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

PRELIMINARY OFFICIAL STATEMENT
Dated: May 18, 2021

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

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

$37,070,000*
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 2021A

Interest Accrual and Accretion Date: Date of Delivery
Dated Date: June 1, 2021 — **Due: February 15, as shown on the inside cover page**

The Frisco Independent School District Unlimited Tax Refunding Bonds, Taxable Series 2021A (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 May 6, 2021 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, 2022, 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, 2021, 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, 2032 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, 2031 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 June 22, 2021.

WELLS FARGO SECURITIES — **PIPER SANDLER & CO.**

**Preliminary, subject to change.*

$37,070,000*
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 2021A

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

$36,700,000* Current Interest Bonds

Maturity Date 2/15	Principal Amount*	Interest Rate	Initial Yield	CUSIP No. Suffix[1]
2022	$250,000			
2023	385,000			
2024	405,000			
2025	425,000			
2026	450,000			
2027	470,000			
2028	495,000			
**	**			
2030	3,670,000			
2031	6,975,000			
2032	7,115,000			
2033	7,265,000			
2034	5,420,000			
2035	3,375,000			

(Interest to accrue from the Date of Delivery)

$370,000* Capital Appreciation Bonds

Maturity Date 2/15	Principal* Amount	Initial Yield to Maturity	Maturity* Value	Initial Offering Price per $5,000 in Maturity Value	CUSIP Suffix No.[1]
2029	$370,000		$3,630,000		

(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

Name	Term Expires	Length of Service	Occupation
Chad Rudy, President	2022	5 Years	Investment Advisor
Rene Archambault, Vice President	2024	2 Years	Deputy Director
John Classe, Secretary	2024	6 Years	Financial Planner
Debbie Gillespie, Member	2023	9 Years	Community/School Volunteer
Natalie Hebert, Member	2022	1 Year	Community/School Volunteer
Dynette Davis, Member	2023	1 Month	Educator and Entrepreneur
Gopal Ponangi, Member	2022	1 Year	Senior Manager

APPOINTED OFFICIALS

Name	Position	Length of Education Service
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

For additional information, contact:

Kimberly Smith
Chief Financial Officer
Frisco Independent School District
5515 Ohio
Frisco, Texas 75035
(469) 633-6000

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

USE OF INFORMATION IN OFFICIAL STATEMENT

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 $37,070,000 (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 May 6, 2021 (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, 2032 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, 2031 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").
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 expected to be 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 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 June 22, 2021.
Concurrent Issuance of Bonds by the District	The Bonds are being issued concurrently with the District's issuance of $90,000,000 (preliminary, subject to change) Unlimited Tax School Building Bonds, Series 2021, scheduled to close on or about June 22, 2021 (the "Series 2021 School Building Bonds"). This Official Statement describes only the Bonds and not the Series 2021 School Building Bonds. Investors interest in making an investment decision concerning the Series 2021 School Building Bonds should review the offering document related thereto.

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 2021A (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, mitigation and reopening. However, on March 2, 2021, the Governor issued Executive Order GA-34 effective March 10, 2021, which supersedes most of the executive orders relating to COVID-19 and provides, generally, for the reopening of the State to 100%, ends the COVID-19 mask mandate, and supersedes any conflicting order issued by local officials in response to COVID-19, among other things and subject to certain limitations. Executive Order GA-34 remains in place until amended, rescinded, or superseded by the Governor. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

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

On March 25, 2021, TEA issued updated public planning health guidance in accordance with Executive Order GA-34 to address on campus and virtual instruction, non-UIL extracurricular sports and activities, and other activities that cannot be accomplished virtually. Within the guidance, TEA instructs schools to provide parental and public notices of the school district’s plan for on-campus instruction (posted one week prior to the commencement of in person education) in order to mitigate COVID-19 within their facilities and confirms the attendance requirements for promotion (which may be completed by virtual education). The guidance further details screening mechanisms, identification of symptoms, and procedures for confirmed, suspected, and exposed cases. Certain actions, such as notification to health department officials and closure of high-traffic areas, will be required in the instance of confirmed cases. Schools are highly encouraged to engage in mitigation practices promoting health and hygiene consistent with CDC guidelines (including social distancing, facial coverings, frequent disinfecting of all areas, limiting visitations, etc.) to avoid unnecessary exposure to others to prevent the spread of COVID-19.

The TEA recently advised districts that for the 2020-2021 school year district funding will return to being based on ADA calculations requiring attendance to be taken. However, the TEA is crafting an approach for determining ADA that provides districts with several options for determining daily attendance. These include, remote synchronous instruction, remote asynchronous instruction, on campus instruction, and the Texas Virtual Schools Network. To stabilize funding expectations, districts were initially provided an ADA grace period for the first three six weeks of the 2020-2021 school year. If a district's first two six-weeks average ADA is less than the ADA hold harmless projections (described below), the first two six-week attendance reporting periods for 2020-2021 will be excluded from the calculation of annual ADA and student full-time equivalents ("FTE") for Foundation School Program ("FSP") funding purposes and will be replaced with the ADA and FTE hold harmless projections that were derived using a three-year average trend of final numbers from the 2017-2018 through 2019-2020 school years, unless this projection is both (i) 15% higher and (ii) 100 ADA higher than the 2020-2021 legislative planning estimate ("LPE") projections provided by the TEA to the State legislature pursuant to Section 48.269 of the Texas Education Code, in which case the 2020-2021 LPE ADA and FTE will be used as the hold harmless projections. The ADA hold harmless protection was also available for the third six-week attendance reporting period, but only for those districts that allowed on-campus instruction throughout the entire third six-week period, as further described below. The ADA hold harmless methodology will be identical to the methodology used for the first two six-week attendance reporting periods, except that the third six-week period will be examined independent of the first two six-week attendance reporting periods.

The ADA hold harmless protection was recently extended for the remainder of the 2020-21 school year (the fourth, fifth, and sixth six-week attendance reporting periods). In order to qualify, a district must meet certain criteria established by the TEA related to on-campus participation rates during the sixth six-week attendance reporting period. A district would be eligible for the ADA hold harmless protection for the fourth, fifth, and sixth six-weeks if (1) the average on-campus attendance participation rate during the sixth six-weeks attendance reporting period was equal to or greater than 80% of all students educated during the sixth six-weeks;

or (2) the average on-campus attendance participation rate during the sixth six-weeks attendance reporting period was equal to or greater than the on-campus attendance participation rate reported by the district on the October 2020 PEIMS Fall Snapshot. This recent extension also potentially provided ADA hold harmless protection to districts that were not previously eligible for the ADA hold harmless protection during third six-weeks attendance reporting period as previously discussed. If applicable, a district can now be eligible if (1) the average on-campus participation rate during the sixth six-weeks reporting period was equal to or greater than 90% of all students educated during the sixth six-weeks; or (2) for districts with a 2020 PEIMS Fall Snapshot on-campus attendance participation rate of less than 50%, the average on-campus attendance participation rate during the sixth six-weeks attendance reporting period must increase by at least 20 percentage points from the on-campus attendance participation rate reported on the district's October 2020 PEIMS Fall Snapshot, or for districts with a 2020 PEIMS Fall Snapshot on-campus attendance participation rate equal to or greater than 50%, the average on-campus attendance participation rate during the sixth six-weeks reporting period must be equal to or greater than the on-campus percentage of all students educated during the sixth six-weeks that results from adding 45 percentage points to half of the on-campus attendance participation rate reported on the district's October 2020 PEIMS Fall Snapshot.

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. In addition, the federal government has taken, and continues to consider additional, action without precedent in effort to counteract or mitigate the Pandemic's economic impact. These conditions and related responses and reactions may reduce or negatively affect property values within the District. See "AD VALOREM TAX PROCEDURES". The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds 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 (which markets provide significant revenues to the State, who in turn, use such revenues to satisfy its public school funding obligations). See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM".

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

The financial and operating data contained in this Official Statement are as of dates and for periods stated herein. Accordingly, they are not indicative of the future prospects of the District. It is unclear at this time what effect, if any, COVID-19 and resulting economic disruption may have on future assessed values or the collection of taxes, either because of delinquencies or collection and valuation relief resulting from the declared emergency.

THE BONDS

Authorization and Purpose

The Bonds are being issued in the principal amount of $37,070,000 (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 May 6, 2021 (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 June 1, 2021 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, 2022, and on each February 15 and August 15 thereafter until stated maturity or prior redemption. The Bonds will mature on the dates and in the principal amounts set forth on page ii of this Official Statement. Interest on the CABs will compound on each February 15 and August 15, commencing August 15, 2021, 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, 2032 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, 2031, 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 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	$
Uses	
Deposit to Escrow Fund	$
Costs of Issuance	
Underwriters' Discount	
Total Uses of Funds	$

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, 2020, the General Land Office (the "GLO") managed approximately 15% 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 2020 SBOE distributions to the ASF amounted to an estimated $347 per student and the total amount distributed to the ASF by the SBOE and SLB was $1,701.7 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, 2020, when filed with the MSRB in accordance with the PSF undertaking and agreement made in accordance with Rule 15c2-12 ("Rule 15c2-12") of the federal Securities and Exchange Commission (the "SEC"), as described below, is hereby incorporated by reference into this disclosure. Information included herein for the year ended August 31, 2020 is derived from the audited financial statements of the PSF, which are included in the Annual Report when and as it is filed and posted. Reference is made to the Annual Report for the complete Message and MD&A for the year ended August 31, 2020 and for a description of the financial results of the PSF for the year ended August 31, 2020, the most recent year for which audited financial information regarding the Fund is available. The 2020 Annual Report speaks only as of its date and the TEA has not obligated itself to update the 2020 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 changed 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 are 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 July 2020. The Fund's investment policy provides for minimum and maximum ranges among the components of each of the asset classifications: equities, fixed income and alternative asset investments. Periodic changes in the asset allocation policies have been made with the objective of providing diversity to Fund assets, and have included an alternative asset allocation in addition 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, approved in July 2020, is as follows: (i) an equity allocation of 37% (consisting of U.S. large cap equities targeted at 14%, international large cap equities at 14%, emerging market equities at 3%, and U.S. small/mid cap equities at 6%), (ii) a fixed income allocation of 25% (consisting of a 12% allocation for core bonds, a 7% allocation for emerging market debt in local currency, a 3% allocation for high yield bonds, and a 3% allocation for U.S. Treasury bonds), and (iii) an alternative asset allocation of 38% (consisting of a private equity allocation of 15%, a real estate allocation of 11%, an absolute return allocation of 7%, a 1% allocation for private equity and real estate for emerging managers, and a real return allocation of 4%). As compared to the 2016 asset allocation, the 2020 asset allocation increased U.S. large cap equities and small/mid-cap U.S. equities by a combined 2%, added high yield bonds and U.S Treasury bonds to the fixed income allocation in the amounts noted above, increased combined private equity and real estate from 23% to 27%, eliminated the risk parity allocation, which was previously a 7% allocation within the global risk control strategy category of alternative assets, and reduced the absolute return allocation within the global risk control strategy category of alternative assets to 7% from 10%.

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. In July 2020, the SBOE adopted an asset allocation policy for the liquidity account consisting of 20% cash, 40% equities and 40% fixed income, and that asset allocation is expected to be fully implemented in the first calendar quarter of fiscal year 2022. The liquidity account equity allocation consists of U.S. large cap, U.S. small/mid cap and international large cap equities of 20%, 5% and 15%, respectively. The liquidity account fixed income allocation consists of core bonds, Treasury Inflation Protection Securities and short duration fixed income categories of 10%, 5% and 25%, respectively. At August 31, 2020, the market value of the liquidity account was $4,050,631,451, of which 0.00% was equity investments, 39.43% was fixed income investments and 60.57% was cash.

For a variety of reasons, each change in asset allocation for the Fund, including the 2020 modifications, have been or will be 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, 2020, the Fund's financial assets portfolio was invested as follows: 37.67% in public market equity investments; 14.39% in fixed income investments; 9.83% in absolute return assets; 13.31% in private equity assets; 8.66% in real estate assets; 3.24% in risk parity assets; 5.72% in real return assets; 6.83% in emerging market debt; and 0.35% in unallocated cash, exclusive of the liquidity account.

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 within 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 $123,509,204,770 on August 31, 2019 to $128,247,002,583 on August 31, 2020 (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 Final IRS Regulations will result in a substantial increase in the amount of bonds guaranteed under the Guarantee Program, and as the amount of guaranteed bonds approaches the IRS Limit, it is expected that the SBOE will seek changes to the existing IRS guidance regarding the Guarantee Program with the objective of obtaining an increase in the IRS Limit. 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 January 4, 2021, there were 187 active open-enrollment charter schools in the State and there were 838 charter school campuses active under such charters (though as of such date, three 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: It must (i) have operated at least one open-enrollment charter school with enrolled students in the State for at least three years; (ii) agree that the bonded indebtedness for which the guarantee is sought will be undertaken as an obligation of all entities under common control of the open-enrollment charter holder, and that all such entities will be liable for the obligation if the open-enrollment charter holder defaults on the bonded indebtedness, provided, however, that an entity that does not operate a charter school in Texas is subject to this provision only to the extent it has received state funds from the open-enrollment charter holder; (iii) have had completed for the past three years an audit for each such year that included unqualified or unmodified audit opinions; and (iv) have received an investment grade credit rating within the last year. Upon receipt of an application for guarantee under the Charter District Bond Guarantee Program, the Commissioner is required to conduct an investigation into the financial status of the applicant charter district and of the accreditation status of all open-enrollment charter schools operated under the charter, within the scope set forth in the CDBGP Rules. Such financial investigation must establish that an applying charter district has a historical debt service coverage ratio, based on annual debt service, of at least 1.1 for the most recently completed fiscal year, and a projected debt service coverage ratio, based on projected revenues and expenses and maximum annual debt service, of at least 1.2. The failure of an open-enrollment charter holder to comply with the Act or the applicable regulations, including by making any material misