THIS SUMMARY IS INCLUDED HEREIN FOR GENERAL INFORMATION ONLY AND DOES NOT DISCUSS ALL ASPECTS OF THE U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF BONDS IN LIGHT OF THE HOLDER'S PARTICULAR CIRCUMSTANCES AND INCOME TAX SITUATION. PROSPECTIVE HOLDERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE BONDS BEFORE DETERMINING WHETHER TO PURCHASE BONDS.

THIS SUMMARY IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY TAXPAYER, TO AVOID PENALTIES THAT MIGHT BE IMPOSED ON THE TAXPAYER IN CONNECTION WITH THE MATTERS DISCUSSED THEREIN. 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, OR ANY OTHER TAX CONSEQUENCE.

FOREIGN INVESTORS SHOULD ALSO CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES UNIQUE TO NON-U.S. HOLDERS.

Certain U.S. Federal Income Tax Consequences to U.S. Holders

Periodic Interest Payments and Original Issue Discount. The Bonds are not obligations described in Section 103(a) of the Code. Accordingly, the stated interest paid on the Bonds or original issue discount, if any, accruing on the Bonds will be includable in "gross income" within the meaning of Section 61 of the Code of each owner thereof and be subject to federal income taxation when received or accrued, depending upon the tax accounting method applicable to such owner.

Disposition of Bonds. An owner will recognize gain or loss on the redemption, sale, exchange or other disposition of a Bond equal to the difference between the redemption or sale price (exclusive of any amount paid for accrued interest) and the owner's tax basis in the Bonds. Generally, a U.S. Holder's tax basis in the Bonds will be the owner's initial cost, increased by income reported by such U.S. Holder, including original issue discount and market discount income, and reduced, but not below zero, by any amortized premium. Any gain or loss generally will be a capital gain or loss and either will be long-term or short-term depending on whether the Bonds has been held for more than one year.

Defeasance of the Bonds. Defeasance of any Bond may result in a reissuance thereof, for U.S. federal income tax purposes, in which event a U.S. Holder will recognize taxable gain or loss as described above.

State, Local and Other Tax Consequences. Investors should consult their own tax advisors concerning the tax implications of holding and disposing of the Bonds under applicable state or local laws, or any other tax consequence, including the application of gift and estate taxes. Certain individuals, estates or trusts may be subject to a 3.8% surtax on all or a portion of the taxable interest that is paid on the Bonds. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE FOREGOING MATTERS.

Certain U.S. Federal Income Tax Consequences to Non-U.S. Holders

A Non-U.S. Holder that is not subject to U.S. federal income tax as a result of any direct or indirect connection to the U.S. in addition to its ownership of a Bond, will not be subject to U.S. federal income or withholding tax in respect of a Bond, provided that such Non-U.S. Holder complies, to the extent necessary, with identification requirements including delivery of a signed statement under penalties of perjury, certifying that such Non-U.S. Holder is not a U.S. person and providing the name and address of such Non-U.S. Holder. Absent such exemption, payments of interest, including any amounts paid or accrued in respect of accrued original issue discount, may be subject to withholding taxes, subject to reduction under any applicable tax treaty. Non-U.S. Holders are urged to consult their own tax advisors regarding the ownership, sale or other disposition of a Bond.

The foregoing rules will not apply to exempt a U.S. shareholder of a controlled foreign corporation from taxation on the U.S. shareholder's allocable portion of the interest income received by the controlled foreign corporation.

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 withholding under sections 1471 through 1474 of the Code or 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.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

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

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE DISTRICT

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

The District 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.

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 State law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that 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 PFIA. 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 State 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 detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest for the reporting period 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) State law. No person may invest District funds without express written authority from the Board.

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

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

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

FINANCIAL ADVISOR

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

Financial Advisor may from time to time sell investment securities to the District for the investment of bond proceeds or other funds of the District upon the request of the District.

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

CONTINUING DISCLOSURE OF INFORMATION

In the Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually and timely notice of specified events to the MSRB. The information provided to the MSRB will be available to the public free of charge via the EMMA system at www.emma.msrb.org. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" for a description of the TEA's continuing disclosure undertaking to provide certain updated financial information and operating data annually with respect to the Permanent School Fund and the State, as the case may be, and to provide timely notice of certain specified events related to the guarantee, to the MSRB.

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 2020. The District may provide the Financial Statements earlier, including at the time it provides its Annual Operating Report, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the District shall file unaudited Financial Statements within such 12-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

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

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

Notice of Certain Events

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

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

Availability of Information

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

Limitations and Amendments

The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders 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 (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with Rule 15c2-12, taking into account any amendments or interpretations of Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and (ii) 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 registered owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the District so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

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

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.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Public Finance Partners LLC, will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Defeasance Securities, to pay, when due or upon early redemption, the principal of, interest on and related call premium requirements, if any, of the Refunded Bonds. Public Finance Partners LLC relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the District. In addition, Public Finance Partners LLC has relied on any information provided to it by the District's retained advisors, consultants or legal counsel.

LITIGATION

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

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

FORWARD LOOKING STATEMENTS

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

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

UNDERWRITING

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

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

Piper Sandler & Co., one of the underwriters of the Bonds, has entered into a distribution agreement ("Distribution Agreement") with Charles Schwab & Co., Inc. ("CS&Co") for the retail distribution of certain securities offerings including the Bonds, at the original issue

prices. Pursuant to the Distribution Agreement, CS&Co. will purchase Bonds from Piper at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

FHN Financial Capital Markets is a division of First Horizon Bank and First Horizon Advisors, Inc., is a wholly owned subsidiary of First Horizon Bank. FHN Financial Capital Markets has entered into a distribution agreement with First Horizon Advisors, Inc., for the distribution of the offered Bonds at the original issue prices. Such arrangement generally provides that FHN Financial Capital Markets will share a portion of its underwriting compensation or selling concession with First Horizon Advisors, Inc.

On November 4, 2019 First Horizon and IberiaBank announced its intention to enter into a merger, pending regulatory approval, creating a leading regional financial services company. The new company will retain the First Horizon name and will have its headquarters in Memphis, TN, while maintaining a significant operating presence in all of the markets in which both companies operate today. The transaction is expected to be completed in the second quarter of 2020, following the satisfaction of closing conditions, including approval by shareholders of both companies. Until all conditions, including regulatory approvals are provided, First Horizon and IberiaBank will continue to be separate, independent companies and until transaction closing, both companies will operate as they do today.

RBC Capital Markets ("RBCCM") and its affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, RBCCM and its affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). RBCCM and its affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the District. RBCCM and its affiliates may make a market in credit default swaps with respect to municipal securities in the future. RBCCM and its affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the District.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Products Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Products Group ("WFBNA"), one of the underwriters of the Bonds, has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name "Wells Fargo Advisors") ("WFA"), for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Bonds with WFA. WFBNA has also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

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.

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

The 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 further use in the re-offering of the Bonds by the Underwriters. This Official Statement will be approved by the Pricing Officer of the District for distribution in accordance with the provisions of Rule 15c2-12.

/s/

Pricing Officer

FRISCO INDEPENDENT SCHOOL DISTRICT

Schedule I - Schedule of Refunded Bonds*

Unlimited Tax School Building Bonds, Series 2011

Maturities Being Redeemed	CUSIP	Principal Amount Outstanding	Interest Rate	Principal Amount Being Refunded	Call Date	Principal Amount Unrefunded
8/15/2039		\$ 1,705,000.00	5.000%	\$ 1,705,000.00 ⁽¹⁾	2/15/2021	\$ -
8/15/2039		445,000.00	4.625%	445,000.00 ⁽²⁾	2/15/2021	-
8/15/2040		12,970,000.00	5.000%	12,970,000.00 ⁽¹⁾	2/15/2021	-
8/15/2040		5,505,000.00	4.625%	5,505,000.00 ⁽²⁾	2/15/2021	-
8/15/2041	35880CBD5	20,525,000.00	5.000%	20,525,000.00 ⁽¹⁾	2/15/2021	-
8/15/2041	35880CBC7	8,850,000.00	4.625%	8,850,000.00 ⁽²⁾	2/15/2021	-
		<u>\$ 50,000,000.00</u>		<u>\$ 50,000,000.00</u>		<u>\$ -</u>

⁽¹⁾ Represents a mandatory sinking fund redemption of the term bond outstanding in the principal amount of \$35,200,000 that matures August 15, 2041.

⁽²⁾ Represents a mandatory sinking fund redemption of the term bond outstanding in the principal amount of \$14,800,000 that matures August 15, 2041.

Unlimited Tax School Building & Refunding Bonds, Series 2011A

Maturities Being Redeemed	CUSIP	Principal Amount Outstanding	Interest Rate	Principal Amount Being Refunded	Call Date	Principal Amount Unrefunded
8/15/2028	35880CBN3	\$ 1,335,000.00	5.000%	\$ 1,335,000.00	8/15/2021	\$ -
8/15/2029	35880CBP8	1,405,000.00	5.000%	1,405,000.00	8/15/2021	-
8/15/2031	35880CBR4	1,535,000.00	5.000%	1,535,000.00	8/15/2021	-
8/15/2032		1,610,000.00	5.000%	1,610,000.00 ⁽¹⁾	8/15/2021	-
8/15/2033		1,690,000.00	5.000%	1,690,000.00 ⁽¹⁾	8/15/2021	-
8/15/2034		1,775,000.00	5.000%	1,775,000.00 ⁽¹⁾	8/15/2021	-
8/15/2035		3,700,000.00	5.000%	3,700,000.00 ⁽¹⁾	8/15/2021	-
8/15/2036		3,890,000.00	5.000%	3,890,000.00 ⁽¹⁾	8/15/2021	-
8/15/2037	35880CBT0	4,080,000.00	5.000%	4,080,000.00 ⁽¹⁾	8/15/2021	-
8/15/2038		4,285,000.00	5.000%	4,285,000.00 ⁽²⁾	8/15/2021	-
8/15/2039		4,500,000.00	5.000%	4,500,000.00 ⁽²⁾	8/15/2021	-
8/15/2040	35880CBV5	4,725,000.00	5.000%	4,725,000.00 ⁽²⁾	8/15/2021	-
8/15/2041	35880CBU7	4,965,000.00	4.500%	4,965,000.00	8/15/2021	-
		<u>\$ 39,495,000.00</u>		<u>\$ 39,495,000.00</u>		<u>\$ -</u>

⁽¹⁾ Represents a mandatory sinking fund redemption of the term bond outstanding in the principal amount of \$16,745,000 that matures August 15, 2037.

⁽²⁾ Represents a mandatory sinking fund redemption of the term bond outstanding in the principal amount of \$13,510,000 that matures August 15, 2040.

Unlimited Tax Refunding Bonds, Series 2011

Maturities Being Redeemed	CUSIP	Principal Amount Outstanding	Interest Rate	Principal Amount Being Refunded	Call Date	Principal Amount Unrefunded
8/15/2031	35880CCY8	\$ 6,565,000.00	5.000%	\$ 6,565,000.00	8/15/2021	\$ -
8/15/2028	35880CDB7	7,000,000.00	4.250%	7,000,000.00	8/15/2021	-
8/15/2030	35880CDD3	17,605,000.00	5.000%	17,605,000.00	8/15/2021	-
		<u>\$ 31,170,000.00</u>		<u>\$ 31,170,000.00</u>		<u>\$ -</u>

Unlimited Tax School Building and Refunding Bonds, Series 2012

Maturities Being Redeemed	CUSIP	Principal Amount Outstanding	Interest Rate	Principal Amount Being Refunded	Call Date	Principal Amount Unrefunded
8/15/2031	35880CEA8	\$ 10,000,000.00	5.000%	\$ 10,000,000.00	8/15/2021	\$ -
8/15/2032	35880CDZ4	10,000,000.00	5.000%	10,000,000.00	8/15/2021	-
8/15/2038		665,000.00	4.500%	665,000.00 ⁽¹⁾	8/15/2021	-
8/15/2038		10,800,000.00	5.000%	10,800,000.00 ⁽²⁾	8/15/2021	-
8/15/2039		665,000.00	4.500%	665,000.00 ⁽¹⁾	8/15/2021	-
8/15/2039		12,545,000.00	5.000%	12,545,000.00 ⁽²⁾	8/15/2021	-
8/15/2040	35880CDX9	670,000.00	4.500%	670,000.00 ⁽¹⁾	8/15/2021	-
8/15/2040	35880CEB6	9,860,000.00	5.000%	9,860,000.00 ⁽²⁾	8/15/2021	-
		<u>\$ 55,205,000.00</u>		<u>\$ 55,205,000.00</u>		<u>\$ -</u>

⁽¹⁾ Represents a mandatory sinking fund redemption of the term bond outstanding in the principal amount of \$2,000,000 that matures August 15, 2040.

⁽²⁾ Represents a mandatory sinking fund redemption of the term bond outstanding in the principal amount of \$33,205,000 that matures August 15, 2040.

*Preliminary, subject to change.

FRISCO INDEPENDENT SCHOOL DISTRICT
Unlimited Tax Refunding Bonds, Taxable Series 2020

Schedule II - Schedule of Accreted Values of Premium Capital Appreciation Bonds ("CABs")
(Per \$5,000 Maturity Value)

CABs Delivery Date: July 15, 2020

	Accreted Value of 2/15/2021 Maturity @ ____ %	Accreted Value of 2/15/2022 Maturity @ ____ %	Accreted Value of 2/15/2023 Maturity @ ____ %	Accreted Value of 2/15/2024 Maturity @ ____ %	Accreted Value of 2/15/2025 Maturity @ ____ %
<u>Date</u>					
07/15/20					
08/15/20					
02/15/21					
08/15/21					
02/15/22					
08/15/22					
02/15/23					
08/15/23					
02/15/24					
08/15/24					
02/15/25					

APPENDIX A

FINANCIAL INFORMATION OF THE DISTRICT

FRISCO INDEPENDENT SCHOOL DISTRICT

Financial Information

ASSESSED VALUATION ⁽¹⁾

2019/20 Total Valuation.....		\$ 46,675,659,880
Less Exemptions & Deductions ⁽²⁾ :		
State Homestead Exemption	\$ 1,241,963,776	
State Over-65 Exemption	76,222,454	
Disabled Exemption	101,022,062	
Veterans Exemption	7,357,200	
Surviving Spouse Disabled Veteran Exemption	3,472,918	
Freeport Exemption	112,249,489	
Pollution Control Exemption	3,678,315	
Productivity Loss	1,553,825,560	
Solar / Wind Exemption	3,297,660	
Homestead Cap Loss	80,754,171	
	<u>\$ 3,183,843,605</u>	
2019/20 Net Taxable Valuation		\$ 43,491,816,275
2020/21 Preliminary Net Taxable Valuation ⁽³⁾		\$ 47,623,072,483

(1) Source: Comptroller of Public Accounts - Property Tax Division. The passage of a Texas Constitutional Amendment on November 3, 2015 increased the homestead exemption from \$15,000 to \$25,000. See "AD VALOREM TAX PROCEDURES -- Residential homestead Exemptions" in the Official Statement.
(2) Excludes the values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers, which totaled \$575,700,964 for 2019/20.
(3) Source: Preliminary Certified Values from the Collin and Denton Central Appraisal Districts as of May 2020.

VOTED GENERAL OBLIGATION DEBT

Unlimited Tax Bonds Outstanding ⁽¹⁾	\$ 2,019,142,591
Less: The Refunded Bonds ^{(1) (2)}	(175,870,000)
Plus: The Bonds ^{(1) (2)}	<u>175,869,988</u>
Total Unlimited Tax Bonds ^{(1) (2)}	2,019,142,578
Less: Interest & Sinking Fund Balance (As of June 30, 2019) ⁽³⁾	<u>(132,002,907)</u>
Net General Obligation Debt	\$ 1,887,139,671
Ratio of Net G.O. Debt to Net Taxable Valuation ⁽⁴⁾	3.96%
2019 Population Estimate	293,209
Per Capita Net Taxable Valuation	\$162,420
Per Capita Net G.O. Debt	\$6,436

(1) Excludes interest accreted on outstanding capital appreciation bonds.
(2) Preliminary, subject to change.
(3) Source: Frisco ISD Audited Financial Statements.
(4) 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, 2019" 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 ⁽⁴⁾	
			Current ⁽⁵⁾	Total ⁽⁵⁾
2006/07	\$ 12,291,132,177 ⁽¹⁾	\$ 1.5800	98.63%	99.51%
2007/08	14,921,727,758 ⁽¹⁾	1.3500 ⁽⁶⁾	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⁾	1.4600	99.30%	99.64%
2017/18	35,570,550,343 ⁽¹⁾	1.4600	99.59%	100.34%
2018/19	40,349,486,303 ⁽¹⁾	1.4400	99.33%	99.70%
2019/20	43,491,816,275 ⁽¹⁾	1.3383 ⁽⁷⁾	(In Process of Collection)	
2020/21	47,623,072,483 ⁽³⁾			

(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: Preliminary Certified Values from the Collin and Denton Central Appraisal Districts as of May 2020.
(4) Source: Frisco ISD Audited Financial Statements.
(5) Excludes penalties and interest.
(6) The decline in the District's Maintenance & Operation Tax from the 2006/07 fiscal year to the 2007/08 fiscal year is 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.
(7) The decline in the District's Maintenance & Operation Tax from the 2018/19 fiscal year to the 2019/20 fiscal year is a function of House Bill 3 adopted by the Texas Legislature in June 2019. See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in Official Statement.

TAX RATE DISTRIBUTION ⁽¹⁾

	2015/16	2016/17	2017/18	2018/19	2019/20 ⁽²⁾
Maintenance & Operations	\$1.0400	\$1.0400	\$1.0400	\$1.1700	\$1.0683
Debt Service	\$0.4200	\$0.4200	\$0.4200	\$0.2700	\$0.2700
Total Tax Rate	\$1.4600	\$1.4600	\$1.4600	\$1.4400	\$1.3383

(1) On November 6, 2018, the District successfully held a tax ratification election at which the voters of the District approved a maintenance and operations tax not to exceed \$1.17.

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

VALUATION AND FUNDED DEBT HISTORY

Fiscal Year	Net Taxable Valuation	Bond Debt Outstanding ⁽¹⁾	Ratio Debt to A.V. ⁽²⁾
2006/07	\$ 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	5.30%
2018/19	40,349,486,303	1,952,677,591	4.84%
2019/20	43,491,816,275	1,966,343,106 ⁽³⁾	4.52%
2020/21	47,623,072,483	1,902,367,135 ⁽³⁾	3.99%

(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, 2019" in Appendix D for more information.

(3) Includes the Bonds and excludes the Refunded Bonds. Preliminary, subject to change.

ESTIMATED OVERLAPPING DEBT STATEMENT

Taxing Body	Amount	Percent Overlapping	Amount Overlapping
Collin County	\$ 333,150,000	19.08%	\$ 63,565,020
Collin County CCD	542,110,000	19.08%	103,434,588
Denton County	640,015,000	10.57%	67,649,586
Denton County FWSD # 8-C	39,865,000	100.00%	39,865,000
City of Frisco	365,549,938	89.70%	327,898,294
Town of Little Elm	56,188,950	34.11%	19,166,051
City of McKinney	254,210,000	17.52%	44,537,592
City of Plano	475,460,000	12.62%	60,003,052
Total Overlapping Debt ⁽¹⁾			\$ 726,119,182
Frisco Independent School District ^{(2) (3)}			1,887,139,671
Total Direct & Overlapping Debt			\$ 2,613,258,854
Ratio of Net Direct & Overlapping Debt to Net Taxable Valuation		5.49%	
Per Capita Direct & Overlapping Debt		\$8,913	

(1) Equals gross debt less self-supporting debt.

(2) Includes the Bonds and excludes the Refunded Bonds. Excludes interest accreted on outstanding capital appreciation bonds.

(3) Preliminary, subject to change.

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⁾**2019/20 Top Ten Taxpayers**

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Liberty Mutual Plano LLC	Banking & Finance	\$ 377,568,425	0.87%
JP Morgan Chase Bank NA	Banking & Finance	362,487,692	0.83%
Toyota Motor North America Inc	Automotive	250,831,010	0.58%
Capital One National Association	Banking & Finance	232,838,352	0.54%
Blue Star HQ Inc	Real Estate Development	210,342,421	0.48%
BPR Shopping Center LP	Real Estate Development	152,414,448	0.35%
Union Investment Real Estate GMBH	Real Estate Development	143,772,683	0.33%
PPF Amli Parkwood Boulevard LLC	Real Estate Development	117,697,158	0.27%
Granite Park NM/GP III LP	Real Estate Development	116,300,000	0.27%
Gaedeke Holdings XI LTD	Real Estate Development	115,301,667	0.27%
		<u>\$ 2,079,553,856</u>	<u>4.78%</u>

2018/19 Top Ten Taxpayers

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Liberty Mutual Plano LLC	Banking & Finance	\$ 345,798,915	0.86%
JP Morgan Chase Bank NA	Banking & Finance	312,538,085	0.77%
Toyota Motor North America Inc	Automotive	253,208,768	0.63%
Capital One National Association	Banking & Finance	216,428,297	0.54%
Blue Star HQ Inc	Real Estate Development	201,017,500	0.50%
BPR Shopping Center LP	Real Estate Development	147,250,000	0.36%
Tollway/121 Partners LTD	Real Estate Development	131,158,164	0.33%
Granite Park VII LLC	Real Estate Development	122,502,127	0.30%
Granite Park NM/GP IV LLC	Real Estate Development	108,205,000	0.27%
Granite Park I LLC	Real Estate Development	107,540,000	0.27%
		<u>\$ 1,945,646,856</u>	<u>4.82%</u>

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%
		<u>\$ 1,324,443,033</u>	<u>3.72%</u>

(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)}

<u>Category</u>	<u>2019/20</u>	<u>% of Total</u>	<u>2018/19</u>	<u>% of Total</u>	<u>2017/18</u>	<u>% of Total</u>
Real, Residential, Single-Family	\$ 27,700,222,652	59.35%	\$ 26,446,203,218	60.78%	\$ 24,266,454,955	62.26%
Real, Residential, Multi-Family	4,312,749,169	9.24%	3,475,935,845	7.99%	2,863,423,379	7.35%
Real, Vacant Lots/Tracts	716,778,295	1.54%	592,806,009	1.36%	574,861,150	1.47%
Real, Acreage	1,555,046,008	3.33%	1,544,597,794	3.55%	1,636,247,637	4.20%
Real, Farm & Ranch Improvements	386,943,453	0.83%	534,068,422	1.23%	651,465,813	1.67%
Real, Commercial & Industrial	9,323,706,887	19.98%	8,646,055,811	19.87%	7,029,248,675	18.04%
Utilities	302,354,814	0.65%	257,452,561	0.59%	219,739,241	0.56%
Tangible Personal, Commercial	1,537,040,764	3.29%	1,273,966,735	2.93%	1,091,948,414	2.80%
Tangible Personal, Industrial	877,346	0.00%	832,856	0.00%	689,077	0.00%
Tangible Personal, Mobile Homes & Other	415,622	0.00%	266,728	0.00%	218,505	0.00%
Tangible Personal, Residential Inventory	783,004,960	1.68%	672,135,531	1.54%	584,458,149	1.50%
Tangible Personal, Special Inventory	<u>56,519,910</u>	<u>0.12%</u>	<u>64,448,618</u>	<u>0.15%</u>	<u>55,290,251</u>	<u>0.14%</u>
Total Appraised Value	\$ 46,675,659,880	100.00%	\$ 43,508,770,128	100.00%	\$ 38,974,045,246	100.00%
Less:						
Homestead Cap Adjustment	\$ 80,754,171		\$ 173,942,795		\$ 397,838,315	
Productivity Loss	1,553,825,560		1,543,114,334		1,634,635,079	
Exemptions	<u>1,549,263,874</u> ⁽³⁾		<u>1,442,226,696</u> ⁽³⁾		<u>1,371,021,509</u> ⁽³⁾	
Total Exemptions/Deductions ⁽⁴⁾	<u>\$ 3,183,843,605</u>		<u>\$ 3,159,283,825</u>		<u>\$ 3,403,494,903</u>	
Net Taxable Assessed Valuation	\$ 43,491,816,275		\$ 40,349,486,303		\$ 35,570,550,343	

<u>Category</u>	<u>2016/17</u>	<u>% of Total</u>	<u>2015/16</u>	<u>% of Total</u>	<u>2014/15</u>	<u>% of Total</u>
Real, Residential, Single-Family	\$ 21,617,912,704	63.33%	\$ 18,531,227,482	63.01%	\$ 15,793,610,094	62.15%
Real, Residential, Multi-Family	2,308,485,474	6.76%	1,953,611,983	6.64%	1,704,527,510	6.71%
Real, Vacant Lots/Tracts	548,452,795	1.61%	432,451,349	1.47%	397,306,356	1.56%
Real, Acreage	1,677,217,322	4.91%	1,691,512,254	5.75%	1,564,168,999	6.16%
Real, Farm & Ranch Improvements	683,537,417	2.00%	519,090,462	1.77%	371,885,899	1.46%
Real, Commercial & Industrial	5,613,500,147	16.45%	4,778,991,671	16.25%	4,178,276,253	16.44%
Utilities	174,364,345	0.51%	163,717,344	0.56%	151,707,976	0.60%
Tangible Personal, Commercial	982,482,785	2.88%	938,164,868	3.19%	886,060,653	3.49%
Tangible Personal, Industrial	682,888	0.00%	2,300,357	0.01%	2,597,564	0.01%
Tangible Personal, Mobile Homes & Other	185,706	0.00%	186,309	0.00%	192,586	0.00%
Tangible Personal, Residential Inventory	472,729,688	1.38%	362,157,653	1.23%	327,219,690	1.29%
Tangible Personal, Special Inventory	<u>54,236,847</u>	<u>0.16%</u>	<u>35,985,225</u>	<u>0.12%</u>	<u>33,901,313</u>	<u>0.13%</u>
Total Appraised Value	\$ 34,133,788,118	100.00%	\$ 29,409,396,957	100.00%	\$ 25,411,454,893	100.00%
Less:						
Homestead Cap Adjustment	\$ 537,827,543		\$ 269,685,036		\$ 100,497,908	
Productivity Loss	1,675,417,699		1,689,283,764		1,561,672,720	
Exemptions	<u>1,298,891,842</u> ⁽³⁾		<u>1,220,288,653</u> ⁽³⁾		<u>743,512,737</u>	
Total Exemptions/Deductions ⁽⁴⁾	<u>\$ 3,512,137,084</u>		<u>\$ 3,179,257,453</u>		<u>\$ 2,405,683,365</u>	
Net Taxable Assessed Valuation	\$ 30,621,651,034		\$ 26,230,139,504		\$ 23,005,771,528	

(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⁾	Less: Refunded Bonds ^{(2) (3)}	Plus: The Bonds ^{(2) (3)}	Total ^{(2) (3)}	Bonds Unpaid At Year End	Percent of Principal Retired
2020	\$ 54,144,472.30	\$ -	\$ -	\$ 54,144,472.30	\$ 1,966,343,106.15	2.68%
2021	63,197,422.40	-	778,549.00	63,975,971.40	1,902,367,134.75	5.85%
2022	66,060,469.35	-	673,136.80	66,733,606.15	1,835,633,528.60	9.15%
2023	65,956,447.95	-	420,092.80	66,376,540.75	1,769,256,987.85	12.43%
2024	64,757,844.10	-	263,097.75	65,020,941.85	1,704,236,046.00	15.65%
2025	65,707,677.75	6,565,000.00	920,111.55	60,062,789.30	1,644,173,256.70	18.62%
2026	65,184,730.30	-	1,105,000.00	66,289,730.30	1,577,883,526.40	21.91%
2027	68,011,872.70	-	1,130,000.00	69,141,872.70	1,508,741,653.70	25.33%
2028	69,200,218.55	8,335,000.00	9,580,000.00	70,445,218.55	1,438,296,435.15	28.81%
2029	71,662,325.85	1,405,000.00	2,410,000.00	72,667,325.85	1,365,629,109.30	32.41%
2030	82,590,115.10	17,605,000.00	18,790,000.00	83,775,115.10	1,281,853,994.20	36.56%
2031	78,407,801.00	11,535,000.00	12,215,000.00	79,087,801.00	1,202,766,193.20	40.47%
2032	82,523,770.00	11,610,000.00	12,015,000.00	82,928,770.00	1,119,837,423.20	44.58%
2033	72,124,731.20	1,690,000.00	1,690,000.00	72,124,731.20	1,047,712,692.00	48.15%
2034	73,397,692.00	1,775,000.00	1,735,000.00	73,357,692.00	974,355,000.00	51.78%
2035	99,920,000.00	3,700,000.00	3,645,000.00	99,865,000.00	874,490,000.00	56.72%
2036	96,580,000.00	3,890,000.00	3,930,000.00	96,620,000.00	777,870,000.00	61.50%
2037	92,045,000.00	4,080,000.00	3,865,000.00	91,830,000.00	686,040,000.00	66.05%
2038	99,960,000.00	15,750,000.00	15,615,000.00	99,825,000.00	586,215,000.00	70.99%
2039	103,810,000.00	19,860,000.00	19,455,000.00	103,405,000.00	482,810,000.00	76.10%
2040	108,115,000.00	33,730,000.00	33,120,000.00	107,505,000.00	375,305,000.00	81.43%
2041	113,225,000.00	34,340,000.00	32,515,000.00	111,400,000.00	263,905,000.00	86.94%
2042	71,775,000.00			71,775,000.00	192,130,000.00	90.49%
2043	55,565,000.00			55,565,000.00	136,565,000.00	93.24%
2044	44,670,000.00			44,670,000.00	91,895,000.00	95.45%
2045	30,940,000.00			30,940,000.00	60,955,000.00	96.98%
2046	22,855,000.00			22,855,000.00	38,100,000.00	98.11%
2047	13,270,000.00			13,270,000.00	24,830,000.00	98.77%
2048	12,110,000.00			12,110,000.00	12,720,000.00	99.37%
2049	9,855,000.00			9,855,000.00	2,865,000.00	99.86%
2050	2,865,000.00			2,865,000.00	-	100.00%
Total	<u>\$ 2,020,487,590.55</u>	<u>\$ 175,870,000.00</u>	<u>\$ 175,869,987.90</u>	<u>\$ 2,020,487,578.45</u>		

(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.

(3) Preliminary, subject to change.

DEBT SERVICE REQUIREMENTS ⁽¹⁾

Fiscal Year Ending 8/31	Outstanding Debt Service ⁽²⁾	Less:	Plus:			Combined Total ^{(2) (3) (4)}
		Refunded Debt Service ^{(2) (3)}	The Bonds ^{(2) (3)}			
			Principal	Interest	Total	
2020	\$ 141,500,060.45	\$ -	\$ -	\$ -	\$ -	\$ 141,500,060.45
2021	146,313,637.54	8,650,675.00	778,549.00	5,425,305.41	6,203,854.41	143,866,816.95
2022	146,311,437.54	8,650,675.00	673,136.80	5,527,344.20	6,200,481.00	143,861,243.54
2023	146,312,212.54	8,650,675.00	420,092.80	5,780,388.20	6,200,481.00	143,862,018.54
2024	146,309,012.56	8,650,675.00	263,097.75	5,942,383.25	6,205,481.00	143,863,818.56
2025	142,468,975.06	15,215,675.00	920,111.55	11,845,369.45	12,765,481.00	140,018,781.06
2026	142,468,306.30	8,322,425.00	1,105,000.00	4,770,676.89	5,875,676.89	140,021,558.19
2027	142,467,031.30	8,322,425.00	1,130,000.00	4,749,776.18	5,879,776.18	140,024,382.48
2028	142,463,751.30	16,657,425.00	9,580,000.00	4,637,921.93	14,217,921.93	140,024,248.23
2029	142,468,221.30	9,363,175.00	2,410,000.00	4,509,660.15	6,919,660.15	140,024,706.45
2030	142,469,553.78	25,492,925.00	18,790,000.00	4,259,306.62	23,049,306.62	140,025,935.40
2031	142,466,718.78	18,542,675.00	12,215,000.00	3,886,659.30	16,101,659.30	140,025,703.08
2032	142,467,118.78	18,040,925.00	12,015,000.00	3,584,668.88	15,599,668.88	140,025,862.66
2033	142,464,262.52	7,540,425.00	1,690,000.00	3,410,128.24	5,100,128.24	140,023,965.76
2034	140,966,925.02	7,540,925.00	1,735,000.00	3,364,304.47	5,099,304.47	138,525,304.49
2035	140,964,881.28	9,377,175.00	3,645,000.00	3,290,391.15	6,935,391.15	138,523,097.43
2036	140,791,893.78	9,382,175.00	3,930,000.00	3,184,366.06	7,114,366.06	138,524,084.84
2037	127,786,418.78	9,377,675.00	3,865,000.00	3,072,924.58	6,937,924.58	125,346,668.36
2038	127,790,387.52	20,843,675.00	15,615,000.00	2,789,018.27	18,404,018.27	125,350,730.79
2039	127,791,700.00	24,169,500.00	19,455,000.00	2,273,846.72	21,728,846.72	125,351,046.72
2040	127,790,025.02	37,051,493.76	33,120,000.00	1,487,774.60	34,607,774.60	125,346,305.86
2041	128,340,393.76	35,998,987.50	32,515,000.00	494,410.90	33,009,410.90	125,350,817.16
2042	82,117,393.76					82,117,393.76
2043	63,179,818.76					63,179,818.76
2044	50,019,568.76					50,019,568.76
2045	34,471,900.00					34,471,900.00
2046	25,129,750.00					25,129,750.00
2047	14,619,400.00					14,619,400.00
2048	12,966,300.00					12,966,300.00
2049	10,265,650.00					10,265,650.00
2050	2,907,975.00					2,907,975.00
	\$ 3,366,850,681.19	\$ 315,842,381.26	\$ 175,869,987.90	\$ 88,286,625.45	\$ 264,156,613.35	\$ 3,315,164,913.28

(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) Preliminary, subject to change.

(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 2019/20. 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⁾	\$ 143,866,816.95
Projected State Financial Assistance for Debt Service in 2019/20 ⁽²⁾	-
Projected Net Debt Service Requirement	\$ 143,866,816.95
 \$0.30515 Tax Rate @ 99% Collections Produces	 \$ 143,866,816.95
 2020/21 Preliminary Net Taxable Valuation	 \$ 47,623,072,483

(1) Includes the Bonds and excludes the Refunded Bonds. Preliminary, subject to change.

(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 2019/20. 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

The District has \$69,000,000 of authorized but unissued unlimited ad valorem tax bonds from the May 10, 2014 bond election, and \$567,000,000 of authorized but unissued unlimited ad valorem tax bonds from the November 6, 2018 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				
	2015	2016	2017	2018	2019
Beginning Fund Balance	\$ 85,164,707	\$ 92,479,106	\$ 123,493,141	\$ 133,262,297	\$ 162,807,920
Revenues:					
Local and Intermediate Sources	\$ 253,432,061	\$ 289,018,829	\$ 336,393,833	\$ 387,697,000	\$ 487,450,080
State Sources	131,228,624	155,994,420	133,522,734	117,852,445	85,303,754
Federal Sources & Other	1,304,865	2,332,383	2,320,903	2,858,270	6,520,666
Total Revenues	\$ 385,965,550	\$ 447,345,632	\$ 472,237,470	\$ 508,407,715	\$ 579,274,500
Expenditures:					
Instruction	\$ 229,506,172	\$ 252,535,035	\$ 282,993,597	\$ 285,701,359	\$ 312,362,215
Instructional Resources & Media Services	5,578,384	5,903,628	6,557,162	5,698,708	5,987,511
Curriculum & Instructional Staff Development	7,993,746	8,571,708	8,853,065	9,145,472	9,870,038
Instructional Leadership	4,882,507	5,390,706	6,006,327	7,058,674	7,463,056
School Leadership	23,582,649	26,213,068	28,474,277	30,046,554	31,604,561
Guidance, Counseling & Evaluation Services	11,496,305	13,982,202	14,309,802	15,295,267	17,394,606
Social Work Services	343,027	356,988	275,677	192,909	193,601
Health Services	4,534,066	5,050,855	5,386,188	5,572,130	6,203,475
Student (Pupil) Transportation	9,490,841	10,435,043	11,284,361	11,852,424	13,246,684
Food Services	-	-	268,820	344,704	28,700
Cocurricular/Extracurricular Activities	11,537,783	13,603,768	14,155,340	14,772,611	16,602,196
General Administration	6,324,069	7,823,941	8,223,475	9,182,456	10,994,089
Plant Maintenance and Operations	30,597,474	32,866,208	33,880,207	36,177,131	38,350,138
Security and Monitoring Services	3,066,062	3,279,043	3,568,407	3,527,117	3,741,441
Data Processing Services	6,206,388	6,138,332	5,982,344	7,728,577	7,783,055
Community Services	890,853	830,319	871,383	871,458	1,013,618
Other Intergovernmental Charges	2,102,040	2,377,535	2,683,175	3,040,455	3,492,348
Facilities Acquisition and Construction	-	-	25,787	-	-
Contracted Instructional Services Between Schools	1,177,873	217,771	-	-	14,017,478
Payments to Juvenile Justice Alternative Ed. Program	47,931	37,077	67,814	30,118	35,666
Payments to Tax Increment Fund	19,317,219	20,698,870	22,583,104	25,397,908	25,169,882
Total Expenditures	\$ 378,675,389	\$ 416,312,097	\$ 456,450,312	\$ 471,636,032	\$ 525,554,358
Excess (Deficiency) of Revenues over Expenditures	\$ 7,290,161	\$ 31,033,535	\$ 15,787,158	\$ 36,771,683	\$ 53,720,142
Other Resources and (Uses):					
Sale of Real and Personal Property	\$ -	\$ -	\$ -	\$ -	\$ 75,538
Transfer In	44,238	-	16,998	29,940	18,795
Transfer Out	(20,000)	(19,500)	(6,035,000)	(7,256,000)	(10,014,700)
Total Other Resources (Uses)	\$ 24,238	\$ (19,500)	\$ (6,018,002)	\$ (7,226,060)	\$ (9,920,367)
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	\$ 7,314,399	\$ 31,014,035	\$ 9,769,156	\$ 29,545,623	\$ 43,799,775
Ending Fund Balance	\$ 92,479,106	\$ 123,493,141	\$ 133,262,297	\$ 162,807,920	\$ 206,607,695

(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 2019/20 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				
	2015	2016	2017	2018	2019
Revenues:					
Program Revenues:					
Charges for Services	\$ 20,799,525	\$ 22,652,314	\$ 23,042,938	\$ 24,662,605	\$ 25,252,407
Operating Grants and Contributions	38,071,093	34,845,658	38,224,087	(58,806,085)	64,655,694
General Revenues:					
Property Taxes Levied for General Purposes	265,133,759	279,061,789	328,154,575	375,184,044	471,611,015
Property Taxes Levied for Debt Service	93,922,813	105,578,096	124,819,619	142,848,448	104,085,263
State Aid - Formula Grants	120,405,390	139,758,001	115,510,634	98,313,792	64,028,393
Grants and Contributions Not Restricted	-	2,332,383	2,320,903	2,858,270	6,520,666
Investment Earnings	166,062	720,988	1,994,950	5,260,009	9,862,834
Miscellaneous	3,625,774	20,162,030	19,776,576	23,075,918	24,456,995
Total Revenue	<u>\$ 542,124,416</u>	<u>\$ 605,111,259</u>	<u>\$ 653,844,282</u>	<u>\$ 613,397,001</u>	<u>\$ 770,473,267</u>
Expenses:					
Instruction	\$ 284,653,714	\$ 305,605,412	\$ 325,140,742	\$ 227,342,595	\$ 385,220,355
Instruction Resources & Media Services	9,187,036	9,796,673	9,325,687	6,373,309	8,849,546
Curriculum & Staff Development	8,527,459	8,937,996	9,447,290	6,858,766	11,026,050
Instructional Leadership	5,075,185	5,474,033	6,192,970	4,615,947	8,153,468
School Leadership	28,254,017	30,178,920	32,328,267	23,791,263	37,705,167
Guidance, Counseling & Evaluation Services	14,672,505	16,612,319	17,508,585	11,811,319	22,074,050
Social Work Services	352,044	361,960	279,911	119,107	206,324
Health Services	4,700,476	5,183,496	5,496,484	3,702,581	6,590,798
Student Transportation	11,631,466	12,127,267	12,899,257	10,690,822	15,649,573
Food Service	22,671,955	25,943,835	25,477,572	21,130,662	26,438,963
Cocurricular/Extracurricular Activities	17,804,290	19,434,773	19,440,200	17,052,390	23,276,818
General Administration	8,271,754	9,432,967	9,747,588	8,358,009	12,707,266
Plant Maintenance & Operations	37,020,121	45,202,540	46,480,755	47,446,326	54,392,409
Security and Monitoring Services	3,808,630	3,916,348	3,826,564	3,293,454	4,399,063
Data Processing Services	9,499,233	9,131,244	8,927,287	9,372,444	11,961,523
Community Services	1,992,750	1,857,437	1,900,499	1,452,458	2,072,276
Debt Service - Interest on Long-term Debt	73,966,028	81,825,335	79,783,468	77,551,045	82,228,452
Debt Service - Bond Issuance Cost and Fees	2,511,829	3,518,708	2,474,789	691,035	2,143,297
Contracted Instructional Services Between Schools	1,177,873	217,771	-	-	14,017,478
Payments to Juvenile Justice Alternative Ed. Prg.	47,931	37,077	67,814	30,118	35,666
Other Governmental Charges	2,102,040	2,377,535	2,683,175	3,040,455	3,492,348
Payments to Tax Increment Fund	19,317,219	20,698,870	22,583,104	25,397,908	25,169,882
Total Expenditures	<u>\$ 567,245,555</u>	<u>\$ 617,872,516</u>	<u>\$ 642,012,008</u>	<u>\$ 510,122,013</u>	<u>\$ 757,810,772</u>
Change in Net Assets	\$ (25,121,139)	\$ (12,761,257)	\$ 11,832,274	\$ 103,274,988	\$ 12,662,495
Beginning Net Assets	\$ (149,213,992)	\$ (245,443,341)	\$ (258,204,598)	\$ (246,372,324)	\$ (420,319,252)
Prior Period Adjustment	\$ (71,108,210) ⁽²⁾	\$ -	\$ -	\$ (277,221,916) ⁽³⁾	\$ -
Ending Net Assets	<u>\$ (245,443,341)</u>	<u>\$ (258,204,598)</u>	<u>\$ (246,372,324)</u>	<u>\$ (420,319,252)</u>	<u>\$ (407,656,757)</u>

(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".

(3) The 2018 Prior Period Adjustment was the result of implementation of GASB Statement 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions."

APPENDIX B

GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

**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 2019 population estimate for the District is 293,209 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.

<u>Employer</u>	<u>2020 Approximate Number of Employees</u>
Frisco Independent School District	7,048
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 ten high schools, seventeen middle schools, forty-two elementary schools, and three special program centers serve the District.

The District is accredited by the Texas Education Agency. The District's personnel totals 7,048, of which 4,071 are teachers. Approximately 28 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 14.8:1.

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 description of the present school facilities is as follows:

<u>School</u>	<u>Capacity</u>	<u>Grades Provided</u>	<u>Current Enrollment</u>	<u>Teachers</u>	<u>Others^(a)</u>	<u>Aides</u>	<u>Admin.</u>	<u>Auxiliary</u>
Allen Elementary	760	K-5	613	37.00	3.0	8.0	2.0	3.0
Anderson Elementary	760	K-5	712	42.00	3.0	3.0	2.0	3.0
Ashley Elementary	760	K-5	617	38.00	3.0	8.0	2.0	3.0
Bledsoe Elementary	760	K-5	679	42.00	3.0	8.0	2.0	3.0
Boals Elementary	760	K-5	640	39.00	3.0	8.0	2.0	3.0
Borchardt Elementary	760	K-5	742	44.00	3.0	8.0	2.0	3.0
Bright Elementary	760	K-5	522	37.00	3.0	6.0	3.0	4.0
Carroll Elementary	760	K-5	581	40.00	3.0	9.0	2.0	3.0
Christie Elementary	760	K-5	425	37.00	3.0	14.0	3.0	3.0
Comstock Elementary	760	K-5	714	42.00	3.0	3.0	2.0	3.0
Corbell Elementary	760	K-5	667	43.00	3.0	9.0	2.0	3.0
Curtsinger Elementary	760	K-5	572	38.00	4.0	13.0	2.0	3.0
Elliott Elementary	760	K-5	638	41.00	3.0	6.0	2.0	3.0
Fisher Elementary	760	K-5	559	38.00	3.0	13.0	2.0	3.0
Gunstream Elementary	760	K-5	647	40.00	3.0	8.0	2.0	3.0
Hosp Elementary	760	K-5	680	39.00	3.0	6.0	2.0	3.0
Isbell Elementary	760	K-5	639	40.00	3.0	7.0	2.0	3.0
Liscano Elementary	760	K-5	820	45.00	3.0	5.0	2.0	3.0
McSpedden Elementary	760	K-5	583	37.00	3.0	7.0	2.0	3.0
Miller Elementary	760	K-5	739	47.00	3.0	4.0	2.0	3.0
Mooneyham Elementary	760	K-5	621	39.00	3.0	3.0	2.0	3.0
Newman Elementary	760	K-5	722	41.00	3.0	3.0	2.0	3.0
Nichols Elementary	760	K-5	814	45.00	3.0	3.0	2.0	3.0
Norris Elementary	760	K-5	521	34.00	3.0	7.0	2.0	3.0
Ogle Elementary	760	K-5	713	41.00	3.0	3.0	2.0	3.0
Phillips Elementary	760	K-5	670	40.00	3.0	5.0	2.0	3.0
Pink Elementary	760	K-5	556	39.00	3.0	12.0	2.0	3.0
Purefoy Elementary	760	K-5	523	36.00	3.0	11.0	2.0	3.0
Riddle Elementary	760	K-5	737	44.00	3.0	3.0	2.0	3.0
Robertson Elementary	760	K-5	743	46.00	3.0	3.0	2.0	3.0
Rogers Elementary	760	K-5	527	37.00	3.0	7.0	2.0	3.0
Scott Elementary	760	K-5	674	41.00	3.0	7.0	2.0	3.0
Sem Elementary	760	K-5	635	40.00	3.0	8.0	2.0	3.0
Shawnee Trail Elementary	760	K-5	471	35.00	3.0	9.0	2.0	3.0
Smith Elementary	760	K-5	652	44.00	3.0	9.0	2.0	3.0
Sonntag Elementary	760	K-5	541	37.00	3.0	10.0	2.0	3.0
Sparks Elementary	760	K-5	752	44.00	3.0	4.0	2.0	3.0
Spears Elementary	760	K-5	761	44.00	3.0	3.0	2.0	3.0
Tadlock Elementary	760	K-5	648	42.00	3.0	5.0	2.0	3.0
Talley Elementary	760	K-5	567	35.00	3.0	3.0	2.0	3.0
Taylor Elementary	760	K-5	715	43.00	3.0	7.0	2.0	3.0
Vaughn Elementary	760	K-5	697	40.00	3.0	8.0	2.0	3.0
Clark Middle School	1,000	6-8	777	65.00	4.0	8.0	3.0	4.0
Cobb Middle School	1,000	6-8	929	66.00	4.0	8.0	3.0	4.0
Fowler Middle School	1,000	6-8	1,056	73.00	4.0	6.0	3.0	4.0
Griffin Middle School	1,000	6-8	832	63.00	4.0	7.0	3.0	4.0
Hunt Middle School	1,000	6-8	867	58.00	4.0	7.0	3.0	4.0
Lawler Middle School	1,000	6-8	821	57.00	4.0	7.0	3.0	3.0
Maus Middle School	1,000	6-8	965	66.00	4.0	4.0	3.0	4.0
Nelson Middle School	1,000	6-8	934	58.00	4.0	6.0	3.0	4.0
Pearson Middle School	1,000	6-8	982	64.00	4.0	6.0	3.0	4.0
Pioneer Heritage Middle School	1,000	6-8	976	64.00	4.0	7.0	3.0	4.0
Roach Middle School	1,000	6-8	970	65.00	4.0	5.0	3.0	4.0
Scoggins Middle School	1,000	6-8	964	64.00	4.0	4.0	3.0	4.0
Stafford Middle School	1,000	6-8	933	66.00	4.0	4.0	3.0	4.0
Staley Middle School	800	6-8	666	66.00	4.0	10.0	3.0	4.0
Trent Middle School	1,000	6-8	957	67.00	4.0	7.0	3.0	4.0
Vandeventer Middle School	1,000	6-8	926	63.00	4.0	6.0	3.0	4.0
Wester Middle School	1,000	6-8	830	61.00	4.0	9.0	3.0	4.0

<u>School</u>	<u>Capacity</u>	<u>Grades Provided</u>	<u>Current Enrollment</u>	<u>Teachers</u>	<u>Others¹⁾</u>	<u>Aides</u>	<u>Admin.</u>	<u>Auxiliary</u>
Centennial High School	2,100	9-12	1,996	139.00	7.0	10.0	6.0	12.0
Frisco High School	2,100	9-12	1,770	123.00	7.0	13.0	7.0	11.0
Heritage High School	2,100	9-12	2,013	139.00	7.0	12.0	6.0	11.0
Independence High School	2,100	9-12	2,143	141.00	7.0	14.0	6.0	11.0
Lebanon Trail High School	2,100	9-12	1,874	126.00	7.0	13.0	6.0	10.0
Liberty High School	2,100	9-12	1,905	133.00	7.0	13.0	6.0	12.0
Lone Star High School	1,800	9-12	2,096	132.00	7.0	12.0	6.0	12.0
Memorial High School	2,100	9-12	1,656	118.00	7.0	9.0	6.0	11.0
Reedy High School	2,100	9-12	1,943	124.00	7.0	15.0	6.0	12.0
Wakeland High School	2,100	9-12	2,053	131.00	7.0	9.0	6.0	12.0
Career and Technology Center ^(b)	NA	9-12	NA	47.00	2.0	1.0	2.0	5.0
Early Childhood School	1,100	EC	847	39.00	2.0	49.0	3.0	7.0
Student Opportunity Center ^(c)	NA	1-12	0	35.00	3.0	11.0	3.0	4.0
District Wide				141.00	80.00	22.00	114.00	
Z.T. Acker Special Program Ctr. ^(d)	NA	EC-1	NA	0	0	0	0	0
TOTAL	70,520		62,730	4,347.00	352.0	600.0	320.0	324.0

^(a) Includes counselors, librarians, nurses, diagnosticians, and psychologist.

^(b) 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.

^(c) The Student Opportunity Center (SOC) does not have students assigned as a home campus. This is the districts discipline center.

^(d) 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	2019/20	2018/2019	2017/2018	2016/2017
E.C.	404	495	382	412
PRE-K	453	434	419	367
K	3,977	4,020	4,033	3,889
1	4,296	4,250	4,182	4,181
2	4,520	4,353	4,391	4,207
3	4,582	4,521	4,473	4,461
4	4,772	4,718	4,678	4,561
5	4,891	4,834	4,785	4,510
6	5,134	4,979	4,759	4,586
7	5,161	4,891	4,727	4,702
8	5,091	4,871	4,852	4,482
9	5,175	5,145	4,647	4,252
10	5,200	4,671	4,349	4,093
11	4,631	4,316	4,021	3,687
12	4,443	4,083	3,763	3,523
Total	62,730	60,581	58,461	55,916

AVERAGE DAILY ATTENDANCE

School Year	Attendance
2019-2020	59,435.83
2018-2019	58,217.97
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

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
2018-19	60,581	2,120	3.63
2019-20	62,730	2,149	3.55

STUDENT ENROLLMENT PROJECTIONS

<u>Grade</u>	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>
EE-PK	795	827	872	874
K	4,191	4,245	4,055	4,087
1	4,430	4,487	4,363	4,389
2	4,549	4,627	4,627	4,655
3	4,640	4,753	4,871	4,949
4	4,726	4,857	5,210	5,177
5	4,939	4,897	5,522	5,509
6	5,061	5,245	5,640	5,794
7	5,265	5,261	5,562	5,767
8	5,358	5,477	5,575	5,704
9	5,298	5,644	5,690	5,737
10	5,160	5,406	5,595	5,683
11	5,058	5,146	5,259	5,402
12	4,747	5,197	5,189	5,284
Total	64,217	66,069	68,030	69,011

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 190,620 in 2019, which is a 565% 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

	<u>City of Frisco</u>	<u>Collin County</u>
2020 Estimate	190,620	957,988
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.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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
REFUNDING BONDS, TAXABLE SERIES 2020 IN THE AGGREGATE
PRINCIPAL AMOUNT OF \$_____**

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 the executed Bonds (Bond Numbers TR-1 and TCAB-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.

WE EXPRESS NO OPINION as to any federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of 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.

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 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.

Respectfully,

APPENDIX D

**AUDITED FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2019**

Frisco Independent School District
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2019



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Frisco Independent School District
5515 Ohio Drive
Frisco, Texas 75035

Fiscal Year Ended
June 30, 2019

Prepared by:
Finance Department

**FRISCO INDEPENDENT SCHOOL DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019**

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The Frisco ISD Finance Department is proud to showcase the artwork of eleven Frisco ISD students whose work was honored at the 2019 State High School Visual and Scholastic Arts Event (VASE). Student artwork is featured on the cover as well as throughout the publication.

Cover art:
My Confidence Empowered
by Sariah Ferguson
Independence High School
Teacher: Leonard Buscemi

**FRISCO INDEPENDENT SCHOOL DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019**

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**INTRODUCTORY SECTION
(UNAUDITED)**

CERTIFICATE OF THE BOARD

Frisco Independent School District
Name of School District

Collin
County

043-905
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, 2019, at a meeting of the Board of Trustees of such school district on the 11th day of NOVEMBER, 2019.


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):



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

November 11, 2019

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, 2019, 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, 2019, 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 over 78% in the past decade, from 33,757 students in 2009/2010 to 60,182 students in 2018/2019. The District is projected to have more than 62,000 students by the fall of 2019. A schedule listing the last ten years enrollment can be found in the Statistical Section of this report.

The District has 42 elementary schools, 17 middle schools, 10 high schools and 3 special program centers. Two additional high schools and one additional elementary school are planned to open over the next three years. The District currently employs approximately 7,048 full and part-time employees, including 4,071 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. In the fall of 2018, the District began the process of implementing the International Baccalaureate Primary Years and Diploma Programmes at one elementary and one high school, respectively.

Current and emerging technology is integrated into all content areas to extend student learning and keep students engaged in the process. Special programs 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 half-day pre-kindergarten program is offered at the Early Childhood School for qualifying families, and plans to expand that program to full-day are underway.

Frisco ISD continues to raise the bar for student achievement. Test scores continue to be well above state and national averages. In 2018/2019 92% of students met the state standard on the State of Texas Assessments of Academic Readiness (STAAR). Additionally, FISD students earn an average ACT score of 24.7 and an average SAT score of 1187. More than 75% of seniors take one or more college entrance exams, and approximately 90% 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. Other notable academic accomplishments during the 2018/2019 school year include:

- Bright Academy became the District's first school of choice as an International Baccalaureate Primary Years Programme.
- 3 District high schools were ranked in the top 10 at the National Academic Decathlon, where a Frisco ISD student scored the highest score in US Academic Decathlon history.
- Frisco ISD officially became the first public school district in the nation to become an IMSLEC accredited dyslexia therapist training center.
- 19 students scored the highest possible ACT score, and 2 scored the highest possible SAT score.
- 61 high school seniors were named National Merit Finalists.
- Pink Elementary School was recognized as a STEM Certified Campus and was named the Heart Healthy School of the Year by the American Heart Association.
- Frisco ISD was named to the 9th annual AP District Honor Roll for significant gains in student performance and access to AP courses.
- Frisco ISD was named one of the Best Communities for Music Education in the United States.

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 "Platinum Corridor" continue to make the communities served by Frisco ISD attractive destinations for homeowners. Additionally, Money Magazine named Frisco, TX the best place to live in America in 2018, citing Frisco ISD schools as a top draw for families.

The influx of businesses and homeowners has continued to drive up the taxable values of properties within FISD, which have increased 135% over the past decade. Values increased approximately 13.4% from fiscal year 2018 to fiscal year 2019. Approximately 19% of the District's area is still vacant land as of 2019. As the City of Frisco and the District continue build out, the District anticipates continued property value growth, but at a somewhat slower rate, for the foreseeable future.

The District's largest taxpayer comprises only 0.86% of the taxable value of the District, and the total assessed value for all of the top ten taxpayers comprises only 4.82% 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 is with the PGA of America, which will provide FISD students with golf practice and tournament facilities as well as a number of new internship and mentorship opportunities for students in career fields related to the operations of the PGA and Omni Hotel and Resorts, such as sports management, marketing and culinary arts. 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. As we near the end of that bond program, a group of citizens, staff, and students began meeting in the fall of 2017 to review FISD's high school model and long-term plans for continued growth. That committee ultimately recommended a \$691 million bond program, which included funds for four new schools, expansions and updates to existing facilities, additional classroom technology, and additional resources for school security, among other things. This new bond program, authorized by voters in November 2018, is projected to accommodate further growth in the District up to 72,000 students, and projects are anticipated to occur between 2019 and 2026.

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 engaged a group of more than 100 community members and staff, known as the Long-Range Planning Committee, to serve as an advisory group to Administration and the Board of Trustees. FISD, with the input of our stakeholders, 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 has increased an average of 6% per year for the past 5 years, and the growth from 2018 to 2019 was just over 1,700 students. District management and external demographers predict additional increases of 1,000 to 1,800 new students each year for the next 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. Over the past decade, as the Texas economy has strengthened and property values state-wide have increased, the State has slowly shifted 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. When property values rise and the District collects more tax revenue, the State reduces its share of funding. In June 2019, the legislature passed House Bill 3, which will infuse additional state dollars into the school funding formula beginning in 2019/2020 and reduce school property tax rates. The bill will also allow more local property tax revenue to remain with school districts by reducing amounts due under the State's recapture program. In total, FISD expects to generate approximately \$25 million in additional revenue annually as a result of House Bill 3.

While the most recent school finance legislation was beneficial to FUSD, the District can make no representation or prediction regarding legislation that may be enacted in the future or its potential effect on funding. Long-range planning is based on current law and the Texas Education Agency's guidelines and interpretations of that law. The Texas State legislature meets every two years, and the District is in constant communication with lawmakers to ensure they understand the challenges faced by public school districts.

INTERNAL CONTROL

The Board and Administration of FUSD 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 FUSD 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 FUSD for its comprehensive annual financial report for the fiscal year ended June 30, 2018. 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, 2019, 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 (FIRST) 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 for its financial practices, management, and monitoring for each year since the inception of FIRST.

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, 2019, FUSD has earned 2 of the 3 Transparency Stars for which we are eligible and is in the process of applying for the third.

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. This support and effort allows the District to know every student by name and need.

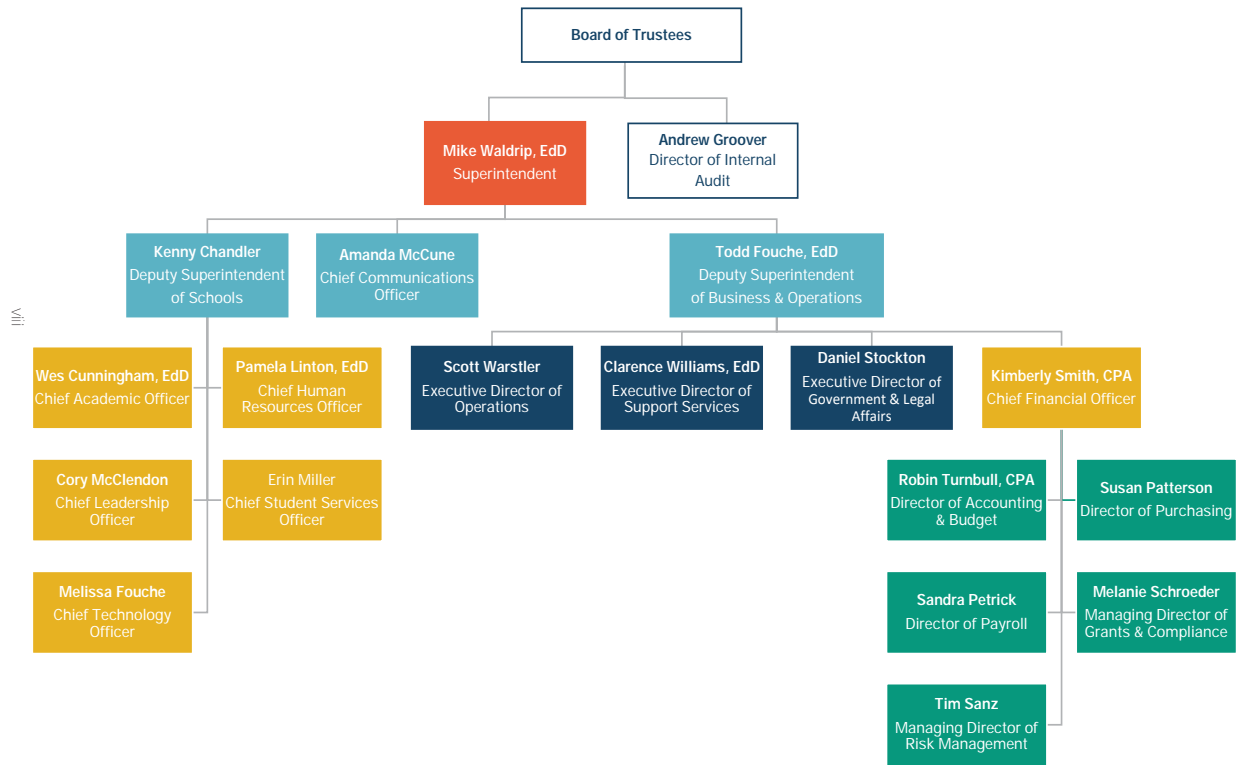
We would also like to recognize the cooperative spirit of the employees of Frisco ISD and the contributions they make toward the successful planning and implementation of the District's financial activities. Without this cooperation the Finance Department could not function in its role of supporting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

With these acknowledgments, this report is respectfully submitted for your review.



Kimberly Smith, Chief Financial Officer

Frisco Independent School District Administration and Finance 2019/2020



FRISCO INDEPENDENT SCHOOL DISTRICT PRINCIPAL OFFICERS AND ADVISORS

BOARD OF TRUSTEES

NAME	TERM EXPIRES	LENGTH OF SERVICE	OCCUPATION
Chad Rudy, President	2022	4 years	Certified Financial Planner™, Retirement Investment Advisors, Inc.
John Classe, Vice President	2021	5 years	Certified Financial Planner™, Bell Financial Group
Debbie Gillespie, Secretary	2020	8 years	Community and school volunteer
Gopal Ponangi	2022	<1 year	Senior Manager, Tata Consultancy Services, Dallas
Natalie Hebert	2022	<1 year	Certified Texas Teacher and community and school volunteer
Anne McCausland	2020	8 years	Community and school volunteer
Rene Archambault	2021	1 year	Deputy Director, Southern Methodist University - Guildhall

APPOINTED OFFICIALS

NAME	POSITION	LENGTH OF EDUCATION SERVICE
Dr. Mike Waldrip	Superintendent	37 years
Dr. Todd Fouche	Deputy Superintendent of Business and Operations	16 years
Kenny Chandler	Deputy Superintendent of Schools	35 years
Dr. Wes Cunningham	Chief Academic Officer	26 years
Amanda McCune	Chief Communications Officer	3 years
Kimberly Smith	Chief Financial Officer	8 years
Dr. Pamela Linton	Chief Human Resources Officer	29 years
Cory McClendon	Chief Leadership Officer	20 years
Erin Miller	Chief Student Services Officer	23 years
Melissa Fouche	Chief Technology Officer	25 years

CONSULTANTS AND ADVISORS

Weaver and Tidwell, L.L.P. Independent Auditors	Law Offices of Robert E. Luna, P.G. Attorneys
SAMCO Capital Markets, Inc. Financial Advisors	Abernathy, Roeder, Boyd, & Hullett, P.C. Attorneys
McCall, Parkhurst & Horton, L.L.P. Bond Counsel	First Southwest Asset Management Investment Advisors



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, 2018.**

The CAFR meets the criteria established for
ASBO International's Certificate of Excellence.



Tom Wohlschlag

Tom Wohlschlag, CSRM
President

Siobhán McMahon

Siobhán McMahon, CAE
Chief Operating Officer



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, 2018

Christopher P. Merrill

Executive Director/CEO



Woman In Dress Playing Violin
2019 State VASE Medalist
JESSICA NGUYEN
Centennial High School
Teacher: Ashley Ham

FINANCIAL SECTION



Austin | Conroe | Dallas | Fort Worth | Houston
Los Angeles | Midland | New York City | San Antonio

Independent Auditor's Report

To the Board of Trustees of
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, 2019, 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2019, 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.

Weaver and Tidwell, LLP
2300 North Field Street, Suite 1000 | Dallas, Texas 75201
Main: 972.490.1970 | Fax: 972.702.8321
CPAS AND ADVISORS | WEAVER.COM



Painting- Overlayed Canvases
2019 State VASE Medalist
LAURALEE FISH
Heritage High School
Teacher: Carolyn Funk

The Board of Trustees of
Frisco Independent School District

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, schedules of the District's proportionate share of the net pension liability and the net OPEB liability, and schedules of District pension and OPEB contributions on pages 4 through 14, and 45 through 50, 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 schedule 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 schedule, 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 schedule, 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.

The Board of Trustees of
Frisco Independent School District

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 8, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas

November 8, 2019

FRISCO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019
(UNAUDITED)

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, 2019. 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-vi of this report, as well as the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's maintenance & operations tax rate increased by \$0.13 this year, while the interest & sinking tax rate was reduced by \$0.15, for a total property tax rate decrease of \$0.02. Despite the overall decrease, rising property values provided the District with more tax revenue than the prior year.
- Additional tax revenue caused the District's net position to increase by \$12.7 million over the prior year, resulting in a year-end deficit net position of (\$407,656,757). Of the total net position, (\$363,992,174) represents the District's net investment in capital assets. Frisco ISD is fast growing and the majority of our school buildings are relatively new – with 17 new schools built in the past 5 years – so we 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.
- The General Fund, which is the District's main operating fund, recognized a \$43.8 million surplus for the year, which was largely attributable to tax revenue generated from the \$0.13 increase in the maintenance & operations tax rate. Further details are described on pages 10-11 of Management's Discussion and Analysis. We ended the year with an unassigned fund balance of \$169,214,689, which represents 30% of the 2019/2020 adopted budget.
- When combined, the total fund balance for all of the District's funds increased \$164.3 million from the prior year due mainly to the General Fund surplus and the issuance of new construction bonds in the Capital Projects Fund. We ended the year with a total combined governmental fund balance of \$541,575,794.
- The District issued \$265,390,000 of school building and refunding bonds during the year. \$134,880,000 was issued for new construction, and the remainder was used to refund \$144,365,000 of bonds from 2009 at an interest cost savings of over \$43 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

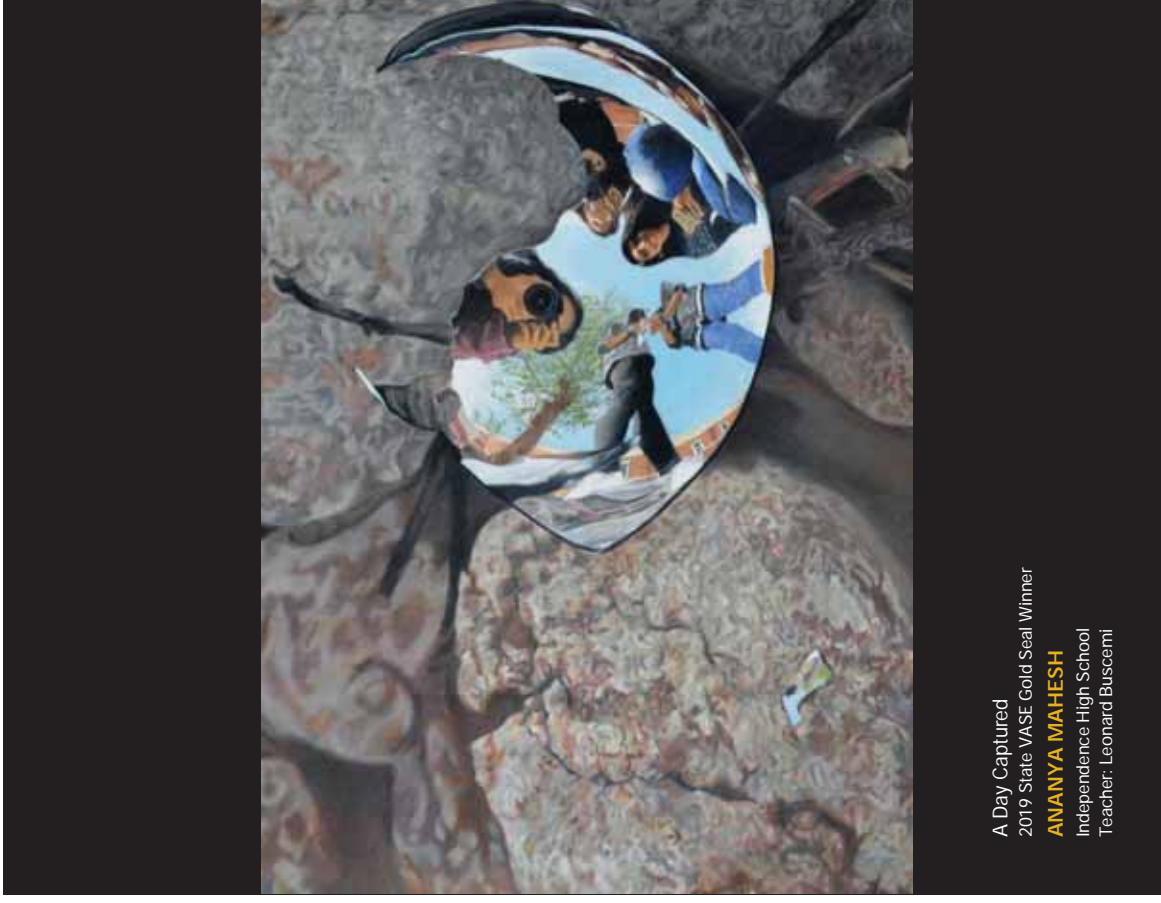
This discussion and analysis is intended to serve as an introduction to the District's financial statements, which are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

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 on the next page 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.

(Continued)



A Day Captured
2019 State VASE Gold Seal Winner
ANANYA MAHESH
Independence High School
Teacher: Leonard Buscemi

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

Type of Statement	Government-Wide (All activities of the District (except fiduciary funds))	Governmental Funds The activities of the District that are not proprietary or fiduciary	Fiduciary Funds Activities for which the District is the trustee or agent for another entity's resources
Scope		Balance sheet Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Fiduciary Assets and Liabilities
Required financial statements	Statement of Net Position Statement of Activities	Modified accrual accounting and current financial resources focus	Accrual basis of accounting, no measurement focus (custodial in nature)
Accounting basis and measurement focus	Accrual accounting and economic resources focus	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 period-end information 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)
Type of activities reported			

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 change 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.

(Continued)

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 22-44 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, 2019, the District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources by \$407.7 million.

Table A-2. The District's Net Position

	June 30, 2019	June 30, 2018	Increases / (Decreases)
Assets:			
Current and other assets	\$ 633,809,037	\$ 464,568,365	\$ 169,240,672
Capital assets	1,610,279,610	1,646,063,286	(35,783,676)
Total Assets	2,244,088,647	2,110,631,651	133,456,996
Deferred outflows of resources	140,217,544	73,020,197	67,197,347
Total Assets and Deferred Outflows	\$ 2,384,306,191	\$ 2,183,651,848	\$ 200,654,343
Liabilities:			
Current liabilities	\$ 169,339,665	\$ 161,253,125	\$ 8,086,540
Long-term liabilities	2,542,903,604	2,345,888,790	197,014,814
Total Liabilities	2,712,243,269	2,507,141,915	205,101,354
Deferred inflows of resources	79,719,679	96,829,185	(17,109,506)
Net Position:			
Net investment in capital assets	(363,992,174)	(346,371,603)	(17,620,571)
Restricted	117,272,373	116,657,999	614,374
Unrestricted	(160,936,956)	(190,605,648)	29,668,692
Total Net Position	(407,656,757)	(420,319,252)	12,662,495
Total Liabilities, Deferred Inflows and Net Position	\$ 2,384,306,191	\$ 2,183,651,848	\$ 200,654,343

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, \$117.3 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 by \$12,662,495 from June 30, 2018 to June 30, 2019 due mainly to rising property values. Although the District's property tax rate decreased by \$0.02 from the prior year, rising values resulted in higher property tax revenue than the prior year.

The total cost of all governmental activities for the fiscal year ended June 30, 2019 was \$757,810,772. Approximately \$89.9 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

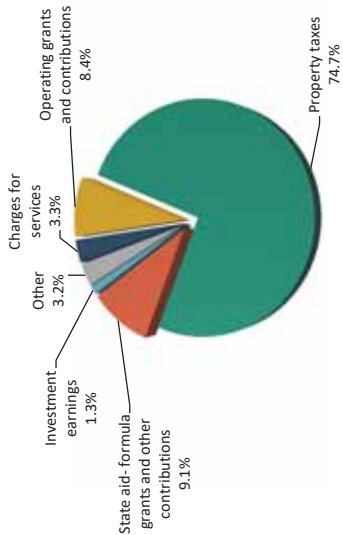
	Fiscal Year Ended June 30, 2019	Fiscal Year Ended June 30, 2018	Increases / (Decreases)
Revenues:			
Program Revenues:			
Charges for services	\$ 25,252,407	\$ 24,662,605	\$ 589,802
Operating grants and contributions	64,655,694	(58,806,085)	123,461,779
General Revenues:			
Property taxes	575,696,278	518,032,492	57,663,786
State aid- formula grants and other contributions	70,549,059	101,172,062	(30,623,003)
Investment earnings	9,862,834	5,260,009	4,602,825
Other	24,456,995	23,075,918	1,381,077
Total Revenues	770,473,267	613,397,001	157,076,266
Expenses:			
Instruction	385,220,355	227,342,595	157,877,760
Instructional resources and media services	8,849,546	6,373,309	2,476,237
Curriculum and instructional staff development	11,026,050	6,858,766	4,167,284
Instructional leadership	8,153,468	4,615,947	3,537,521
School leadership	37,705,167	23,791,263	13,913,904
Guidance, counseling and evaluation services	22,074,050	11,811,319	10,262,731
Social work services	206,324	119,107	87,217
Health services	6,590,798	3,702,581	2,888,217
Student transportation	15,649,573	10,690,822	4,958,751
Food services	26,438,963	21,130,662	5,308,301
Extracurricular activities	23,276,818	17,052,390	6,224,428
General administration	12,707,266	8,358,009	4,349,257
Facilities maintenance and operations	54,392,409	47,446,326	6,946,083
Security and monitoring services	4,999,063	3,293,454	1,705,609
Data processing services	11,961,523	9,372,444	2,589,079
Community services	2,072,276	1,452,458	619,818
Debt service - interest on long-term debt	82,228,452	77,551,045	4,677,407
Debt service - bond issuance costs and fees	2,143,297	691,035	1,452,262
Contracted instructional services between schools	14,017,478		14,017,478
Payments to juvenile justice alternative education programs	35,666	30,118	5,548
Payments to tax increment fund	25,169,882	25,397,908	(228,026)
Other intergovernmental charges	3,492,348	3,040,455	451,893
Total Expenses	757,810,772	510,122,013	247,688,759
Change in Net Position	12,662,495	103,274,988	(90,612,493)
Beginning Net Position, as previously reported	(420,319,252)	(246,372,324)	(173,946,928)
Cumulative effect of change in accounting principles		(277,221,916)	277,221,916
Ending Net Position	\$ (407,656,757)	\$ (420,319,252)	\$ 12,662,495

During the previous fiscal year, changes to the District's proportionate share of the State's Net OPEB Liability resulted in approximately \$157.9 million of negative expenses, which accounts for the majority of the significant increase in expenses from fiscal year 2018 to 2019. The remaining increase in expenses can be attributable to enrollment growth and payments to the state's recapture program.

(Continued)

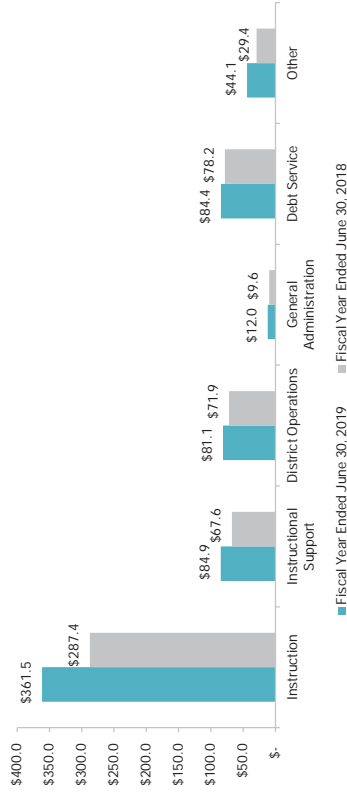
The following Figure A-4 illustrates the District's sources of revenue for the 2018/2019 fiscal year. General revenues provide 88.3% of the funding available to cover the District's annual expenses. The remaining 11.7% of revenues come from operating grants or charges for services specifically attributable to District programs.

Figure A-4. Sources of Revenue for the Fiscal Year Ended June 30, 2019



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, 2019, and June 30, 2018. 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)



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, 2019, the District's total combined fund balances for governmental funds were \$541,575,794, which represents an increase of \$164.3 million from June 30, 2018. Approximately 31.2%, or \$169,214,689, 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:

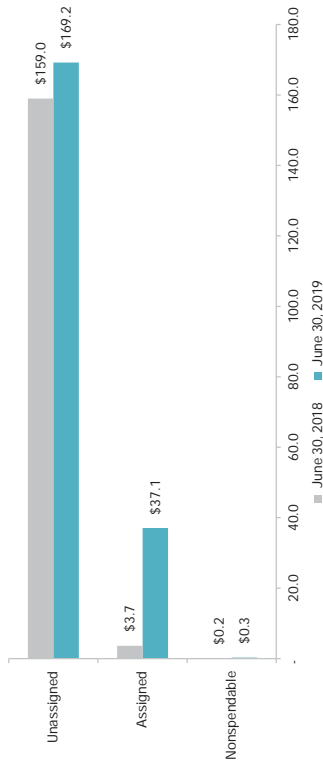
- Nonspendable balances of \$375,205 are not in spendable form because they relate to prepaid expenditures.
- Restricted balances of \$319,200,288 are either legally required to remain intact or are restricted for particular purposes by a third party.
- Committed balances of \$2,691,345 have been committed by the District's Board of Trustees to service programs funded by local grants, awards or contributions.
- Assigned balances of \$50,094,267 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, 2019 and 2018.

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



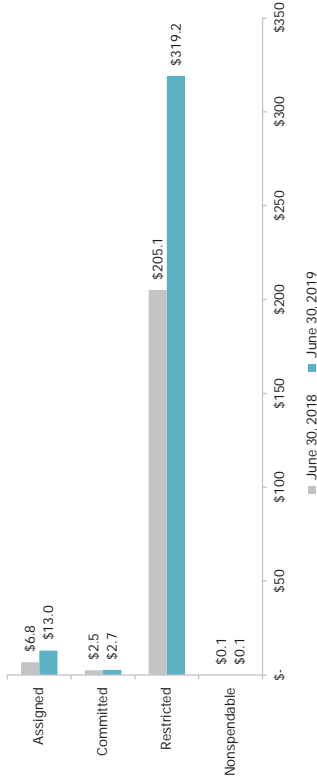
It is useful to compare unassigned fund balance to total expenditures in the General Fund as a measure of liquidity – to determine the portion of annual operating costs that could be funded without cash inflows. Due to the timing of cash inflows from the state and the property tax collection calendar, the District is cash flow negative for the first 4 to 5 months of each fiscal year. Common practice among Texas school districts is to strive to maintain an unassigned fund balance equal to at least 20% of expenditures to help accommodate the period of negative cash flow. Because of our fast growth and the necessity to increase expenditures proportionally for enrollment growth each year, Frisco ISD strives to maintain at least 25% of expenditures in unassigned fund balance. The June 30, 2019 unassigned fund balance represents 30% of the subsequent fiscal year's adopted budget.

The General Fund recognized an increase in total fund balance of \$53,720,142 over the previous year before transfers. An increase in the maintenance and operations tax rate of \$0.13 resulted in approximately \$54 million more revenue than was originally budgeted for the 2019 fiscal year. \$30 million of that surplus tax revenue was set aside, and fund balance was assigned, to pay for future retention incentives and classroom supply stipends, which will be built into the District's compensation plans over the next five years. Additionally, \$10 million was transferred out of the General Fund to the Capital Projects Fund to pay for capital expenditures that were not planned for as part of the bond program, leaving the General Fund with a net increase to fund balance of \$43,799,775.

Other Governmental Funds

The District's combined total fund balance increased by \$164.3 million from June 30, 2018, to June 30, 2019, \$43.8 million related to the General Fund, which was explained above. The remaining increase was mainly attributable to the Capital Projects Fund as a result of cash received from debt issued during the year in excess of construction expenditures. The components of fund balance in the District's other governmental funds for the 2018 and 2019 fiscal years are 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 a decrease in fund balance of \$5,240,172, which resulted from principal and interest payments on debt being greater than property tax revenue levied for debt service. The District lowered the interest & sinking tax rate by \$0.15 in 2019 with plans to utilize Debt Service fund balance to pay any excess debt service costs.

- Non-Major Governmental Funds recognized a net increase of \$5,279,306 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 Child Nutrition Fund, however, which is a self-funded breakfast and lunch program, generated a surplus of just over \$2 million. Savings from personnel turnover and greater than expected federal revenue contributed to that surplus. The State Textbook Fund also carries a fund balance because revenue is allocated and paid to districts on a biennial basis. That fund generated a surplus of just over \$3 million in 2019, which is expected to be spent in 2020.

General Fund Budgetary Highlights

The Board of Trustees originally adopted a \$521,132 surplus for the 2019 fiscal year. As previously discussed, the actual surplus recognized in the General Fund was \$43,799,775.

Revenues generated from the \$0.13 increase in the maintenance & operations (M&O) property tax rate increase were approximately \$54 million. The District adopted its budget in June 2018, prior to holding a tax ratification election in November to increase the M&O tax rate. Therefore, the original adopted budget was based on significantly less tax revenue than was actually received.

Expenditures exceeded the originally adopted budget by approximately \$10.8 million. After the higher tax rate was ratified, the School Board amended the original budget to allow for additional teaching positions, the purchase of additional classroom technology, and some increased spending in targeted areas during the remainder of the fiscal year.

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 \$16.6 million greater than actual expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets as of June 30, 2019 was \$1,610,279,610 (net of accumulated depreciation). This investment includes land, buildings, building improvements, furniture, equipment, and vehicles and represents a 2.2% net decrease in capital assets over the previous year.

Table A-8. Capital Assets

	As of		As of		Increases / (Decreases)
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	
Land	\$ 193,928,724	\$ 193,527,477	\$	\$	401,247
Buildings	1,798,235,340	1,700,584,200			97,651,140
Furniture and equipment	63,269,867	60,526,366			2,743,501
Construction in progress	13,193,624	101,418,493			(88,224,869)
Total Capital Assets	2,068,627,555	2,056,056,536			12,571,019
Accumulated depreciation	(458,347,945)	(409,993,250)			(48,354,695)
Net Capital Assets	\$ 1,610,279,610	\$ 1,646,063,286	\$	\$	(35,783,676)

The decrease in net capital assets is the result of a slowdown in our bond program. The majority of the District's capital assets are relatively new and still being depreciated, so a slowdown in new construction causes depreciation expense to exceeded additions.

More detailed information about the District's capital assets can be found in Note 6 on pages 31-32 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. Due to changes in the federal tax laws that took effect during the 2018 fiscal year, the District can no longer refinance debt in advance of the call date. However, we continue to monitor the interest rate climate and will restructure or repay debt when it becomes callable and 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 2019 fiscal year, the District had total bonded debt outstanding of \$2,236,379,576, 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 portions of the TRS net pension and OPEB liabilities.

Table A-9. Long-Term Debt

	As of June 30, 2019	As of June 30, 2018	Increases / (Decreases)
Bonds payable	\$ 2,029,542,224	\$ 1,958,501,225	\$ 71,040,999
Accrued interest	66,581,281	60,607,558	5,973,723
Unamortized bond premium	140,256,071	117,964,558	22,291,513
Total Bonded Debt	2,236,379,576	2,137,073,341	99,306,235
District's portion of TRS net pension liability	170,483,528	100,324,581	70,158,947
District's portion of TRS net OPEB liability	189,371,760	157,910,868	31,460,892
Total Long-Term Liabilities	\$ 2,596,234,864	\$ 2,395,308,790	\$ 200,926,074

Total outstanding long-term liabilities increased by 8.4% from the previous year due to a combination of increases in pension and OPEB liabilities as well as the issuance of new debt. The District issued \$134.9 million of new construction bonds during the year. Note 7 on pages 33-34 of this report contains more detailed information about the District's long-term debt activity, including incremental payment schedules, while Note 11 on pages 36-44 contains more information about the District's portion of the State's pension and OPEB liabilities.

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 74 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Enrollment growth continues to be a significant challenge for the District. In 2019, Frisco ISD was the 12th largest district in the state of Texas and one of the fastest growing. The District has grown by more than 160% in the last decade, adding over 1,700 students in 2019 alone. 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 five years are based on continued growth of 1,000 to 1,800 students per year.

State funding also continues to be a major factor in the development of financial plans, and changes enacted by the 86th Texas Legislature will have a significant impact on future budgets. On June 12, 2019, the Governor signed the most comprehensive school finance reform bill in decades, House Bill 3. The bill includes \$11.6 billion in funding for public education, which is made up of \$6.5 billion in new spending plus \$5.1 billion in property tax relief for local taxpayers. Highlights of the bill include:

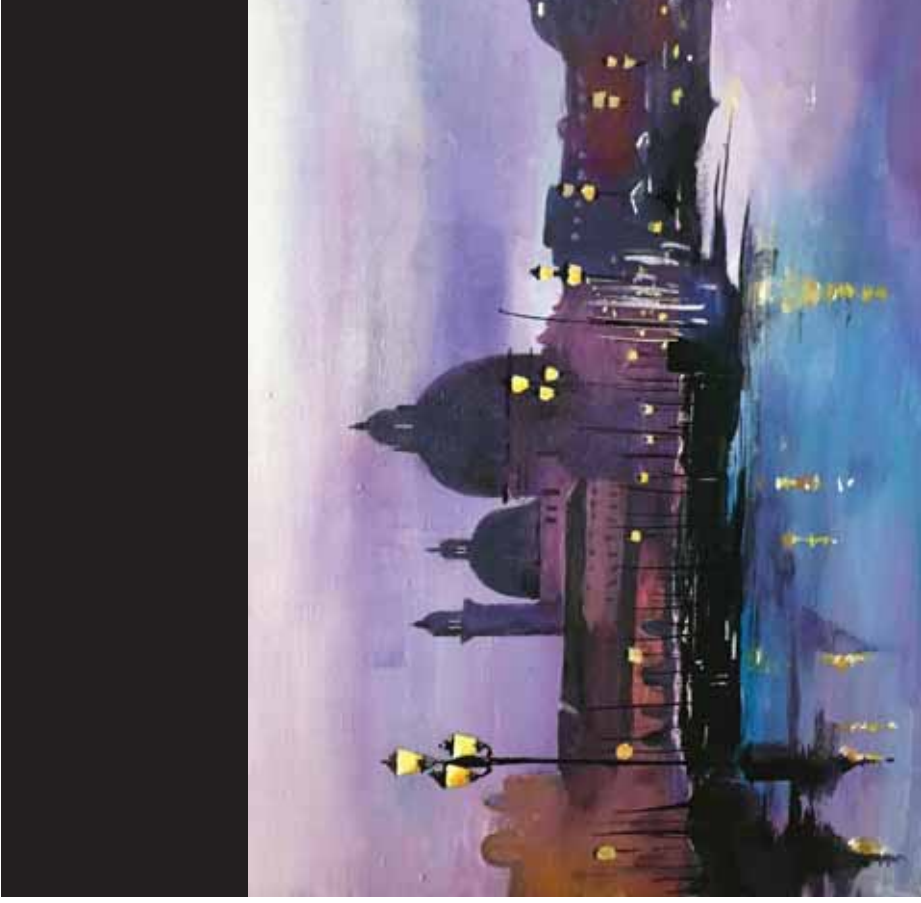
- An 8-cent state-wide property tax rate reduction,
- Increases in basic educational funding per student, Requirements for teacher raises,
- The implementation of full-day pre-kindergarten programming for eligible 4-year-olds, and
- A reduction in the amount of money property wealthy districts must spend to subsidize educational spending through the State's recapture program.

The bill also shifted the use of prior year property values in the State's funding formula to current year values, which will have a significant impact on districts throughout the state. While in the past the one year lag allowed districts time to budget based on actual assessed values and plan ahead for any shifts in the market, this change will now require districts to budget using estimates and ensure they have enough in reserve to maintain adequate cash flow in a down year. Over the past several years, Frisco ISD has been planning for the elimination of the funding lag, so the impact of the change on our future financial plans is minimal.

More information about the District's annual budget and economic challenges can be found in the 2019/2020 Budget Book, which can be obtained on the Internet at <http://www.friscoisd.org/departments/finance/financial-transparency/budgets>.

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.



Venice Dreams
2019 State VASE Medalist
SRINJOYI LAHIRI
Lebanon Trail High School
Teacher: Kristen Summers

GOVERNMENT-WIDE FINANCIAL STATEMENTS

FRISCO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

EXHIBIT A-1

Data Control Codes	Governmental Activities
ASSETS	
1110	Cash and investments \$ 609,703,691
1220	Property taxes receivable (delinquent) 7,042,315
1230	Allowance for uncollectible taxes (1,197,194)
1240	Due from other governments 17,404,253
1250	Accrued interest 267,773
1290	Other receivables, net 21,394
1410	Prepaid expenses 375,205
1510	Land 193,928,724
1520	Buildings and improvements, net 1,387,762,279
1530	Furniture and equipment, net 15,394,983
1580	Construction in progress 13,193,624
1000	Total Assets 2,244,088,647
DEFERRED OUTFLOWS OF RESOURCES	
1701	Deferred losses on debt refunding transactions
1705	Deferred pension outflows
1710	Deferred OPEB outflows
1700	Total Deferred Outflows of Resources 20,406,396
LIABILITIES	
2110	Accounts payable 17,714,503
2113	Retainage payable 1,052,155
2140	Accrued interest payable 27,895,815
2150	Payroll deductions and withholdings 3,922,692
2160	Accrued wages payable 61,404,857
2200	Accrued expenses 2,335,000
2300	Unearned revenues 1,683,383
Noncurrent Liabilities:	
2501	Due within one year 53,331,260
2502	Due in more than one year 2,183,048,316
2540	Net pension liability 170,483,528
2545	Net OPEB liability 189,371,760
2000	Total Liabilities 2,712,243,269
DEFERRED INFLOWS OF RESOURCES	
2601	Deferred gains on debt refunding transactions
2605	Deferred pension inflows 386,665
2610	Deferred OPEB inflows 19,449,102
2600	Total Deferred Inflows of Resources 59,883,912
NET POSITION	
3200	Net investment in capital assets (363,992,174)
Restricted for:	
3820	Federal and state grant programs 11,690,601
3850	Debt service 105,581,772
3900	Unrestricted (160,936,956)
3000	Total Net Position \$ (407,656,757)

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, 2019

EXHIBIT B-1

Data Control Codes	1 Expenses	3 Charges for Services	4 Operating Grants and Contributions	6 Net (Expense)/Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES:				
11	\$ 385,220,355	\$ 923,344	\$ 41,035,179	\$ (343,261,832)
12	Instruction 8,649,546		465,397	(8,384,149)
13	Instructional resources and media services 11,025,080		1,250,463	(9,775,587)
21	Curriculum and instructional staff development 8,153,468		843,274	(7,310,194)
23	Instructional leadership 37,705,167		2,710,825	(34,994,342)
31	Guidance, counseling and evaluation services 22,074,050		4,808,282	(17,265,768)
32	Social work services 206,324		17,101	(189,223)
33	Health services 6,590,798		540,309	(6,050,489)
34	Student transportation 15,649,573		689,084	(14,960,489)
35	Food services 26,438,963	18,335,195	7,201,295	(902,473)
36	Extracurricular activities 23,276,818	2,362,725	1,860,611	(19,053,482)
41	General administration 12,707,256		662,407	(12,044,859)
51	Facilities maintenance and operations 54,392,409	3,631,143	1,346,820	(49,414,446)
52	Security and monitoring services 4,399,063		106,279	(4,292,784)
53	Data processing services 11,961,523		420,866	(11,540,657)
61	Community services 2,072,276		697,502	(1,374,774)
72	Debt service - interest on long-term debt 82,228,452			(82,228,452)
73	Debt service - bond issuance costs and fees 2,143,297			(2,143,297)
91	Contracted instructional services between schools 14,017,478			(14,017,478)
95	Payments to juvenile justice alternative education programs 35,666			(35,666)
97	Payments to tax increment fund 25,169,882			(25,169,882)
99	Other intergovernmental charges 3,492,348			(3,492,348)
TG	Total Governmental Activities \$ 757,810,772	\$ 25,252,407	\$ 64,655,594	\$ (667,902,671)
General Revenues				
Taxes:				
MT	Property taxes, levied for general purposes			471,611,015
DT	Property taxes, levied for debt service			104,085,263
SF	State aid - formula grants			64,025,393
QC	Grants and contributions not restricted to specific programs			6,000,366
IE	Investment earnings			3,462,884
ME	Medicaid, federal and intermediate revenue			24,456,595
TR	Total General Revenues			680,565,116
CN	Change in net position			12,662,495
NB	Net position - beginning			(420,319,232)
NE	Net position - ending			\$ (407,656,757)

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



Resonance Of Music
2019 State VASE Medalist
ASHLEY LIU
Independence High School
Teacher: Leonard Buscemi

FRISCO INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

EXHIBIT C-1

Data Control Codes	10	50	60	98
	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
1110 Cash and investments	\$ 256,060,167	\$ 132,043,240	\$ 201,984,499	\$ 609,703,691
1220 Property taxes receivable (delinquent)	5,376,317	1,663,988		7,042,315
1230 Allowance for uncollectible taxes	(914,314)	(282,880)		(1,197,194)
1240 Due from other governments	12,899,119			17,404,253
1260 Acquired interest	214,544	53,229		267,773
1280 Due from other funds	2,806,641			2,806,641
1290 Other receivables, net	163,484			212,994
1410 Prepaid expenditures	315,816			59,389
1000 Total Assets	\$ 276,923,774	\$ 133,477,587	\$ 201,984,499	\$ 636,615,678
LIABILITIES				
2110 Accounts payable	2,094,324		12,408,487	17,714,503
2113 Retainage payable			1,052,155	1,052,155
2140 Accrued interest payable		628,406		628,406
2150 Payroll deductions and withholdings	3,922,692			3,922,692
2160 Accrued wages payable	58,700,514			61,404,857
2170 Due to other funds			2,704,343	2,806,641
2200 Accrued expenditures	2,335,000			2,335,000
2300 Unearned revenue	617,576			1,683,383
2000 Total Liabilities	67,670,106	628,406	13,460,642	91,547,637
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable property tax revenue	2,645,973	846,274		3,492,247
2600 Total Deferred Inflows of Resources	2,645,973	846,274	-	3,492,247
FUND BALANCES				
Nonspendable:				
3430 Prepaid expenditures	315,816			59,389
Restricted for:				
3450 Federal and state grant programs				11,690,601
3470 Capital acquisitions and contractual obligations			175,506,780	175,506,780
3480 Retirement of long-term debt		132,002,907		132,002,907
Committed to:				
3545 Local grants, awards and contributions				2,691,345
Assigned to:				
3560 Claims and judgments	6,000,000			6,000,000
3570 Capital expenditures			13,017,077	13,017,077
3590 Employee compensation	30,000,000			30,000,000
3590 Future expenditures	1,077,190			1,077,190
3600 Unassigned	169,214,689			169,214,689
3000 Total Fund Balances	206,607,695	132,002,907	188,523,857	541,575,794
4000 Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 276,923,774	\$ 133,477,587	\$ 201,984,499	\$ 636,615,678

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, 2019

EXHIBIT C-1R

Total Fund Balances - Governmental Funds (Exhibit C-1)	\$ 541,575,794
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.	1,610,279,610
Accounting gains and losses resulting from debt refunding transactions are deferred inflows and outflows of resources, respectively, on the government-wide Statement of Net Position and are amortized over the life of the debt but are not reported in the governmental funds financial statements.	
Deferred losses on debt refunding transactions	20,406,396
Deferred gains on debt refunding transactions	(386,665)
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 financial statements. Long-term liabilities at year-end consist of:	
Bonds payable	(2,029,542,224)
Accrued interest on the bonds	(27,267,409)
Accreted interest on capital appreciation bonds	(66,581,281)
Unamortized bond premiums	(140,256,071)
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.	3,492,247
The District's proportionate share of the TRS net pension liability and related deferred inflows and 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	(170,483,528)
Deferred pension inflows	(19,449,102)
Deferred pension outflows	95,397,337
The District's proportionate share of the TRS Net OPEB liability and related deferred inflows and outflows of resources are not current in nature and are therefore not reported in the governmental funds financial statements:	
Proportionate share of net OPEB liability	(189,371,760)
Deferred OPEB inflows	(59,883,912)
Deferred OPEB outflows	24,413,811
Net Position - Governmental Activities (Exhibit A-1)	<u>\$ (407,656,757)</u>

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, 2019**

EXHIBIT C-2

Data Control Codes	10	50	60	98
	General Fund	Debt Service Fund	Capital Projects Fund	Non-Major Governmental Funds
REVENUES				
5700 Local and intermediate sources	\$ 487,450,080	\$ 126,590,795	\$ 2,492,555	\$ 20,744,108
5800 State program revenues	85,303,754	1,498,057		7,545,635
5900 Federal program revenues	6,920,686			94,347,646
Total Revenues	579,274,500	128,088,792	2,492,555	122,637,389
EXPENDITURES				
Current:				
0011 Instruction	312,362,215			325,454,888
0012 Instructional resources and media services	5,987,511	1,208,593		6,152,141
0013 Curriculum and instructional staff development	9,870,038	152,594		10,506,123
0021 Instructional leadership	7,463,056			7,682,331
0023 School leadership	31,604,561		347,230	32,036,475
0031 Guidance, counseling and evaluation services	17,394,606			20,788,270
0032 Social work services	193,601			193,601
0033 Health services	6,295,476			6,295,476
0034 Transportation	13,246,664			13,318,621
0035 Food services	28,700	71,988		6,375,678
0036 Extracurricular activities	16,602,196	23,150,424		23,179,124
0041 General administration	10,994,089		338,589	17,841,039
0051 Facilities maintenance and operations	38,350,138	597,111		39,209,444
0052 Security and monitoring services	3,741,441	92,400		3,833,841
0053 Data processing services	7,783,055	1,329,178		9,112,233
0061 Community services	1,013,618			1,738,209
Debt Service:				
0071 Principal on long-term debt		49,984,001		49,984,001
0072 Interest on long-term debt		83,323,903		83,323,903
0073 Bond issuance costs and fees		1,057,014	1,086,283	2,143,297
Capital Outlays:				
0081 Facilities acquisition and construction			37,922,746	37,922,746
Intergovernmental:				
0091 Contracted instructional services between schools	14,017,478			14,017,478
0095 Payments to juvenile justice alternative education programs	35,666			35,666
0097 Payments to tax increment fund	25,169,882			25,169,882
0099 Other intergovernmental charges	3,492,348			3,492,348
Total Expenditures	525,554,358	134,364,918	43,146,712	744,338,589
Excess (deficiency) of revenues over (under) expenditures	53,720,142	(6,276,126)	(40,654,157)	12,073,260
OTHER FINANCING SOURCES (USES)				
7901 Refunding bonds issued		130,510,000		130,510,000
7911 Capital related debt issued (regular bonds)			134,880,000	134,880,000
7916 Premium on issuance of bonds		14,073,929	16,206,282	30,280,211
7912 Proceeds from the sale of property				75,538
7915 Transfers in		18,795	10,000,000	10,033,495
8911 Transfers out		(10,014,700)		(18,795)
8949 Payment to refunded bond escrow agent		(143,547,975)		(143,547,975)
Total Other Financing Sources (Uses)	(9,920,367)	1,035,954	16,186,282	(4,095)
7080 Net change in fund balances	43,799,775	(5,240,172)	120,432,125	5,279,306
1200 Fund balances - beginning	1,628,079,920	137,243,079	68,091,732	164,271,034
3000 Fund balances - ending	\$ 2,068,079,555	\$ 132,002,907	\$ 188,523,853	\$ 941,351,759

**FRISCO INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

EXHIBIT C-2R

Total Net Change in Fund Balances - Governmental Funds (Exhibit C-2) \$ 164,271,034

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 (\$14,427,614) fell below depreciation (\$49,291,152) in the current period.

In the statement of activities, only the gains or losses on asset disposals are reported; whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the cost of the assets disposed. (34,863,538)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. 209,177

Repayment of long-term debt principal (\$194,349,001) and payments of accreted interest on capital appreciation bonds (\$250,998) are expenditures in the governmental funds, but these activities reduce long-term liabilities in the Statement of Activities. 194,599,999

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 (265,390,000)

Premiums on bonds (30,280,211)

Certain debt related items that effect the Statement of Net Position but are not reported in the governmental funds:

Amortization of bond premiums 7,988,698

Amortization of deferred gains and losses on refunding transactions (2,326,881)

Increases in deferred (gains)/losses on refunding transactions (396,096)

Accreted interest on capital appreciation bonds (6,224,721)

Change in interest payable 986,428

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 during the measurement period 1,573,932

Contributions after the measurement date 10,119,493

Proportionate share of collective pension expense (80,593,005)

Net proportionate share of deferred pension inflows/outflows 57,366,315

Amortization and other changes in deferred outflows and deferred inflows related to the District's portion of the TRS net OPEB liabilities effect government-wide pension expense but have no impact on the governmental funds.

Contributions prior to the measurement period (1,102,001)

Contributions after the measurement date 2,524,950

Proportionate share of collective OPEB expense (34,076,086)

Net proportionate share of deferred OPEB inflows/outflows 29,796,393

Change in Net Position of Governmental Activities (Exhibit B-1) \$ 12,662,495

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

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



A Brothers Contemplation
2019 State VASE Gold Seal Winner
NOOR SAYED
Independence High School
Teacher: Leonard Buscemi

FRISCO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2019

EXHIBIT E-1

Data Control Codes	Agency Fund
ASSETS	
1110 Cash and Investments	\$ 1,343,980
Total Assets	<u><u>\$ 1,343,980</u></u>
LIABILITIES	
2110 Accounts payable	\$ 59,624
2190 Due to student groups	1,284,356
Total Liabilities	<u><u>\$ 1,343,980</u></u>

NOTES TO THE FINANCIAL STATEMENTS

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

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.

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, 2018, which were not available as of June 30, 2019.

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.

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 financial 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.

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 premiums or discounts. 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.

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

Deferred Outflows/Inflows of Resources – In addition to assets and liabilities, the government-wide Statement of Net Position and government 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 and other post-employment benefits 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.

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 grantor, 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, 2019, the District has assigned fund balance in the General Fund for the following purposes:

- Claims and judgments – assigned for the coverage of potential legal fees, settlements, and deductibles of certain insurance policies.
- Capital Expenditures – assigned for the expenditure of funds for capital outlay not planned to be paid with bond funds.
- Employee Compensation – assigned for the payment of future employee retention incentives and classroom supplies stipends.
- 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 nonspendable, 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.

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 ensure 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, 2019. 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, 2019, the carrying amount of the District's deposits (cash) and outstanding checks was \$10,986,562. The combined bank balance was \$12,619,538. At June 30, 2019 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 November 13, 2018, when combined cash, savings and time deposits amounted to \$47,498,010.
- C. The amount of bond and pledged collateral as of the date of the highest combined balance on deposit was \$50,000,573
- D. The total amount of FDIC coverage at the time of the largest combined balance was \$250,000.

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.
- TexPool is a public funds pool administered by the State Comptroller of Texas. The portfolio of TexPool is managed by Federated Investors, Inc., and the assets are held in a separate custodial account at the State Street Bank in the name of TexPool.

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.
 - **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 two years-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 hierarchy, 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, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percent of Total Investments	Weighted Average Maturity (Days)
Cash and Cash Equivalents:						
Bank Deposits	\$ 10,986,562					
Total Cash and Cash Equivalents	<u>\$ 10,986,562</u>					
Investments measured at Amortized Costs:						
TexPool	\$ 61,460,596				10.3%	35
Lone Star Investment Pool	379,431,850				63.4%	26
Investments measured at Net Asset Value:						
Texas TERM portfolio – Texas DAILY	20,136,785				3.4%	34
Investments by Fair Value Level:						
US Government Agency Securities:						
Federal Home Loan Bank	22,970,194		\$ 22,970,194		3.8%	36
Federal Farm Credit Bank	8,020,091		8,020,091		1.3%	208
U.S. Treasury Bonds	7,995,463	\$ 7,995,463			1.3%	15
Commercial Paper	98,702,150		98,702,150		16.5%	63
Total Investments	<u>598,717,129</u>	<u>7,995,463</u>	<u>129,692,435</u>			
Total Cash and Investments	<u>\$ 609,703,691</u>	<u>\$ 7,995,463</u>	<u>\$ 129,692,435</u>			

The Lone Star and TexPool investment pools, are external investment pools measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, investment pools must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool. The investment pools transact at a net asset value of \$1.00 per share, have weighted average maturity of 60 days or less and weighted average life of 120 days or less. Investments held are highly rated by nationally recognized statistical rating organization, have no more than 5% of portfolio with one issuer (excluding US government securities), and can meet reasonably foreseeable redemptions. Lone Star and Texpool investment pools have 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 and TexPool investment pools have 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, 2019, none of the District's investments in the TexasTERM investment pool was invested in the TexasTERM portfolio, and the \$20136785 was invested in the TexasDAILY portfolio. TexasDAILY has received an AAAm rating from S&P, and the TexasTERM portfolio has received a rating of AAAA 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 \$40,349,486,303.

The tax rates levied for the fiscal year ended June 30, 2019, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.17 and \$0.27 per \$100 valuation, respectively, for a total of \$1.44 per \$100 valuation.

Current year tax collections for the period ended June 30, 2019, were 99.33% 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, 2019, the allowance for uncollectible taxes was approximately 17% of total delinquent property taxes receivable.

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, 2019, approximately \$212.8 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, 2019, 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	\$ 12,793,701		\$12,793,701
Due from the Federal Government		\$ 4,505,134	4,505,134
Due from Other Governments	105,418		105,418
Total	\$12,899,119	\$4,505,134	\$17,404,253

NOTE 5. INTERFUND TRANSACTIONS

Interfund balances at June 30, 2019, consisted of the following individual fund receivables and payables:

	Receivable	Payable
General fund	\$ 2,806,641	
Non-major governmental funds		\$ 2,806,641
Total	\$ 2,806,641	\$ 2,806,641

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, 2019, were liquidated shortly after year-end.

The following is a summary of the District's internal transfers for the fiscal year ended June 30, 2019:

From	To	Amount	Purpose
General Fund	Non-Major Funds	\$ 14,700	Transfer for Advanced Placement Training
Non-Major Funds	General Fund	18,795	Camp Payroll Costs
General Fund	Capital Project Fund	10,000,000	Transfer for Locally Defined Capital Outlay
Total Transfers		\$10,033,495	

NOTE 6. CAPITAL ASSETS

A summary of changes in capital assets for the fiscal year ended June 30, 2019, follows:

	Beginning Balance	Additions	Retirements/Transfers	Ending Balance
Capital assets not being depreciated:				
Land	\$ 193,527,477	\$ 401,247		\$ 193,928,724
Construction in progress	101,418,493	11,383,931	\$ 99,608,800	13,193,624
	294,945,970	11,785,178	99,608,800	207,122,348
Capital assets being depreciated:				
Buildings and Improvements	1,700,584,200	97,651,140		1,798,235,340
Furniture and equipment	60,526,366	3,808,683	1,065,182	63,269,867
	1,761,110,566	101,459,823	1,065,182	1,861,505,207
Less: Accumulated depreciation for:				
Buildings and Improvements	365,467,532	45,005,529		410,473,061
Furniture and equipment	44,525,718	4,285,623	936,457	47,874,884
	409,993,250	49,291,152	936,457	458,347,945
Total capital assets for governmental activities, net	\$ 1,646,063,286	\$ 63,953,849	\$ 99,737,525	\$ 1,610,279,610

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

Function	Expensed
11 Instruction	\$ 32,653,726
12 Instructional resources and media services	1,865,444
13 Curriculum and instructional staff development	34,102
23 School leadership	3,242,195
34 Student transportation	1,898,694
35 Food services	2,507,742
36 Extracurricular activities	3,904,212
41 General administration	1,201,415
51 Facilities maintenance and operations	1,068,562
52 Security and monitoring services	88,213
53 Data processing services	565,551
61 Community services	261,296
Total depreciation expense	<u>\$ 49,291,152</u>

Construction Commitments

The District was obligated at June 30, 2019, 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 \$30.4 million as of June 30, 2019.

NOTE 7. LONG-TERM DEBT

A summary of changes in long-term debt for the fiscal year ended June 30, 2019, is as follows:

Description	Original Issue Amount	Interest Rate(s)	Maturity	Balance at June 30, 2018	Issued/Increases	Retired/Refunded	Balance at June 30, 2019	Amount Due Within One Year
Unlimited Tax School Building Bonds:								
Series 2006	\$ 85,000,000	2.750%-5.250%	8/15/2039	\$ 10,055,000			\$ 10,055,000	
Series 2006A	\$ 80,000,000	4.000%-6.000%	8/15/2040	21,645,000			21,645,000	
Series 2007A	\$ 100,000,000	3.750%-5.250%	8/15/2038	12,280,000			12,280,000	
Series 2008	\$ 90,000,000	4.125%-5.500%	8/15/2040	1,910,000		\$ 1,910,000		
Series 2008A	\$ 100,000,000	5.000%-6.125%	8/15/2038	2,030,000				2,030,000
Series 2009	\$ 85,000,000	4.000%-5.500%	8/15/2041	84,440,000			84,440,000	
Series 2009A	\$ 34,570,000	2.000%-5.000%	8/15/2039	32,610,000			32,610,000	
Series 2010	\$ 20,195,000	0.00%	2/15/2027	12,125,000			12,125,000	
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	86,350,000			86,350,000	
Series 2014	\$ 159,795,000	2.000%-5.000%	8/15/2044	153,765,000			153,765,000	
Series 2015A	\$ 68,125,000	2.000%-5.000%	8/15/2045	66,860,000			66,860,000	
Series 2016B	\$ 75,790,000	2.500%-5.000%	8/15/2046	75,790,000			75,790,000	
Series 2018	\$ 49,865,000	3.000%-5.000%	8/15/2048	49,865,000			49,865,000	
Unlimited Tax School Refunding Bonds:								
Series 2009	\$ 14,170,000	2.000%-4.750%	8/15/2025	8,445,000			8,445,000	
Series 2009A	\$ 50,680,000	2.000%-5.000%	8/15/2029	29,340,000			29,340,000	
Series 2010	\$ 26,855,000	4.000%-4.250%	8/15/2024	9,435,000			9,435,000	
Series 2011	\$ 62,078,491	2.000%-5.000%	8/15/2030	60,988,491			60,988,491	
Series 2013	\$ 19,040,000	2.000%-5.000%	7/15/2033	17,035,000			17,035,000	
Series 2016	\$ 104,555,000	3.000%-5.000%	8/15/2037	99,390,000			99,390,000	
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 2011A	\$ 83,981,260	4.000%-5.000%	8/15/2041	71,426,260			71,426,260	
Series 2012	\$ 85,531,867	2.000%-5.000%	8/15/2041	84,626,867			84,626,867	
Series 2012A	\$ 71,190,000	2.000%-5.000%	8/15/2041	69,955,000			69,955,000	
Series 2012B	\$ 99,546,000	2.000%-5.000%	8/15/2042	96,590,000			96,590,000	
Series 2013	\$ 68,471,992	2.000%-5.000%	8/15/2043	62,105,000			62,105,000	
Series 2014	\$ 111,455,000	2.000%-4.000%	8/15/2044	105,370,000			105,370,000	
Series 2015	\$ 139,525,000	0.420%-5.000%	8/15/2045	133,205,000			133,205,000	
Series 2016A	\$ 208,960,000	2.000%-5.000%	8/15/2046	208,050,000			208,050,000	
Series 2017	\$ 206,445,000	2.000%-5.000%	8/15/2047	206,445,000			206,445,000	
Series 2018	\$ 265,390,000	3.000%-5.000%	8/15/2049		\$ 265,390,000		265,390,000	
CAB Premiums								
Series 1999				9,122,362			9,122,362	
Series 2002A				14,594,401			14,594,401	
Series 2009				564,001			564,001	
Series 2012				1,161,610			1,161,610	
Total bonds payable				1,968,501,225	265,390,000	194,349,001	2,029,542,224	53,331,260
Accrued interest on capital appreciation bonds				60,607,558	6,224,721	250,998	66,581,281	
Unamortized bond premium				117,964,558	30,282,211	7,988,698	140,256,071	
Total bonded debt				2,137,073,341	301,894,932	202,988,697	2,236,379,576	53,331,260
District's portion of net pension liability				100,324,581	80,593,005	10,434,058	170,483,528	
District's portion of net OPEB liability				157,910,868	34,076,086	2,615,194	189,371,760	
Total long-term debt				\$ 2,395,308,790	\$ 416,564,023	\$ 215,637,949	\$ 2,596,234,864	\$ 53,331,260

Changes in debt-related deferred outflows and inflows of resources for the fiscal year ended June 30, 2019, were:

	Balance at June 30, 2018	Issued/Increases	Retired/Refunded	Balance at June 30, 2019
Deferred loss on refunding transactions	\$ 22,742,708		\$ 2,336,312	\$ 20,406,396
Deferred gain on refunding transactions		\$ 396,096	9,431	386,665

(Continued)

(Continued)

During the year the District issued \$265,390,000 of Unlimited Tax School Building and Refunding Bonds, Series 2019 with interest rates of 3.00 to 5.00%. Proceeds were delivered on May 21, 2019, \$134,880,000 (par value) was issued to acquire, construct, renovate and equip school buildings. Deposits to escrow agents of \$143,547,975 were used to purchase direct obligations of the U.S. government which were irrevocably pledged to the payment of \$83,605,000 of the District's Unlimited Tax School Building Bonds, Series 2009, \$32,110,000 of the District's Unlimited Tax School Building Bonds, Series 2009A, \$6,630,000 of the District's Unlimited Tax Refunding Bonds, Series 2009, and \$22,020,000 of the District's Unlimited Tax Refunding Bonds, Series 2009A. The District's refunding resulted in an economic gain of \$32,039,864 and a book gain of \$396,096 which will be amortized over the life of the refunded debt. The refunding decreased the District's future debt service requirement by \$43,161,342.

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 \$6,224,721, and \$250,998 of outstanding accreted interest was paid off during the year. Total accreted interest on CABs at June 30, 2019 is \$66,581,281, and total premiums on CABs are \$24,878,373, both of which are reported as long-term liabilities in the government-wide financial statements.

Bond Authorization and Obligations

General obligation bonds of the District are reported as long-term liabilities of the governmental activities. At June 30, 2019, \$132,002,907 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, 2019.

In May 2014, voters in the District approved \$775,000,000 of general obligation bonds. As of June 30, 2019, \$90,000,000 remains authorized but unissued.

In November 2018, voters in the District approved \$691,000,000 of general obligation bonds. As of June 30, 2019, \$621,000,000 remains authorized but unissued.

The following table summarizes the annual debt service requirements of outstanding debt at June 30, 2018, to maturity:

Year ending June 30,	Principal*	Interest	Total
2020	\$ 53,331,260	81,007,243	\$134,338,503
2021	53,986,393	82,075,255	136,061,648
2022	59,591,761	79,568,052	139,159,813
2023	62,206,545	76,856,170	139,062,715
2024	62,591,610	77,194,601	139,786,211
2025-2029	331,332,939	369,711,737	701,044,676
2030-2034	388,129,008	312,256,545	700,385,553
2035-2039	457,332,708	203,962,387	661,295,095
2040-2044	442,785,000	63,799,114	506,584,114
2045-2049	111,180,000	9,233,210	120,413,210
2050	7,075,000	141,500	7,216,500
Total	\$ 2,029,542,224	\$ 1,355,805,814	\$ 3,385,348,038

*includes premiums on capital appreciation bonds

NOTE 8. UNEARNED REVENUE
Unearned revenue at June 30, 2019, consisted of the following:

	General Fund	Non-Major Funds	Total
Summer school	\$ 587,576		\$ 587,576
Tower Rentals	30,000		30,000
Advance Placement		\$ 14,700	14,700
School Lunch Deposits		1,051,107	1,051,107
Total	\$ 617,576	\$ 1,065,807	\$ 1,683,383

NOTE 9. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

During fiscal year 2019, 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	\$ 469,668,500	\$ 103,755,892			\$ 573,424,392
Food sales				\$ 18,335,195	18,335,195
Investment income	5,875,869	2,330,174	\$ 1,488,512	168,279	9,862,834
Penalties, interest and other tax related income	1,904,021	20,504,669			22,408,690
Co-curricular student activities	2,362,725				2,362,725
Shared Services Revenue				152,654	152,654
Facilities rentals	3,631,143		1,004,043		3,631,143
Other	4,007,822			2,087,980	7,095,845
Total	\$ 487,450,080	\$ 126,590,735	\$ 2,492,555	\$ 20,744,108	\$ 637,277,478

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 2019, 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. \$5,000,000 of the \$6,000,000 fund balance assigned for claims and judgments is intended to cover potential insurance deductibles and related liabilities.

Health Care Coverage

For the year ending June 30, 2019, 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, 2019, the District's unpaid claims totaled \$2,335,000, 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 2018 and fiscal year 2019 were:

	2018	2019
Beginning liability	\$ 1,480,000	\$ 1,887,000
Claims and changes in estimates	2,566,000	2,451,000
Claim payments	(2,159,000)	(2,003,000)
Ending liability	\$ 1,887,000	\$ 2,335,000

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. \$1,000,000 of the \$6,000,000 fund balance assigned for claims and judgments is intended to cover potential legal fees and insurance deductibles for this type of litigation.

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, 2019, 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

Defined Benefit Pension Plan

Plan Description - The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). 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 https://www.trs.texas.gov/TRS%20Documents/cafr_2018.pdf; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling 512.542.6592.

Benefits Provided - TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity, except for members who are grandfathered, 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 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 85th Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same.

Contribution Rates	
	2018
Member	7.7%
Non-employer contributing entity (State)	6.8%
Employers	6.8%
FISD 2018 plan year member contributions	\$ 25,956,124
FISD 2018 plan year State contributions	\$ 15,877,457
FISD 2018 plan year District contributions	\$ 10,434,058

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.

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, 2017 actuarial valuation rolled forward to August 31, 2018 was determined using the following actuarial assumptions:

Valuation date	August 31, 2017 rolled forward to August 31, 2018
Actuarial cost method	Individual Entry Age Normal
Asset valuation method	Market Value
Single discount rate	6.907%
Long-term expected investment rate of return	7.25%
Inflation	2.30%
Salary increases including inflation	3.50% to 9.50% including inflation
Payroll growth rate	3.30%
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 three year period ending August 31, 2017 and adopted in July 2018.

Discount Rate - The single discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.69%. The projection of cash flows used to determine the discount rate assumed that contribution from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutory required rates. Based on those assumptions, the pension plan's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized below:

Asset Class	Target Allocation ¹	Long-Term Expected Geometric Real Rate of Return ²	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.			
Non-U.S. Developed	18.00%	5.70%	1.04%
Emerging Markets	13.00%	6.90%	0.90%
Directional Hedge Funds	4.00%	8.95%	0.80%
Private Equity	13.00%	3.53%	0.14%
Stable Value		10.18%	1.32%
U.S. Treasuries	11.00%	1.11%	0.12%
Absolute Return	0.00%	0.00%	0.00%
Stable Value Hedge Funds	4.00%	3.09%	0.12%
Cash	1.00%	(0.30%)	0.00%
Real Return			
Global Inflation Linked Bonds	3.00%	0.70%	0.02%
Real Assets	14.00%	5.21%	0.73%
Energy and Natural Resources	5.00%	7.48%	0.37%
Commodities	0.00%	0.00%	0.00%
Risk Parity			
Risk Parity	5.00%	3.70%	0.18%
Inflation Expectation			2.30%
Volatility Drag ³			(0.79%)
Total	100.00%		7.25%

¹Target allocations are based on the FY2016 policy model.

²Capital market assumptions come from Aon Hewitt (2017 Q4)

³The volatility drag results 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 (6.907%) in measuring the 2018 Net Pension Liability.

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
FISD's proportionate share of the net pension liability:	\$257,300,524	\$170,483,528	\$100,200,021

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources, Related to Pensions - At June 30, 2019, the District reported a liability of \$170,483,528 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	\$ 170,483,528
State's proportionate share that is associated with FISD	259,585,571
Total	<u>\$ 430,069,099</u>

The net pension liability was measured as of August 31, 2017 and rolled forward to August 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2017 rolled forward to August 31, 2018. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2017 thru August 31, 2018.

At August 31, 2018, the District's proportion of the collective net pension liability was 0.3097311248%, which was a decrease of 0.0040321164% from its proportion measured as of August 31, 2017.

Changes Since the Prior Actuarial Valuation – The following were changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

- The total pension liability as of August 31, 2018 was developed using a roll-forward method for the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the experience study.
- The discount rate changed from 8.0% as of August 31, 2017 to 6.907% as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0% to 7.25%.
- The change in the long-term assumed rate of return combined with the change in single discount rate was the primary reason for the increase in the Net Pension Liability.

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, 2019, the District recognized pension expense of \$20,006,331 and contributions paid by the state on-behalf of the District of \$15,877,457.

At June 30, 2019, 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	\$ 1,062,654	\$ 4,182,993
Changes in actuarial assumptions	61,467,524	1,920,862
Difference between projected and actual investment earnings	8,859,907	12,094,710
Changes in proportion and differences between District contributions and the proportionate share of contributions	13,887,759	1,250,537
District contributions paid to TRS subsequent to the measurement date	10,119,493	
Total	\$ 95,397,337	\$ 19,449,102

The \$10,119,493 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, 2020. 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:	
2020	\$ 17,272,271
2021	10,464,888
2022	8,751,116
2023	11,887,476
2024	10,854,492
Thereafter	6,598,499
	<u>\$ 65,828,742</u>

Defined Other Post-Employment Benefit Plan

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

OPEB Plan Fiduciary Net Position - Detailed information about the TRS-Care's fiduciary net position is available in the separately issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at https://www.trs.texas.gov/TRS%20Documents/calfr_2018.pdf; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling 512.542.6592.

Benefits Provided – TRS-Care provides a basic health insurance coverage (TRS-Care 1) at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and operational group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes, including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage:

	TRS-Care Plan Premium Rates	
	January 1, 2018 thru December 31, 2018	
	Medicare	Non-Medicare
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999
*or surviving spouse		

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

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

Contribution Rates

	2018	2019
Active Employee	0.65%	0.65%
Non-employer contributing entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private funding remitted by Employers	1.25%	1.25%
FISD 2018 plan year member contributions		\$ 2,189,234
FISD 2018 plan year State contributions		\$ 4,139,010
FISD 2018 plan year District contributions		\$ 2,615,194

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$182.6 million in fiscal year 2018. The 85th Texas Legislature, House Bill 30 provided an additional \$212 million in one-time, supplemental funding for the FY2018-19 biennium to continue to support the program. This was also received in FY2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

Actuarial Assumptions – The total OPEB liability in the August 31, 2017 actuarial valuation was rolled forward to August 31, 2018. The actuarial valuation was determined using the following actuarial assumptions.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation that was rolled forward to August 31, 2018:

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

Additional Actuarial Methods and Assumptions:

Valuation date	August 31, 2017 rolled forward to August 31, 2018
Actuarial cost method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	3.69%
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	3.00%
Projected Salary Increases	3.05% to 9.05% including inflation
Healthcare Trend Rates	8.5% for FY2019, decreasing to 0.5% per year to 4.5% for FY2027 and later years
Election Rates	Normal retirement: 70% participation prior to age 65 and 75% after age 65
Ad hoc post-employment benefit changes	None

Discount Rate – A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of 0.27% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

Discount Rate Sensitivity Analyses – The following schedules show the impact on the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.69%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.69%)	Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
FISD's proportionate share of the net OPEB liability:	\$225,417,458	\$189,371,760	\$160,857,289

OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEBs – At June 30, 2019, FISD reported a liability of \$189,371,760 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by FISD as its proportionate share of the net OPEB liability, the related State support, and the total portion of the Net OPEB Liability that was associated with the District were as follows:

FISD's proportionate share of the net OPEB liability	\$ 189,371,760
State's proportionate share that is associated with FISD	300,003,424
Total	<u>\$ 489,375,184</u>

The Net OPEB Liability was measured as of August 31, 2017 and rolled forward to August 31, 2018, and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The District's proportion of the Net OPEB Liability was based on the District's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017 thru August 31, 2018.

At August 31, 2018, FISD's proportion of the collective Net OPEB Liability was 0.37926755% which was an increase of 0.34295472% from August 31, 2017.

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

	1% Decrease in Healthcare Trend Rate (7.5%)	Current Single Healthcare Trend Rate (8.5%)	1% Increase in Healthcare Trend Rate (9.5%)
FISD's proportionate share of the net OPEB liability:	\$157,276,330	\$189,371,760	\$231,642,134

Changes Since the Prior Actuarial Valuation – The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB Liability since the prior measurement period:

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.

- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB Liability.
- The discount rate was changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the Total OPEB Liability by \$2.3 billion.
- The 85th Legislature, Regular Session, passed the following statutory changes in House Bill 3976 which became effective on September 1, 2017:
 - Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
 - Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
 - Allowed the system to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
 - Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.
 - Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during plan years 2018 thru 2021, requiring members to contribute \$200 per month towards their health insurance premiums.

For the year ended June 30, 2019, FIRD recognized OPEB expense of \$8,413,427 and contributions paid by the state on behalf of the District of \$4,139,010.

At June 30, 2019, FIRD reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 10,049,255	\$ 2,988,564
Changes in actuarial assumptions	3,160,102	56,895,348
Difference between projected and actual investment earnings	33,119	
Changes in proportion and differences between District contributions and the proportionate share of contributions	8,846,385	
District contributions paid to TRS subsequent to the measurement date	2,324,950	
Total	<u>\$ 24,413,811</u>	<u>\$ 59,883,912</u>

The \$2,324,950 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 OPEB liability in the year ending June 30, 2020. 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:	
2020	\$ (6,352,737)
2021	(6,352,737)
2022	(6,352,737)
2023	(6,359,000)
2024	(6,362,582)
Thereafter	(6,015,258)
	<u>\$ (37,795,051)</u>

**FRISCO INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019**

EXHIBIT F-1

**FRISCO INDEPENDENT SCHOOL DISTRICT
NOTES TO BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019**

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 statements:

- 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

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.

Data Control Codes	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over/(Under)
	Original	Final		
REVENUES				
5700 Local and intermediate sources	\$ 428,777,850	\$ 482,247,900	\$ 487,450,080	\$ 5,202,180
5800 State program revenues	84,023,900	84,023,900	85,303,754	1,279,854
5900 Federal program revenues	2,500,000	2,500,000	6,520,666	4,020,666
5020 Total Revenues	515,301,750	568,771,800	579,274,500	10,502,700
EXPENDITURES				
Current:				
0011 Instruction	303,838,116	320,149,533	312,362,215	(7,787,318)
0012 Instructional resources and media services	6,061,558	6,225,398	5,987,511	(237,887)
0013 Curriculum and instructional staff development	10,505,786	10,323,423	9,870,038	(453,385)
0021 Instructional leadership	7,649,453	7,703,304	7,463,056	(240,248)
0023 School leadership	32,208,162	32,500,830	31,604,561	(896,269)
0031 Guidance, counseling and evaluation services	20,057,201	17,646,775	17,394,606	(252,169)
0032 Social work services	198,887	300,887	193,601	(107,286)
0033 Health services	6,017,044	6,203,381	6,203,475	(66,906)
0034 Student transportation	14,219,326	13,821,559	13,246,684	(574,875)
0035 Food services		78,701	28,700	(50,001)
0036 Extracurricular activities	21,415,407	17,841,514	16,602,196	(1,239,318)
0041 General administration	10,748,569	11,045,400	10,994,089	(51,311)
0051 Facilities maintenance and operations	37,444,102	41,716,106	38,350,138	(3,365,968)
0052 Security and monitoring services	3,449,769	3,963,569	3,741,441	(222,128)
0053 Data processing services	7,867,684	7,879,872	7,783,055	(96,817)
0061 Community services	694,754	1,035,631	1,013,618	(22,013)
Intergovernmental:				
0091 Contracted instructional services between schools		14,945,800	14,017,478	(928,322)
0095 Payments to juvenile justice alternative education programs	50,000	50,000	35,666	(14,334)
0097 Payments to tax increment fund	29,154,800	25,204,800	25,169,882	(34,918)
0099 Other intergovernmental charges	3,200,000	3,492,348	3,492,348	-
6030 Total Expenditures	514,780,618	542,195,831	525,554,358	(16,641,473)
Excess (deficiency) of revenues over (under) expenditures	521,132	26,575,969	53,720,142	27,144,173
OTHER FINANCING SOURCES (USES)				
7912 Proceeds from the sale of property			75,538	75,538
7915 Transfers in			18,795	18,795
8911 Transfers out			(10,014,700)	(10,014,700)
7080 Total Other Financing Sources (Uses)	-	-	(9,920,367)	(9,920,367)
1200 Net change in fund balances	521,132	26,575,969	43,799,775	17,223,806
0100 Fund balances - beginning	162,807,920	162,807,920	162,807,920	-
3000 Fund balances - ending	\$ 163,329,052	\$ 189,383,889	\$ 206,607,695	\$ 17,223,806

**FRISCO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE LAST TEN FISCAL YEARS**

EXHIBIT F-3

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Contractually required contribution ¹	\$ 2,049,495	\$ 3,349,384	\$ 3,648,289	\$ 4,235,762	\$ 5,667,342	\$ 8,087,677	\$ 9,123,803	\$ 10,166,019	\$ 10,573,145	\$ 11,656,212
Contributions in relation to the contractually required contribution	2,049,495	3,349,384	3,648,289	4,235,762	5,667,342	8,087,677	9,123,803	10,166,019	10,573,145	11,656,212
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll ²	\$ 196,423,334	\$ 214,315,590	\$ 217,577,872	\$ 232,571,151	\$ 250,101,147	\$ 275,426,852	\$ 300,219,324	\$ 328,408,774	\$ 334,369,517	\$ 369,716,803
Contributions as a percentage of covered payroll	1.04%	1.56%	1.68%	1.82%	2.27%	2.94%	3.04%	3.10%	3.16%	3.15%

¹ District contributions in this schedule differ from the amount reported in Note 11 due to the difference between the TRS plan year (September 1 - August 31) and the District's fiscal year (July 1 - June 30).

² Covered payroll includes all TRS-eligible payroll paid by the district during the fiscal year (July 1 - June 30).

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

EXHIBIT F-2

	2014	2015	2016	2017	2018
District's proportion of the net pension liability	0.002314258	0.002881151	0.002910237	0.003137632	0.003097311
District's proportionate share of the net pension liability	\$ 61,817,031	\$ 101,844,853	\$ 109,973,520	\$ 100,324,581	\$ 170,483,528
Total	\$ 61,817,031	\$ 101,844,853	\$ 109,973,520	\$ 100,324,581	\$ 170,483,528
District's covered payroll ⁽²⁾	\$ 253,369,679	\$ 279,985,062	\$ 304,425,906	\$ 331,387,944	\$ 336,805,214
District's proportionate share of the net pension liability as a percentage of its covered payroll	24.40%	36.38%	36.12%	30.27%	50.62%
Plan fiduciary net position as a percentage of the total pension liability	83.25%	78.43%	78.00%	82.17%	73.74%

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).

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

	2017	2018
District's proportion of the net OPEB liability	0.003631283	0.003792676
District's proportionate share of the net OPEB liability	\$ 157,910,868	\$ 189,371,760
Total	\$ 157,910,868	\$ 189,371,760
District's covered payroll ⁽²⁾	\$ 331,387,964	\$ 336,805,214
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	47.65%	56.23%
Plan fiduciary net position as a percentage of the total OPEB liability	0.91%	1.57%

¹ The amounts for each fiscal year were determined as of August 31, the OPEB measurement date. Information for plan years prior to 2017 is not available.

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

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Contractually required contribution	\$ 1,128,080	\$ 1,238,509	\$ 1,235,601	\$ 1,305,482	\$ 1,420,486	\$ 1,563,710	\$ 1,699,880	\$ 1,856,924	\$ 2,468,771	\$ 2,775,970
Contributions in relation to the contractually required contribution	1,128,080	1,238,509	1,235,601	1,305,482	1,420,486	1,563,710	1,699,880	1,856,924	2,468,771	2,775,970
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 196,423,334	\$ 214,315,590	\$ 217,577,872	\$ 232,571,151	\$ 250,101,147	\$ 275,426,852	\$ 300,219,324	\$ 328,408,774	\$ 334,369,517	\$ 369,716,803
Contributions as a percentage of covered payroll	0.57%	0.58%	0.57%	0.56%	0.57%	0.57%	0.57%	0.57%	0.74%	0.75%

¹ District contributions in this schedule differ from the amount reported in Note 11 due to the difference between the TRS plan year (September 1 - August 31) and the District's fiscal year (July 1 - June 30).

² Covered payroll includes all TRS-eligible payroll paid by the district during the fiscal year (July 1 - June 30).



Bittersweet
2019 State VASE Medalist
ZOE MEEKER
Liberty High School
Teacher: Pernie Fallon

OTHER SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

FRISCO INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over/(Under)
	Original	Final		
REVENUES				
5700 Local and intermediate sources	\$ 177,147,000	\$ 177,147,000	\$ 126,590,735	\$ (50,556,265)
5800 State program revenues			1,498,057	1,498,057
5020 Total Revenues	<u>177,147,000</u>	<u>177,147,000</u>	<u>128,088,792</u>	<u>(49,058,208)</u>
EXPENDITURES				
Debt Service:				
0071 Principal on long-term debt	54,994,504	51,994,504	49,984,001	(2,010,503)
0072 Interest on long-term debt	80,359,496	83,359,496	83,323,903	(35,593)
0073 Bond issuance costs and fees	2,000,000	2,000,000	1,057,014	(942,986)
6030 Total Expenditures	<u>137,354,000</u>	<u>137,354,000</u>	<u>134,364,918</u>	<u>(2,989,082)</u>
1100 Excess (deficiency) of revenues over (under) expenditures	<u>39,793,000</u>	<u>39,793,000</u>	<u>(6,276,126)</u>	<u>(46,069,126)</u>
OTHER FINANCING SOURCES (USES):				
7901 Refunding bonds issued			130,510,000	130,510,000
7916 Premium on issuance of bonds			14,073,929	14,073,929
8949 Payment to refunded bond escrow agent			(143,547,975)	(143,547,975)
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>1,035,954</u>	<u>1,035,954</u>
1200 Net change in fund balances	<u>39,793,000</u>	<u>39,793,000</u>	<u>(5,240,172)</u>	<u>(45,033,172)</u>
0100 Fund balances - beginning	<u>137,243,079</u>	<u>137,243,079</u>	<u>137,243,079</u>	<u>-</u>
3000 Fund balances - ending	<u>\$ 177,036,079</u>	<u>\$ 177,036,079</u>	<u>\$ 132,002,907</u>	<u>\$ (45,033,172)</u>

OTHER SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

FRISCO INDEPENDENT SCHOOL DISTRICT
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 students.

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 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 U.S. Department of Education, as passed through 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 an instructional materials allotment funded by the State of Texas to purchase textbooks and other instructional materials, including technological software or equipment that contributes to student learning and/or 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.

Shared Services Arrangement is funded by the Texas Education agency and passed through a fiscal agent, Richardson ISD. In cooperation with other member districts, funding provides services to students with autism.

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 by 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.

**FRISCO INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019**

EXHIBIT G-2
(Continued)

	205	211	224	225	226	240	244
Data Control Codes	Head Start Fund	ESEA, Title I, Part A Fund	IDEA-B Formula Fund	IDEA-B Preschool Fund	IDEA-B Discretionary Fund	Child Nutrition Fund	Career and Technical Basic Grant Fund
ASSETS							
1110 Cash and investments				\$ 28		\$ 10,252,936	
1240 Due from other governments	\$ 92,112	\$ 290,840	\$ 3,289,100	\$ (28)	\$ 342,738	7,158	\$ 96,228
1290 Other receivables	3,125	790				45,473	
1410 Prepaid expenditures							
1000 Total Assets	<u>\$ 95,237</u>	<u>\$ 291,630</u>	<u>\$ 3,289,100</u>	<u>\$ -</u>	<u>\$ 342,738</u>	<u>\$ 10,305,567</u>	<u>\$ 96,228</u>
LIABILITIES							
2110 Accounts payable			415,068			71,337	4,138
2160 Accrued wages payable	25,856	33,905	960,148			1,452,707	
2170 Due to other funds	69,381	257,725	1,913,884		342,738		92,090
2300 Unearned revenue						1,051,107	
2000 Total Liabilities	<u>95,237</u>	<u>291,630</u>	<u>3,289,100</u>	<u>-</u>	<u>342,738</u>	<u>2,575,151</u>	<u>96,228</u>
FUND BALANCES							
Nonspendable:							
3430 Prepaid expenditures							
3450 Restricted for:							
Federal and state grant programs						7,730,416	
Committed to:							
3545 Local grants, awards and contributions							
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,730,416</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 95,237</u>	<u>\$ 291,630</u>	<u>\$ 3,289,100</u>	<u>\$ -</u>	<u>\$ 342,738</u>	<u>\$ 10,305,567</u>	<u>\$ 96,228</u>

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**FRISCO INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019**

EXHIBIT G-2
(Continued)

	255	263	272	289	385	392	397
Data Control Codes	ESEA, Title II, Part A Fund	ESEA, Title III, Part A Fund	Medicaid Administrative Claiming Fund	Summer School LEP Fund	Visually Impaired SSVI Fund	Noneducational Community Based Support Fund	Advanced Placement Incentives Fund
ASSETS							
1110 Cash and investments			\$ 91,584	\$ 22,690			
1240 Due from other governments	\$ 36,292	\$ 186,079		11,557		\$ 8,093	14,700
1290 Other receivables							
1410 Prepaid expenditures							
1000 Total Assets	<u>\$ 36,292</u>	<u>\$ 186,079</u>	<u>\$ 91,584</u>	<u>\$ 34,247</u>	<u>\$ -</u>	<u>\$ 8,093</u>	<u>\$ 14,700</u>
LIABILITIES							
2110 Accounts payable							
2160 Accrued wages payable	10,444	82,037		27,594		7,160	
2170 Due to other funds	25,848	104,042				933	
2300 Unearned revenue							14,700
2000 Total Liabilities	<u>36,292</u>	<u>186,079</u>	<u>-</u>	<u>27,594</u>	<u>-</u>	<u>8,093</u>	<u>14,700</u>
FUND BALANCES							
Nonspendable:							
3430 Prepaid expenditures							
3450 Restricted for:							
Federal and state grant programs			91,584	6,653			
Committed to:							
3545 Local grants, awards and contributions							
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>91,584</u>	<u>6,653</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 36,292</u>	<u>\$ 186,079</u>	<u>\$ 91,584</u>	<u>\$ 34,247</u>	<u>\$ -</u>	<u>\$ 8,093</u>	<u>\$ 14,700</u>

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**FRISCO INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019**

EXHIBIT G-2
(Concluded)

	410	429	459	461	480	497	498	
Data Control Codes	State Textbook Fund	Read to Succeed Fund	Shared Services Arrangement	Campus Activity Fund	Restricted Donations and Grants	Frisco Partners Funds	Child Development Center Fund	Total Non-Major Governmental Funds
ASSETS								
1110 Cash and investments	\$ 6,359,605	\$ 52	\$ 2,814	\$ 2,362,172	\$ 307,233	\$ 18,397	\$ 198,274	\$ 19,615,785
1240 Due from other governments	106,079		24,186					4,505,134
1290 Other receivables				122				49,510
1410 Prepaid expenditures				59,389				59,389
1000 Total Assets	\$ 6,465,684	\$ 52	\$ 27,000	\$ 2,421,683	\$ 307,233	\$ 18,397	\$ 198,274	\$ 24,229,818
LIABILITIES								
2110 Accounts payable	2,603,788		27,000	66,697	5,267	18,397		3,211,692
2160 Accrued wages payable							104,492	2,704,343
2170 Due to other funds								2,806,641
2300 Unearned revenue								1,065,807
2000 Total Liabilities	2,603,788	-	27,000	66,697	5,267	18,397	104,492	9,788,483
FUND BALANCES								
Nonspendable:								
3430 Prepaid expenditures				59,389				59,389
Restricted for:								
3450 Federal and state grant programs	3,861,896	52						11,690,601
Committed to:								
3545 Local grants, awards and contributions				2,295,597	301,966		93,782	2,691,345
3000 Total Fund Balances	3,861,896	52	-	2,354,986	301,966	-	93,782	14,441,335
4000 Total Liabilities and Fund Balances	\$ 6,465,684	\$ 52	\$ 27,000	\$ 2,421,683	\$ 307,233	\$ 18,397	\$ 198,274	\$ 24,229,818

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**FRISCO INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

EXHIBIT G-3
(Continued)

	205	211	224	225	226	240	244	
Data Control Codes	Head Start Fund	ESEA, Title I, Part A Fund	IDEA-B Formula Fund	IDEA-B Preschool Fund	IDEA-B Discretionary Fund	Child Nutrition Fund	Career and Technical Basic Grant Fund	
REVENUES								
5700 Local and intermediate sources						\$ 18,503,499		
5800 State program revenues						105,270		
5900 Federal program revenues	\$ 191,913	\$ 760,974	\$ 8,904,297	\$ 13,247	\$ 437,989	6,814,609	\$ 236,965	
5020 Total Revenues	191,913	760,974	8,904,297	13,247	437,989	25,423,378	236,965	
EXPENDITURES								
Current:								
0011 Instruction	191,913	583,195	5,218,432	13,247	416,811		236,965	
0012 Instructional resources and media services								
0013 Curriculum and instructional staff development		37,384	284,997					
0021 Instructional leadership		136,731	22,608					
0023 School leadership		1,865	9,492					
0031 Guidance, counseling and evaluation services		493	3,368,768		21,178			
0033 Health services		186						
0035 Food services						23,139,454		
0036 Extracurricular activities								
0051 Facilities maintenance and operations						262,195		
0061 Community services		1,120						
6030 Total Expenditures	191,913	760,974	8,904,297	13,247	437,989	23,401,649	236,965	
1100 Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-	2,021,729	-	
OTHER FINANCING SOURCES (USES)								
7915 Transfers in								
8911 Transfers out								
7080 Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	
1200 Net change in fund balances	-	-	-	-	-	2,021,729	-	
0100 Fund balances - beginning						5,708,687		
3000 Fund balances - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,730,416	\$ -	

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**FRISCO INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

EXHIBIT G-3
(Continued)

	255	263	272	289	385	392	397
Data Control Codes	ESEA, Title II, Part A Fund	ESEA, Title III, Part A Fund	Medicaid Administrative Claiming Fund	Summer School LEP Fund	Visually Impaired SSVI Fund	Noneducational Community Based Support Fund	Advanced Placement Incentives Fund
REVENUES							
5700 Local and intermediate sources							
5800 State program revenues					\$ 4,432	\$ 9,039	\$ 39,500
5900 Federal program revenues	\$ 285,792	\$ 494,518	\$ 67,282	\$ 58,473			
5020 Total Revenues	<u>285,792</u>	<u>494,518</u>	<u>67,282</u>	<u>58,473</u>	<u>4,432</u>	<u>9,039</u>	<u>39,500</u>
EXPENDITURES							
Current:							
0011 Instruction	161,250	376,689		27,745	4,432		
0012 Instructional resources and media services	2,738						
0013 Curriculum and instructional staff development	46,513	70,400		31,024			54,200
0021 Instructional leadership	11,324	47,362					
0023 School leadership	61,234	47					
0031 Guidance, counseling and evaluation services	2,733						
0033 Health services		20	4,822				
0035 Food services							
0036 Extracurricular activities							
0051 Facilities maintenance and operations						9,039	
0061 Community services						9,039	
6030 Total Expenditures	<u>285,792</u>	<u>494,518</u>	<u>4,822</u>	<u>58,769</u>	<u>4,432</u>	<u>9,039</u>	<u>54,200</u>
1100 Excess (deficiency) of revenues over (under) expenditures	-	-	62,460	(296)	-	-	(14,700)
OTHER FINANCING SOURCES (USES)							
7915 Transfers in							14,700
8911 Transfers out							
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,700</u>
1200 Net change in fund balances	-	-	62,460	(296)	-	-	-
0100 Fund balances - beginning			29,124	6,949			
3000 Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,584</u>	<u>\$ 6,653</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**FRISCO INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

EXHIBIT G-3
(Concluded)

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	410	429	459	461	480	497	498	
Data Control Codes	State Textbook Fund	Read to Succeed Fund	Shared Services Arrangement	Campus Activity Fund	Restricted Donations and Grants	Frisco Partners Fund	Child Development Center Fund	Total Non-Major Governmental Funds
REVENUES								
5700 Local and intermediate sources	\$ 7,546		\$ 152,654	\$ 915,428	\$ 480,396	\$ 57,938	\$ 626,647	\$ 20,744,108
5800 State program revenues	7,386,238	\$ 1,356						7,545,835
5900 Federal program revenues								18,266,059
5020 Total Revenues	7,393,784	1,356	152,654	915,428	480,396	57,938	626,647	46,556,002
EXPENDITURES								
Current:								
0011 Instruction	4,378,974		42,404		180,929	51,094		11,884,080
0012 Instructional resources and media services		59			4,031	5,208		12,036
0013 Curriculum and instructional staff development		1,317	110,250					636,085
0021 Instructional leadership					1,250			219,275
0023 School leadership					10,410	1,636		84,684
0031 Guidance, counseling and evaluation services					492			3,393,664
0033 Health services					285			5,313
0035 Food services					10,970			23,150,424
0036 Extracurricular activities				817,244	83,010			900,254
0051 Facilities maintenance and operations								262,195
0061 Community services							714,432	724,591
6030 Total Expenditures	4,378,974	1,376	152,654	817,244	291,377	57,938	714,432	41,272,601
1100 Excess (deficiency) of revenues over (under) expenditures	3,014,810	(20)	-	98,184	189,019	-	(87,785)	5,283,401
OTHER FINANCING SOURCES (USES)								
7915 Transfers in								14,700
8911 Transfers out				(18,795)				(18,795)
7080 Total Other Financing Sources (Uses)	-	-	-	(18,795)	-	-	-	(4,095)
1200 Net change in fund balances	3,014,810	(20)	-	79,389	189,019	-	(87,785)	5,279,306
0100 Fund balances - beginning	847,086	72		2,275,597	112,947		181,567	9,162,029
3000 Fund balances - ending	\$ 3,861,896	\$ 52	\$ -	\$ 2,354,986	\$ 301,966	\$ -	\$ 93,782	\$ 14,441,335

FRISCO INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
CHILD NUTRITION FUND
FOR THE YEAR ENDED JUNE 30, 2019

EXHIBIT G-4

Data Control Codes	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over/(Under)
	Original	Final		
REVENUES				
5700	\$ 19,071,600	\$ 19,071,600	\$ 18,503,499	\$ (568,101)
5800	110,000	110,000	105,270	(4,730)
5900	5,320,000	5,320,000	6,814,609	1,494,609
5020	24,501,600	24,501,600	25,423,378	921,778
EXPENDITURES				
Current:				
0035	24,239,850	24,238,350	23,139,454	(1,098,896)
0051	261,750	263,250	262,195	(1,055)
6030	24,501,600	24,501,600	23,401,649	(1,099,951)
1100	-	-	2,021,729	2,021,729
1200	-	-	2,021,729	2,021,729
0100	5,708,687	5,708,687	5,708,687	-
3000	\$ 5,708,687	\$ 5,708,687	\$ 7,730,416	\$ 2,021,729

OTHER SUPPLEMENTARY INFORMATION

AGENCY FUND

FRISCO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2019

EXHIBIT G-5

Data Control Codes	Balance		Deductions	Balance June 30, 2019
	July 1, 2018	Additions		
ASSETS				
1110	Cash and investments	\$ 1,280,483	\$ 2,187,408	\$ 2,123,911
	Total Assets	<u>\$ 1,280,483</u>	<u>\$ 2,187,408</u>	<u>\$ 2,123,911</u>
LIABILITIES				
2110	Accounts payable	\$ 89,890	\$ 2,022,243	\$ 2,052,509
2190	Due to student groups	1,190,593	2,170,157	2,076,394
	Total Liabilities	<u>\$ 1,280,483</u>	<u>\$ 4,192,400</u>	<u>\$ 4,128,903</u>

OTHER SUPPLEMENTARY INFORMATION

REQUIRED TEA SCHEDULE

STATISTICAL SECTION
(UNAUDITED)

**FRISCO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
AS OF JUNE 30, 2019**

EXHIBIT H-1

Last Ten Fiscal Years	1 2 Tax Rates		3 Assessed/Appraised Value for School Tax Purposes	10 Beginning Balance	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance
	Maintenance	Debt Service							
Prior to 2011	Various	Various	Various	\$ (142,961)		\$ 4,099	\$ 1,637	\$ (88,509)	(237,206)
2011	\$1.00	\$0.39	16,875,842,501	162,570		5,429	2,117	(209)	154,815
2012	\$1.00	\$0.42	17,504,188,590	51,061		56,297	23,645	(568)	(29,449)
2013	\$1.04	\$0.42	18,411,182,624	446,884		247,978	100,145	20,346	119,107
2014	\$1.04	\$0.42	20,072,776,233	626,219		607,954	245,520	453,552	226,297
2015	\$1.04	\$0.42	23,005,771,528	664,522		766,682	309,621	851,701	439,920
2016	\$1.04	\$0.42	26,230,139,504	799,461		711,589	287,373	870,158	670,657
2017	\$1.04	\$0.42	30,621,651,034	610,269		370,289	149,540	770,391	860,831
2018	\$1.04	\$0.42	35,570,550,343	2,079,540		711,183	287,208	(72,869)	1,008,280
2019	\$1.17	\$0.27	40,349,486,303		\$ 558,759,088	460,602,871	106,293,001	11,965,847	3,829,063
Totals				\$ 5,297,565	\$ 558,759,088	\$ 464,084,371	\$ 107,699,807	\$ 14,769,840	\$ 7,042,315
Portion of total collections paid into Tax Increment Zone Under Chapter 311, Tax Code						\$ 22,792,209			

**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	PAGE
Financial Trends	64
These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	
Revenue Capacity	69
These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	
Debt Capacity	73
These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	
Demographic Information	76
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	
Operating Information	78
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	

FINANCIAL TRENDS

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

EXHIBIT S-1

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
GOVERNMENTAL ACTIVITIES										
Net investment in capital assets	\$ (204,940,333)	\$ (233,522,841)	\$ (274,216,290)	\$ (293,661,182)	\$ (273,081,937)	\$ (305,309,356)	\$ (232,937,713)	\$ (232,777,187)	\$ (346,371,603)	\$ (363,992,174)
Restricted for Federal and State grant programs	2,851,739	2,606,162	3,208,210	2,904,294	3,789,148	5,261,965	4,489,444	5,475,019	6,591,918	11,690,601
Restricted for debt services	68,589,861	64,418,051	71,170,956	72,023,378	53,919,728	54,250,586	57,086,768	80,911,177	110,066,081	105,581,772
Restricted for capital projects	7,833,126	-	-	-	-	-	-	-	-	-
Unrestricted Net Position	22,911,965	26,295,778	47,511,053	51,311,286	66,159,069	353,464	(86,843,097)	(99,981,333)	(190,605,648)	(160,936,956)
Total Net Position	\$ (102,773,542)	\$ (140,142,850)	\$ (152,326,041)	\$ (167,422,224)	\$ (149,213,992)	\$ (245,443,341)	\$ (258,204,598)	\$ (246,372,324)	\$ (420,319,252)	\$ (407,656,757)

Source: Frisco ISD Annual Financial Reports

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

EXHIBIT S-2

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
EXPENSES										
Governmental Activities:										
Instruction	\$ 200,270,949	\$ 210,372,150	\$ 207,257,489	\$ 220,404,517	\$ 237,776,317	\$ 284,653,714	\$ 305,605,412	\$ 325,140,742	\$ 227,342,595	\$ 385,220,355
Instructional resources and media services	7,456,175	7,041,284	5,072,392	6,878,260	7,563,264	9,187,036	9,796,673	9,325,687	6,373,399	8,849,546
Curriculum and instructional staff development	4,416,790	4,196,290	5,540,212	6,695,992	7,496,653	8,527,459	8,937,996	9,447,290	6,858,766	11,026,050
Instructional leadership	4,152,342	4,183,981	3,496,529	4,538,265	4,625,073	5,075,185	5,474,033	6,192,970	4,615,947	8,153,468
School leadership	16,296,540	19,604,431	18,585,563	22,284,476	21,657,026	28,254,017	30,178,920	32,328,267	23,791,263	37,705,167
Guidance, counseling and evaluation services	10,135,488	11,165,424	11,195,982	12,552,997	12,828,364	14,672,505	16,612,319	17,508,585	11,811,319	22,074,050
Social work services	311,030	309,809	292,395	343,427	360,371	352,044	361,960	279,911	119,107	206,324
Health services	3,401,665	3,612,048	3,388,277	3,738,802	3,885,439	4,700,476	5,183,496	5,496,484	3,702,581	6,590,798
Student transportation	9,747,990	9,511,115	9,476,656	9,854,542	10,489,264	11,631,466	12,127,267	12,899,257	10,690,822	15,649,573
Food services	15,352,293	17,089,059	16,966,824	18,662,958	20,138,815	22,671,955	25,943,835	25,477,572	21,130,662	26,438,963
Extracurricular activities	13,978,597	16,269,145	14,145,666	14,929,811	15,493,350	17,804,290	19,434,773	19,440,200	17,052,390	23,276,818
General administration	7,289,357	7,371,999	7,647,253	6,560,127	6,752,192	8,271,754	9,432,967	9,747,588	8,358,009	12,707,266
Facilities maintenance and operations	29,109,608	31,567,513	28,970,801	30,168,059	31,796,821	37,020,121	45,202,540	46,480,755	47,446,326	54,392,409
Security and monitoring services	1,610,482	2,219,918	2,418,991	2,731,959	3,595,026	3,808,630	3,916,348	3,826,564	3,293,454	4,399,063
Data processing services	4,986,191	5,930,740	6,275,652	6,718,444	7,194,012	9,499,233	9,131,244	8,927,287	9,372,444	11,961,523
Community services	1,498,050	1,539,113	1,514,281	1,572,685	1,516,206	1,992,750	1,857,437	1,900,499	1,452,458	2,072,276
Debt service - interest on long-term debt	60,341,816	61,708,857	64,807,149	70,402,767	45,233,434	73,966,028	81,825,335	79,783,468	77,551,045	82,228,452
Debt service - bond issuance costs and fees	224,619	303,281	784,857	1,034,160	1,288,269	2,511,829	3,518,708	2,474,789	691,035	2,143,297
Contracted instructional services between schools	1,331,260	3,004,389	1,582,625	1,785,899	1,004,896	1,177,873	217,771	-	-	14,017,478
Payments to fiscal agent/member districts of SSA	135,132	195,897	-	-	-	-	-	-	-	-
Payments to juvenile justice alternative education program:	87,929	90,309	60,791	44,573	23,499	47,931	37,077	67,814	30,118	35,666
Payments to tax increment fund	13,078,366	12,475,699	15,300,909	16,558,936	17,605,466	19,317,219	20,698,870	22,583,104	25,397,908	25,169,882
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	3,040,455	3,492,348
Total Governmental Activities Expenses	406,826,383	431,399,523	426,439,348	460,262,744	460,248,703	567,245,555	617,872,516	642,012,008	510,122,013	757,810,772
PROGRAM REVENUES										
Governmental Activities:										
Charges for Services:										
Instruction	195,799	234,762	206,936	290,231	350,717	396,872	403,481	310,309	733,927	923,344
Food services	11,381,160	12,372,825	13,077,118	13,685,406	14,494,346	16,242,616	17,585,643	17,491,137	18,376,266	18,335,195
Extracurricular activities	926,755	1,475,974	1,522,873	1,506,143	1,525,824	1,605,535	1,789,238	2,423,340	2,379,643	2,362,725
Facilities maintenance and operations	731,934	536,802	1,913,519	2,299,332	2,394,812	2,554,502	2,864,952	2,818,152	3,172,769	3,631,143
Operating Grants and Contributions	31,313,190	32,628,060	25,145,775	22,544,354	26,278,448	38,071,093	34,845,658	38,224,087	(58,806,085)	64,655,694
Total Governmental Activities Program Revenues	44,548,838	47,248,423	41,866,221	40,325,466	45,044,147	58,870,618	57,497,972	61,267,025	(34,143,480)	89,908,101
Net (Expense) Revenue	(362,277,545)	(384,151,100)	(384,573,127)	(419,937,278)	(415,204,556)	(508,374,937)	(560,374,544)	(580,744,983)	(544,265,493)	(667,902,671)

Source: Frisco ISD Annual Financial Reports

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

EXHIBIT S-3

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net (Expense) Revenue	\$ (362,277,545)	\$ (384,151,100)	\$ (384,573,127)	\$ (419,937,278)	\$ (415,204,556)	\$ (508,374,937)	\$ (560,374,544)	\$ (580,744,983)	\$ (544,265,493)	\$ (667,902,671)
GENERAL REVENUES										
Governmental Activities:										
Taxes:										
Property taxes, levied for general purposes	173,721,989	171,001,679	177,079,758	199,562,589	229,889,558	265,133,759	279,061,789	328,154,575	375,184,044	471,611,015
Property taxes, levied for debt service	62,409,766	61,736,118	68,875,705	72,822,119	80,937,836	93,922,813	105,578,096	124,819,619	142,848,448	104,085,263
State aid - formula grants	85,246,982	99,211,962	104,324,856	117,087,935	119,733,020	120,405,390	139,758,001	115,510,634	98,313,792	64,008,393
Grants and contributions not restricted to specific programs	17,407	180	20,083	516,970	-	-	2,332,383	2,320,903	2,858,270	6,520,666
Investment earnings	358,496	246,295	184,963	238,659	98,009	166,062	720,988	1,994,950	5,260,009	9,862,834
Miscellaneous local and intermediate revenue	18,969,299	17,388,973	21,901,571	20,559,060	2,754,365	3,625,774	20,162,030	19,776,576	23,075,918	24,456,995
Total General Revenue	338,723,939	349,505,207	372,386,936	410,787,332	433,412,788	483,253,798	547,613,287	592,577,257	647,540,481	680,565,166
Change in net position	(23,553,696)	(34,645,893)	(12,186,191)	(9,149,946)	18,208,232	(25,121,139)	(12,761,257)	11,832,274	103,274,988	12,662,495
Net position - beginning, as adjusted	(79,219,936)	(105,496,957)	(140,142,850)	(158,272,278)	(167,422,224)	(220,322,202)	(245,443,341)	(258,204,598)	(523,594,276)	(420,319,252)
Net position - ending	\$ (102,773,542)	\$ (140,142,850)	\$ (152,329,041)	\$ (167,422,224)	\$ (149,213,992)	\$ (245,443,341)	\$ (258,204,598)	\$ (246,372,324)	\$ (420,319,252)	\$ (407,656,757)

Source: Frisco ISD Annual Financial Reports

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

EXHIBIT S-4

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
GENERAL FUND										
Reserved	\$ 51,281									
Nonspendable		\$ 251,404	\$ 141,684	\$ 163,824	\$ 264,523	\$ 410,917	\$ 702,073	\$ 905,361	\$ 171,510	\$ 315,816
Assigned							11,058,554	3,750,957	3,665,783	37,077,190
Unreserved /Unassigned	46,286,952	42,818,991	60,123,335	72,501,978	84,900,184	92,068,189	111,732,514	128,605,979	158,970,627	169,214,689
Total General Fund	46,338,233	43,070,395	60,265,019	72,665,802	85,164,707	92,479,106	123,493,141	133,262,297	162,807,920	206,607,695
ALL OTHER GOVERNMENTAL FUNDS										
Reserved for:										
Debt service fund	67,245,565									
Child nutrition service	2,831,739									
Designated for:										
Construction	7,833,126									
Other Purposes										
Nonspendable					71,910	45,631	64,406	65,712	53,232	59,389
Restricted		118,756,851	78,941,316	125,818,111	173,944,026	226,127,518	204,022,445	175,399,955	205,123,183	319,200,288
Committed				2,171,829	2,117,958	2,088,957	2,225,283	2,469,521	2,516,879	2,691,345
Assigned								5,889,126	6,803,546	13,017,077
Unreserved/Unassigned	156,9851	1,750,466	1,958,933							
Total All Other Governmental Funds	79,480,281	120,507,317	80,900,249	127,989,940	176,133,894	228,262,106	206,312,134	183,824,314	214,496,840	334,968,099
Total Governmental Funds	\$ 125,818,514	\$ 163,577,712	\$ 141,165,268	\$ 200,655,742	\$ 261,298,601	\$ 320,741,212	\$ 329,805,275	\$ 317,086,611	\$ 377,304,760	\$ 541,575,794

¹ 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.

² 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

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

EXHIBIT S-5

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
REVENUES										
Local and intermediate sources	\$ 266,335,275	\$ 265,159,734	\$ 286,574,924	\$ 309,077,472	\$ 333,806,178	\$ 381,193,995	\$ 432,689,498	\$ 499,188,264	\$ 573,074,722	\$ 637,277,478
State program revenues	97,190,014	111,289,016	115,321,314	129,571,556	133,799,695	133,975,235	161,187,530	139,189,304	123,769,796	94,347,646
Federal program revenues	19,387,565	20,551,186	14,169,400	10,477,603	11,423,023	12,432,495	13,641,401	14,684,530	16,554,826	24,786,725
	<u>382,912,854</u>	<u>396,999,936</u>	<u>416,065,638</u>	<u>449,226,731</u>	<u>479,028,896</u>	<u>527,601,725</u>	<u>607,518,429</u>	<u>653,062,098</u>	<u>713,799,344</u>	<u>756,411,849</u>
EXPENDITURES										
Current:										
Instruction	173,467,078	182,496,322	176,860,360	196,244,658	210,384,860	234,760,899	259,362,734	288,828,129	297,585,386	325,454,888
Instructional resources and media services	5,119,964	5,048,034	4,411,159	5,057,068	5,272,336	5,578,571	5,903,740	6,586,387	5,953,569	6,152,141
Curriculum and instructional staff development	4,417,134	4,173,666	5,497,695	6,696,310	7,496,653	8,307,911	8,808,991	9,040,748	9,439,319	10,506,123
Instructional leadership	4,152,686	4,161,357	3,452,915	4,538,583	4,625,073	4,893,191	5,399,089	6,099,992	7,157,033	7,682,331
School leadership	15,986,938	19,117,432	17,936,465	21,966,564	21,321,892	23,588,233	26,215,585	28,479,181	30,234,448	32,036,475
Guidance, counseling and evaluation services	10,136,519	11,120,177	11,067,229	12,553,335	12,827,113	14,112,899	16,381,866	17,262,743	18,196,373	20,788,270
Social work services	311,030	309,809	292,395	343,427	360,371	343,027	356,988	275,677	192,909	193,601
Health services	3,386,708	3,562,679	3,328,177	3,729,920	3,872,931	4,566,068	5,079,075	5,408,782	5,603,653	6,208,788
Student transportation	7,832,691	7,529,367	7,454,070	8,124,128	8,769,634	9,558,458	10,435,043	11,284,361	11,852,424	13,318,672
Food services	14,103,336	15,105,284	15,090,635	16,800,946	18,146,918	19,975,220	23,090,610	23,401,047	22,890,630	23,179,124
Extracurricular activities	9,615,377	11,031,634	11,480,974	12,155,988	12,380,344	13,161,741	14,863,418	15,354,435	16,207,142	17,841,039
General administration	6,228,714	6,431,057	4,991,034	5,706,743	5,685,941	6,470,414	7,823,941	8,223,475	9,498,014	10,994,089
Facilities maintenance and operations	26,336,467	28,722,255	24,674,238	27,818,925	28,974,793	30,974,767	33,256,966	34,121,457	36,606,690	39,209,444
Security and monitoring services	1,325,543	1,768,526	1,923,659	1,865,957	2,510,096	3,091,852	3,279,043	3,568,407	3,527,117	3,833,841
Data processing services	1,775,221	2,163,063	3,309,326	5,146,610	5,307,632	6,206,388	6,138,332	5,982,344	10,321,078	9,112,233
Community services	1,496,786	1,527,079	1,502,248	1,560,970	1,514,385	1,633,826	1,582,736	1,624,382	1,588,321	1,738,209
Debt Service:										
Principal on long-term debt	19,153,896	20,672,773	18,376,134	20,579,605	27,935,713	28,407,368	33,165,766	40,208,068	58,941,144	49,984,001
Interest on long-term debt	56,970,707	55,877,774	60,861,887	62,655,429	61,273,182	70,090,988	79,264,169	82,689,419	77,339,248	83,323,903
Bond issuance costs and fees	841,153	942,386	555,641	1,034,160	1,288,269	2,511,829	3,518,708	2,474,790	691,035	2,143,297
Capital Outlay:										
Facilities acquisition and construction	92,337,806	66,948,012	97,792,344	81,302,872	167,713,439	231,716,698	213,578,123	166,980,903	51,958,032	37,922,746
Intergovernmental:										
Contracted instructional services between schools	1,331,260	3,004,389	1,582,625	1,785,899	1,004,896	1,177,873	217,771	-	-	14,017,478
Payments to fiscal agent/member districts of SSA	135,132	195,897	-	-	-	-	-	-	-	-
Payments to juvenile justice alternative education	87,929	90,309	60,791	44,573	23,499	47,931	37,077	67,814	30,118	35,666
Payments tax increment fund	13,078,366	12,475,699	15,300,909	16,558,936	17,605,466	19,317,219	20,698,870	22,683,104	25,297,908	25,169,882
Transfers in	1,613,714	1,637,072	1,658,054	1,801,089	1,924,946	2,102,040	2,377,535	2,683,175	3,040,455	3,492,348
Other intergovernmental charges	471,242,855	466,112,052	489,460,964	516,072,694	628,220,382	742,593,351	780,836,176	783,228,820	704,252,046	744,338,589
	<u>(88,330,001)</u>	<u>(69,112,116)</u>	<u>(73,395,326)</u>	<u>(66,845,963)</u>	<u>(149,191,486)</u>	<u>(214,991,626)</u>	<u>(173,317,747)</u>	<u>(130,166,722)</u>	<u>9,547,298</u>	<u>12,073,260</u>
Excess (deficiency) of revenues over (under) expenditures										
OTHER FINANCING SOURCES (USES)										
Capital related debt issued (regular and refunding bonds)	85,250,000	181,031,260	147,610,357	258,246,992	202,300,000	299,320,000	381,640,000	282,235,000	49,865,000	265,390,000
Premium on issuance of bonds	2,361,017	9,692,980	11,084,272	30,271,957	10,436,146	19,187,662	38,051,415	32,747,133	805,851	30,280,211
Sale of real and personal property	-	13,057	2,412	7,464,755	2,253,199	6,915,575	3,884,912	-	-	75,538
Transfers in	28,148,312	12,325,434	8,958,340	16,486,477	14,511,144	7,774,470	7,115,500	6,051,998	7,285,940	10,035,495
Other resources	-	270	-	-	-	-	-	-	-	-
Transfers out	(28,148,312)	(13,621,257)	(13,241,717)	(16,422,968)	(14,511,144)	(7,774,470)	(7,115,500)	(6,051,998)	(7,285,940)	(10,035,495)
Payment to refunded bond escrow agent	(51,712,224)	(79,846,745)	(103,431,052)	(169,710,776)	(5,155,000)	(80,990,000)	(241,194,517)	(197,534,075)	-	(143,547,975)
	<u>35,898,793</u>	<u>109,594,729</u>	<u>50,962,882</u>	<u>126,336,437</u>	<u>209,834,345</u>	<u>274,434,237</u>	<u>182,381,810</u>	<u>117,448,058</u>	<u>50,670,851</u>	<u>152,197,774</u>
	<u>(52,431,208)</u>	<u>40,482,613</u>	<u>(22,412,444)</u>	<u>59,490,474</u>	<u>60,642,859</u>	<u>59,442,611</u>	<u>9,064,063</u>	<u>(12,718,664)</u>	<u>60,218,149</u>	<u>164,271,034</u>
Net change in fund balances	<u>178,249,722</u>	<u>123,095,099</u>	<u>163,577,712</u>	<u>141,165,268</u>	<u>200,655,742</u>	<u>261,298,601</u>	<u>320,741,212</u>	<u>329,805,275</u>	<u>317,086,611</u>	<u>377,304,760</u>
Fund balances - beginning, as adjusted	<u>\$ 125,018,514</u>	<u>\$ 163,577,712</u>	<u>\$ 141,165,268</u>	<u>\$ 200,655,742</u>	<u>\$ 261,298,601</u>	<u>\$ 320,741,212</u>	<u>\$ 329,805,275</u>	<u>\$ 317,086,611</u>	<u>\$ 377,304,760</u>	<u>\$ 541,575,794</u>
Fund balances - ending										
Debt service as a percentage of non-capital expenditures	20.31%	19.41%	20.37%	19.38%	19.18%	18.35%	18.35%	19.64%	20.16%	18.26%

Source: Frisco ISD Annual Financial Reports

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

EXHIBIT S-6

Fiscal Year	Actual Value										Less: Exemptions	Total Taxable Value	Total District Rate
	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			
2010	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
2011	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
2012	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
2013	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
2014	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
2015	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
2016	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
2017	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
2018	24,266,454,955	2,863,423,379	574,861,150	1,636,247,637	651,465,813	7,029,248,675	219,739,241	1,092,637,491	639,966,905	38,974,045,246	3,403,494,903	35,570,550,343	\$1.46
2019	26,446,203,218	3,475,935,845	592,806,009	1,544,597,794	534,068,422	8,646,055,811	257,452,561	1,274,799,591	736,850,877	43,508,770,128	3,159,283,825	40,349,486,303	\$1.44

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

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

EXHIBIT S-7

Tax Year	Frisco ISD Direct Rate			Overlapping Rates								
	Maintenance & Operations Rate	Interest & Sinking Rate	Total Direct Rate	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
2009	1.0000	0.3900	1.3900	0.4500	0.2450	0.0865	0.6100	0.4735	0.2357	0.5697	0.5798	1.0000
2010	1.0000	0.3900	1.3900	0.4650	0.2425	0.0863	0.6100	0.4886	0.2498	0.6345	0.4478	1.0000
2011	1.0000	0.4200	1.4200	0.4650	0.2425	0.0863	0.6100	0.4886	0.2739	0.6652	0.4754	1.0000
2012	1.0400	0.4200	1.4600	0.4620	0.2400	0.0863	0.6100	0.4886	0.2774	0.6650	0.4766	1.0000
2013	1.0400	0.4200	1.4600	0.4620	0.2400	0.0863	0.6100	0.4886	0.2829	0.6650	0.4857	1.0000
2014	1.0400	0.4200	1.4600	0.4620	0.2380	0.0863	0.6100	0.4886	0.2829	0.6650	0.4627	1.0000
2015	1.0400	0.4200	1.4600	0.4620	0.2380	0.0836	0.5855	0.4886	0.2850	0.6650	0.4627	1.0000
2016	1.0400	0.4200	1.4600	0.4500	0.2084	0.0812	0.5830	0.4786	0.2484	0.6617	0.3382	1.0000
2017	1.0400	0.4200	1.4600	0.4466	0.1926	0.0798	0.5730	0.4686	0.2378	0.6577	0.2343	1.0000
2018	1.1700	0.2700	1.4400	0.4466	0.1808	0.0812	0.5252	0.4603	0.2256	0.6499	0.2527	1.0000

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

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

EXHIBIT S-8

Taxpayer	Business Type	2019	
		Taxable Value	Percentage of Total Taxable Value
Liberty Mutual Plano LLC	Banking & Finance	\$ 345,798,915	0.86%
JP Morgan Chase Bank NA	Banking & Finance	312,538,085	0.77%
Toyota Motor North America Inc.	Automotive	253,208,768	0.63%
Capital One National Association	Banking & Finance	216,428,297	0.54%
Blue Star HQ Inc	Real Estate Development	201,017,500	0.50%
BPR Shopping Center LP	Real Estate Development	147,250,000	0.36%
Tollway/121 Partners LTD	Real Estate Development	131,158,164	0.33%
Granite Park VII LLC	Real Estate Development	122,502,127	0.30%
Granite Park NIM/GP IV LLC	Real Estate Development	108,205,000	0.27%
Granite Park I LLC	Real Estate Development	\$ 1,945,646,856	4.82%

Taxpayer	Business Type	2010	
		Taxable Value	Percentage of Total Taxable Value
Rodman LLC	Real Estate Development	\$ 100,058,043	0.58%
Tollway/121 Partners LTD	Real Estate Development	87,922,529	0.51%
Capital One National Association	Finance	85,842,007	0.49%
Tenet Frisco LTD	Medical	81,920,170	0.47%
McKinney (TX) - 7951 Collin McKinney	Real Estate Development	50,020,126	0.29%
Inland Wester/Weber JV Frisco Pkwy	Real Estate Development	44,000,722	0.25%
GP Park II LLC	Real Estate Development	44,000,000	0.25%
Virtu Investments LLC	Real Estate Development	43,600,000	0.25%
Granite Park I LLC	Real Estate Development	42,500,000	0.24%
OTR	Real Estate Development	\$ 41,129,338	0.47%
		\$ 620,992,935	3.80%

Source: Collin and Denton County Appraisal Districts

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

EXHIBIT S-9

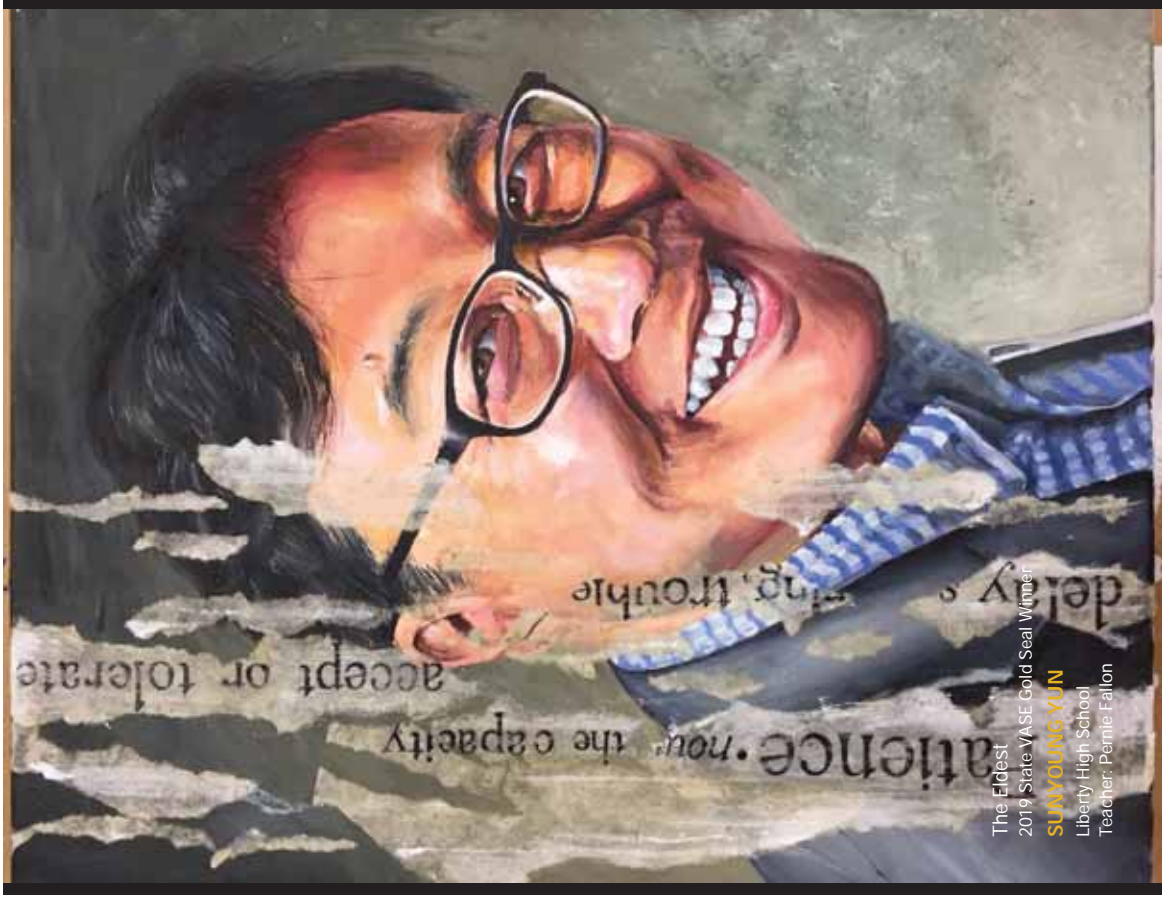
Fiscal Year	Taxes Levied for the Fiscal Year ¹	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Current Year Adjusted Levy ²	Total Collections to Date	
		Amount	Percentage of Levy			Amount ³	Percentage of Levy
2010	226,692,154	222,910,277	98.38%	3,698,001	226,699,701	226,608,278	99.96%
2011	236,338,412	232,171,603	98.24%	5,068,269	236,691,376	237,239,872	100.23%
2012	233,360,846	230,656,112	98.84%	5,139,438	235,066,039	235,795,550	100.31%
2013	246,595,889	244,576,313	99.18%	6,911,373	250,734,971	251,487,686	100.30%
2014	271,222,819	269,428,955	99.34%	7,373,843	275,502,784	276,802,798	100.47%
2015	292,572,378	289,372,452	99.11%	8,693,901	300,786,428	298,666,353	99.30%
2016	333,325,629	330,473,983	99.14%	5,704,952	337,474,594	336,178,935	99.62%
2017	440,260,516	437,197,385	99.30%	2,946,888	441,005,104	440,144,273	99.80%
2018	510,093,437	508,013,897	99.59%	998,391	510,020,568	509,012,288	99.80%
2019	570,724,935	566,895,872	99.33%		570,724,935	566,895,872	99.33%

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



DEBT CAPACITY

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

EXHIBIT S-11

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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
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%
2018	35,570,550,343	2,137,073,341	6.01%	256,078	138,905	8,345	11,710,037,600	18.25%
2019	40,349,486,303	2,236,379,576	5.54%	267,262	150,974	8,368	13,092,363,594	17.08%

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

EXHIBIT S-10

FRISCO INDEPENDENT SCHOOL DISTRICT
ESTIMATED OVERLAPPING DEBT STATEMENT
JUNE 30, 2019
(Unaudited)

Taxing Body	Amount	Percentage Overlapping	Amount Overlapping
Collin County	\$ 410,665,000	19.08%	\$ 78,354,882
Collin County CCD	246,415,000	19.08%	47,015,982
Denton County	620,385,000	10.92%	67,746,042
Denton County FWSD # 8-C	40,791,079	100.00%	40,791,079
City of Frisco	847,035,000	89.92%	761,653,872
Town of Little Elm	99,005,000	36.34%	35,978,417
City of McKinney	244,840,000	17.52%	42,895,968
City of Plano	435,680,000	3.56%	15,510,208
Subtotal, overlapping debt			1,089,946,450
District gross bonded debt			2,236,379,576
Total direct and overlapping debt			\$ 3,326,326,026
Ratio of net direct and overlapping debt to net taxable valuation			8.24%
Per capita direct and overlapping debt			\$ 12,445.94

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

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EXHIBIT S-12

	Legal Debt Margin Calculation for the Fiscal Year 2018:								
						Taxable Assessed value	\$	40,348,486,303	
						Debt limit (10% of assessed value) ¹		4,034,948,630	
						Total bonded debt	\$	2,236,379,576	
						Less reserve for retirement of debt ²		<u>132,002,907</u>	
						Debt applicable to limit			2,104,376,669
						Legal debt margin			<u>\$ 1,930,571,961</u>

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt Limit	\$ 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	\$ 3,557,055,034	\$ 4,034,948,630
Total net debt applicable to limit	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	1,999,830,262	2,104,376,669
Legal debt Margin	<u>\$ 606,580,634</u>	<u>\$ 485,148,811</u>	<u>\$ 525,304,995</u>	<u>\$ 534,567,933</u>	<u>\$ 503,169,507</u>	<u>\$ 578,730,337</u>	<u>\$ 792,820,382</u>	<u>\$ 1,021,795,837</u>	<u>\$ 1,557,224,772</u>	<u>\$ 1,930,571,961</u>
Total net debt applicable to the limit as a percentage of the debt limit	64.69%	71.25%	69.99%	70.97%	74.93%	74.84%	69.77%	66.63%	56.22%	52.15%

² Bonded Debt Limitation: Total principal amount of tax lien 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.

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

EXHIBIT S-13

Fiscal Year	Estimated Population	Personal Income	Per Capita Personal Income	Unemployment Rate
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%
2018	256,078	11,710,037,600	45,728	2.90%
2019	267,262	13,092,363,594	48,987	3.20%

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

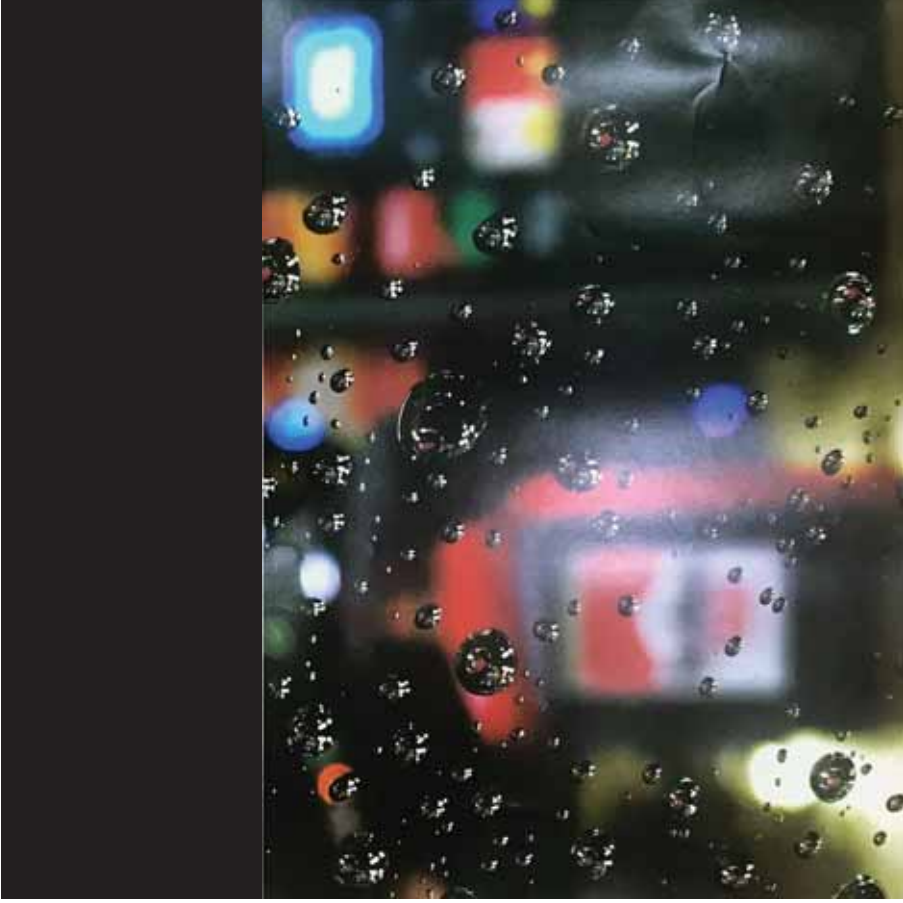
FRISCO INDEPENDENT SCHOOL DISTRICT
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)

EXHIBIT S-14

Employer	2019			Rank
	Approximate Number of Employees	Percentage of Total Estimated Employees		
Frisco Independent School District	7,300	7.12%		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
	<u>13,005</u>			

Employer	2010			Rank
	Approximate Number of Employees	Percentage of Total Estimated Employees		
Frisco Independent School District	4,784	8.37%		1
T-Mobile	2,500	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
	<u>10,809</u>			

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



Colorful Rain
2019 State VASE Medalist
SYDNEY-AERIN SIMPSON
Wakeland High School
Teacher: Geoff Baker

FRISCO INDEPENDENT SCHOOL DISTRICT
FULL-TIME-EQUIVALENT DISTRICT EMPLOYEES BY IDENTIFIABLE ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2019
(Unaudited)

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

EXHIBIT S-15

EXHIBIT S-16

	FTE Count	Average Base Pay		Fiscal Year	Operating Expenditures ¹	Enrollment	Cost per Pupil	Student to Teacher Ratio	Percentage of Students Receiving Free or Reduced-price Meals
Teaching Staff				2010	250,450,838	33,757	7,419	13.5	12.80%
Early Education	4.00	57,525		2011	267,150,573	37,043	7,212	14.0	12.40%
Pre-K/Kindergarten	892	58,312		2012	261,574,596	39,903	6,555	15.0	12.30%
Kindergarten	218.07	56,641		2013	299,997,480	42,707	7,025	15.1	12.00%
Elementary (Grades 1-4)	1,309.98	57,440		2014	316,372,082	46,053	6,870	15.1	11.30%
Elementary (Grades 5-8)	891.39	57,744		2015	353,341,296	50,349	7,018	15.1	12.16%
Middle School (Grades 6-8)	1,220.30	58,077		2016	387,843,616	53,301	7,276	15.1	10.58%
High School (Grades 9-12)	417.87	53,710		2017	431,116,219	55,923	7,709	14.7	10.49%
All Grade Levels	4,070.53	57,274		2018	482,838,984	58,450	8,261	15.3	10.90%
				2019	496,856,462	60,182	8,256	14.8	12.53%
Support Staff									
Athletics - other than Athletic Director	1.00	69,874							
Audiologist	1.00	70,835							
Business Service Professional	14.00	88,157							
Communications Professional	6.00	81,348							
Counselor	126.00	69,849							
Custodial	1.00	129,423							
Educational Diagnostician	43.00	70,276							
Food Service Professional	14.00	69,892							
Internal Auditor	2.00	90,092							
LEA/Comp Info Tech Professional	22.00	86,454							
Librarian	63.47	62,088							
LSSP/Psychologist	24.04	65,461							
Maintenance	3.00	107,666							
Maintenance	3.01	53,986							
Music Therapist	16.81	64,920							
Occupational Therapist	2.50	58,554							
Orientation/Mobility Specialist	55.30	82,529							
Other LEA Exempt Professional Auxiliary	5.00	68,854							
Physical Therapist	71.77	56,915							
School Nurse	1.00	122,235							
Security	71.75	64,655							
Speech Therapist/Pathologist	107.92	60,583							
Teacher Facilitator	2.00	90,940							
Transportation	2.00	72,527							
Tuant Officer/Visiting Teacher	659.57	67,821							
Administrative Staff									
Assistant Principal	129.00	77,233							
Asst./Deputy Superintendent	9.00	159,352							
Athletic Director	3.00	118,731							
Business Manager	1.00	165,927							
Director of Personnel/Human Resources	6.00	127,265							
District Instructional Program Director	38.50	101,256							
Principal	70.00	95,937							
Superintendent	1.00	301,790							
Teacher Supervisor	10.00	89,112							
	267.50	91,551							
Paraprofessional Staff/Auxiliary									
Educational Aide	540.50	24,934							
Auxiliary	1,509.55	27,376							
	2,050.05	26,732							
Total	7,047.65	\$ 50,678							

Source: Public Education Information Management System (TEA)

¹ Excludes intergovernmental charges.

Source: Frisco ISD Financial Statements

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

EXHIBIT S-17

			2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
08	High Schools (Grades 9-12):											
	Frisco High											
	Site:	45.10 acres	Square Feet	245,024	245,024	289,866	289,866	289,866	352,978	357,510	357,510	357,510
	Opened:	1995	Enrollment	1,442	1,587	1,688	1,810	1,893	2,139	1,804	1,677	1,589
	Centennial High											
	Site:	76.48 acres	Square Feet	288,561	335,346	335,346	335,346	335,346	379,897	370,350	370,350	370,350
	Opened:	2000	Enrollment	1,618	1,800	1,904	2,010	2,156	2,021	2,001	2,026	1,979
	Wakeland High											
	Site:	71.39 acres	Square Feet	302,645	302,645	339,716	339,716	339,716	345,646	354,413	354,413	354,413
	Opened:	2006	Enrollment	2,056	1,727	1,639	1,868	1,993	2,199	2,031	2,100	2,188
	Liberty High											
	Site:	63.33 acres	Square Feet	306,179	306,179	344,261	344,261	344,261	348,496	346,994	346,994	346,994
	Opened:	2007	Enrollment	1,641	1,739	1,772	2,009	2,203	2,025	2,080	2,052	1,971
	Heritage High											
	Site:	46.81 acres	Square Feet	355,695	355,695	355,695	355,695	355,695	356,738	357,001	357,001	357,001
	Opened:	2009	Enrollment	634	1,043	1,541	1,753	1,951	1,802	1,904	2,073	2,153
18	Lone Star High											
	Site:	56.32 acres	Square Feet	NA	354,722	354,722	354,722	354,722	345,445	352,564	352,564	352,564
	Opened:	2010	Enrollment	NA	523	823	963	1,245	1,379	1,715	1,930	2,130
	Independence High											
	Site:	63.43 acres	Square Feet	NA	NA	NA	NA	NA	345,969	382,158	382,158	382,158
	Opened:	2014	Enrollment	NA	NA	NA	NA	NA	1,168	1,692	1,832	1,934
	Reedy High											
	Site:	56 acres	Square Feet	NA	NA	NA	NA	NA	NA	390,207	390,207	390,207
	Opened:	2015	Enrollment	NA	NA	NA	NA	NA	NA	913	1,344	1,801
	Lebanon Trail High											
	Site:	69.3 acres	Square Feet	NA	NA	NA	NA	NA	NA	NA	368,260	368,260
	Opened:	2016	Enrollment	NA	NA	NA	NA	NA	NA	NA	450	955
	Memorial High											
	Site:	100.1 acres	Square Feet	NA	NA	NA	NA	NA	NA	NA	NA	387,898
	Opened:	2018	Enrollment	NA	NA	NA	NA	NA	NA	NA	NA	1,156

Source: Frisco ISD real property inventory and demographic records

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

EXHIBIT S-18
(Continued)

			2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
18	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
	Opened:	1987	Enrollment	610	606	643	675	717	707	715	667	651
	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
	Opened:	2000	Enrollment	776	800	826	865	864	853	844	816	777
	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
	Opened:	2000	Enrollment	1,012	609	701	762	897	1,085	735	824	875
	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
	Opened:	2002	Enrollment	766	809	829	879	902	877	899	1,001	1,029
	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
	Opened:	2004	Enrollment	977	526	598	672	705	855	853	900	867
18	Roach											
	Site:	20.21 acres	Square Feet	138,651	138,651	138,651	138,651	138,651	138,428	138,428	138,428	138,428
	Opened:	2005	Enrollment	902	619	691	784	865	855	1,095	770	864
	Fowler											
	Site:	20.47 acres	Square Feet	138,650	138,650	138,650	138,650	138,650	138,651	138,651	138,651	138,651
	Opened:	2006	Enrollment	971	1,076	1,172	859	890	939	1,060	1,091	1,148
	Scoggins											
	Site:	21.47 acres	Square Feet	142,108	142,108	142,108	142,108	142,108	142,108	142,108	142,108	142,108
	Opened:	2008	Enrollment	711	820	853	586	683	805	938	988	1,011
	Stafford											
	Site:	21.40 acres	Square Feet	142,108	142,108	142,108	142,108	142,108	142,108	142,108	142,108	142,108
	Opened:	2008	Enrollment	678	689	793	928	1,029	1,134	745	818	889
	Cobb											
	Site:	21.65 acres	Square Feet	NA	143,160	143,160	143,160	143,160	143,160	143,160	143,160	143,160
	Opened:	2010	Enrollment	NA	643	756	817	911	906	954	966	940

EXHIBIT S-18
(Concluded)

82EXHIBIT S-19
(Continued)83

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

EXHIBIT S-19
(Continued)

			2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
84	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
	Opened:	2002	Enrollment	636	708	732	716	741	780	770	722	692
	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
	Opened:	2002	Enrollment	687	710	695	705	709	708	721	704	654
	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
	Opened:	2003	Enrollment	656	743	814	756	772	761	749	740	737
	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
	Opened:	2003	Enrollment	736	784	810	643	679	715	742	759	658
	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
	Opened:	2004	Enrollment	740	764	782	765	737	684	642	617	687
	Pink											
	Site:	Shared	Square Feet	75,326	75,326	75,326	75,326	75,326	75,326	75,326	75,326	75,326
	Opened:	2005	Enrollment	806	635	735	710	719	586	543	516	484
	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
	Opened:	2005	Enrollment	763	570	687	754	850	828	573	655	660
	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
	Opened:	2005	Enrollment	606	721	789	705	845	700	749	737	693
	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
	Opened:	2006	Enrollment	554	565	561	615	674	678	652	705	734
	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
	Opened:	2006	Enrollment	775	589	616	608	675	712	723	742	726
	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
	Opened:	2006	Enrollment	554	607	643	604	684	647	658	672	682

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

EXHIBIT S-19
(Continued)

			2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
85	Sem											
	Site:	acres	Square Feet	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904
	Opened:	2006	Enrollment	426	464	517	514	679	651	735	810	651
	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
	Opened:	2007	Enrollment	629	704	730	713	729	520	502	452	524
	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
	Opened:	2007	Enrollment	712	627	735	792	810	807	775	810	832
	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
	Opened:	2007	Enrollment	795	721	854	736	810	780	861	709	752
	Elliott											
	Site:	9.12 acres	Square Feet	75,902	75,902	75,902	75,902	75,902	75,902	75,902	75,902	75,902
	Opened:	2008	Enrollment	682	780	829	506	553	553	534	575	599
	Tadlock											
	Site:	8.18 acres	Square Feet	77,184	77,184	77,184	77,184	77,184	77,184	77,184	77,184	77,184
	Opened:	2008	Enrollment	462	533	617	685	783	723	721	685	656
	Allen											
	Site:	9.78 acres	Square Feet	83,960	83,960	83,960	83,960	83,960	83,960	83,960	83,960	83,960
	Opened:	2009	Enrollment	617	683	748	614	654	630	623	639	645
	Purefoy											
	Site:	8.75 acres	Square Feet	NA	79,844	79,844	79,844	79,844	79,844	79,844	79,844	79,844
	Opened:	2010	Enrollment	NA	625	683	713	703	690	650	601	588
	Sonntag											
	Site:	9.38 acres	Square Feet	NA	77,184	77,184	77,184	77,184	77,184	77,184	77,184	77,184
	Opened:	2010	Enrollment	NA	511	586	668	814	696	683	625	604
	Comstock											
	Site:	15.09 acres	Square Feet	NA	NA	NA	79,844	79,844	79,844	79,844	79,844	79,844
	Opened:	2012	Enrollment	NA	NA	NA	442	533	640	741	756	735
	Nichols											
	Site:	10.95 acres	Square Feet	NA	NA	NA	83,332	83,332	83,332	83,332	83,332	83,332
	Opened:	2012	Enrollment	NA	NA	NA	619	717	677	761	463	570

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

EXHIBIT S-19
(Concluded)

			2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Phillips	Site:	12.52 acres	Square Feet	NA	NA	NA	79,844	79,844	79,844	79,844	79,844	79,844
	Opened:	2012	Enrollment	NA	NA	NA	570	804	758	772	645	672
Newman	Site:	9.43 acres	Square Feet	NA	NA	NA	NA	82,530	82,530	82,530	82,530	82,530
	Opened:	2014	Enrollment	NA	NA	NA	NA	650	838	762	814	688
Scott	Site:	8.56 acres	Square Feet	NA	NA	NA	NA	82,530	82,530	82,530	82,530	82,530
	Opened:	2014	Enrollment	NA	NA	NA	NA	618	633	694	760	697
McSpedden	Site:	17.99 acres	Square Feet	NA	NA	NA	NA	81,118	81,118	81,118	81,118	81,118
	Opened:	2012	Enrollment	NA	NA	NA	NA	587	652	649	705	599
Hosp	Site:	9.05 acres	Square Feet	NA	NA	NA	NA	81,118	81,118	81,118	81,118	81,118
	Opened:	2014	Enrollment	NA	NA	NA	NA	471	664	685	749	705
Norris	Site:	9.254 acres	Square Feet	NA	NA	NA	NA	NA	79,844	79,844	79,844	79,844
	Opened:	2015	Enrollment	NA	NA	NA	NA	NA	580	692	835	445
Miller	Site:	9.549 acres	Square Feet	NA	NA	NA	NA	NA	NA	79,844	79,844	79,844
	Opened:	2016	Enrollment	NA	NA	NA	NA	NA	NA	545	635	698
Vaughn	Site:	9.675 acres	Square Feet	NA	NA	NA	NA	NA	NA	79,844	79,844	79,844
	Opened:	2016	Enrollment	NA	NA	NA	NA	NA	NA	510	584	612
Talley	Site:	14.64 acres	Square Feet	NA	NA	NA	NA	NA	NA	NA	NA	84,128
	Opened:	2018	Enrollment	NA	NA	NA	NA	NA	NA	NA	NA	529
Liscano	Site:	14.61 acres	Square Feet	NA	NA	NA	NA	NA	NA	NA	NA	84,128
	Opened:	2018	Enrollment	NA	NA	NA	NA	NA	NA	NA	NA	754

Source: Frisco ISD real property inventory and demographic records



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

To the Board of Trustees of
Frisco Independent School District
Frisco, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Frisco Independent School District (the District), as of and for the year ended June 30, 2019, 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 8, 2019.

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.

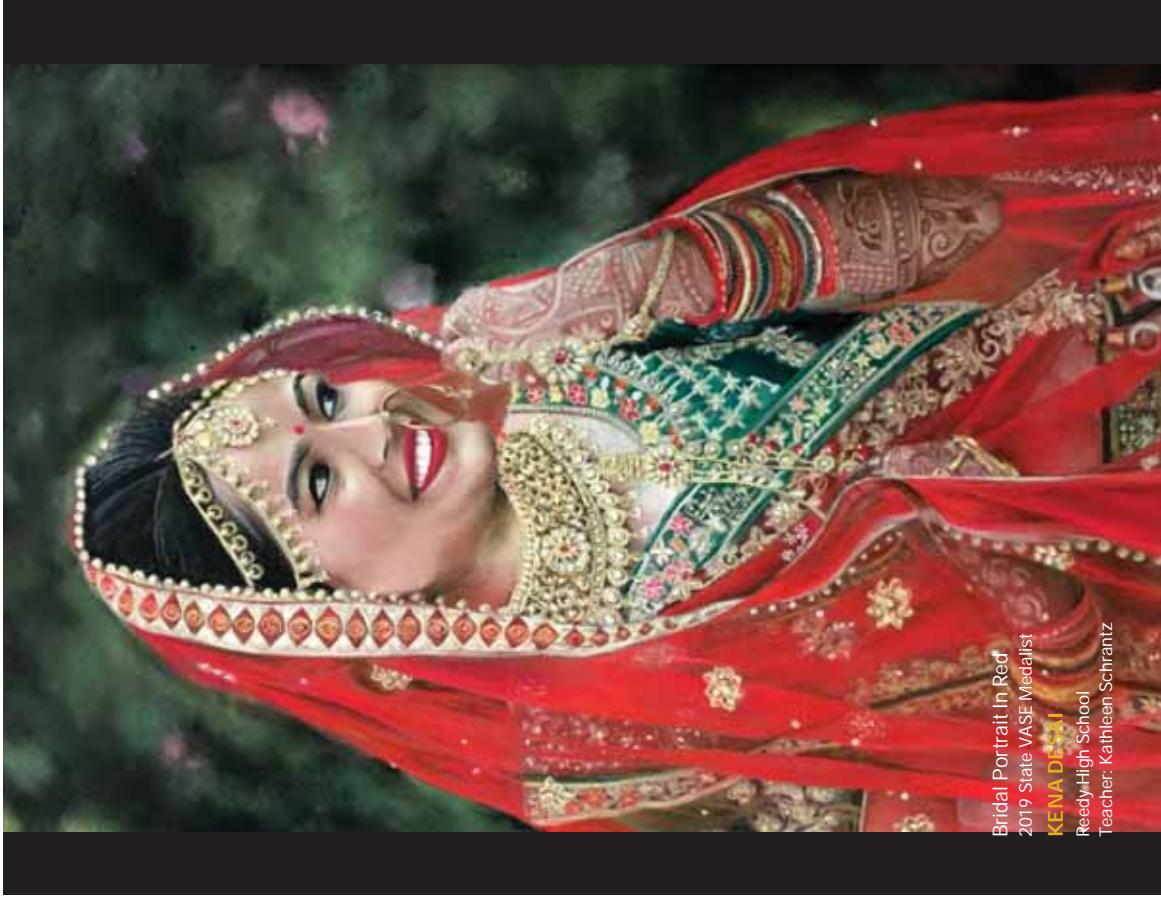
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination 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.

Weaver and Tidwell, LLP
2300 North Field Street, Suite 1000 | Dallas, Texas 75201
Main: 972.490.1970 | Fax: 972.702.8321
CPAS AND ADVISORS | WEAVER.COM



Bridal Portrait In Red
2019 State VASE Medalist
KENA D'SOUZA
Reedy High School
Teacher: Kathleen Schrantz

The Board of Trustees of
Frisco Independent School District

Purpose of this Report

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
November 8, 2019



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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

To the Board of Trustees
Frisco Independent School District
Frisco, Texas

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 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, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

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

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

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

Wenner and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
November 8, 2019

**FRISCO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

EXHIBIT K-1

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 - PL 81874	84.041		\$ 321,65
Total Direct Programs			321,65
Passed Through Region X ESC:			
ESEA, Title I - Part A - Improving Basic Programs	84.010A	19610101057950	760,974
Title III - Part A - Immigrant	84.365A	19671003057950	124,639
Title III - Part A - English Language Acquisition	84.365A	19671003057950	369,879
Title IV - Part A - Discretionary- Student Support and Academic Enrichment	84.424A	19680101057950	32,188
ESEA, Title II - Part A, Teacher/Principal Training	84.367A	19694501057950	285,792
Total passed through Region X ESC			1,573,472
Passed Through Region 20 ESC:			
IDEA B - Evaluation Capacity	84.027A	18660031711001	40,000
**Total Special Education Cluster (IDEA) passed through Region 20 ESC			40,000
Passed through Texas Education Agency:			
Special Education Cluster:			
IDEA B - Part B, Formula	84.027A	19660001043905	6,384,808
IDEA B - Part B, Formula	84.027A	18660001043905	2,519,489
IDEA B - Part B, Discretionary	84.027A	19660001043905	360,733
IDEA B - Part B, High Cost Risk	84.027A	66001806	37,256
IDEA B - Part B - Preschool	84.173A	19661001043905	13,247
**Total Special Education Cluster (IDEA) passed through Texas Education Agency			9,315,533
Career and Technical - Basic Grant	84.048	19420006043905	236,965
Summer School - LEP	84.369A	69551502	26,581
Total passed through Texas Education Agency			9,579,079
TOTAL U.S. DEPARTMENT OF EDUCATION			11,192,551
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Texas Department of Human Services Commission:			
Head Start	93.600	529-12-0041-00045	191,913
Medicaid Administrative Claiming	93.778		4,822
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			196,735
U.S. DEPARTMENT OF AGRICULTURE			
Passed through Texas Department of Human Services:			
*National School Lunch Program - Noncash Assistance (Commodities)	10.555		1,468,541
Passed through Texas Department of Agriculture:			
*National School Breakfast Program	10.553		677,985
*National School Lunch Program	10.555		4,668,083
Total Passed through Texas Department of Agriculture			5,346,068
TOTAL U.S. DEPARTMENT OF AGRICULTURE			6,814,609
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 18,236,060

*Child Nutrition Cluster

** Special Education Cluster (IDEA)

FRISCO INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

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 \$1,468,541 for the year ended June 30, 2019.

5. School Health and Related Services reimbursements of \$6,488,500 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. Revenues on non-reimbursement grants exceeded expenditures during the year by \$62,165.

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, 2019 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 de minimus indirect cost rate as allowed by the Uniform Guidance, Section 414, for the fiscal year ended June 30, 2019.

Frisco Independent School District
Schedule of Findings and Questioned Costs
June 30, 2019

Section 1. Summary of the Auditor's Results
Financial Statements

An unmodified opinion was issued on the financial statements.

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
Noncompliance material to financial statements noted.	_____Yes	_____X___No

Major Federal Programs

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

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

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

_____Yes _____X___No

Identification of major federal programs:

Title I – Part A	84.010A
Special Education Cluster	84.027A, 84.173A
The dollar threshold used to distinguish between Type A and Type B programs.	<u>\$750,000</u>
Auditee qualified as a low-risk auditee.	_____X___Yes _____No

Frisco Independent School District

Schedule of Findings and Questioned Costs – Continued
June 30, 2019

Section 2. Findings Relating to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards.

None

Section 3. Findings and Questioned Costs for Federal Awards

None

Section 4. Summary of Prior Year Audit Findings

None



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by name and need.**

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Financial Advisory Services
Provided By:

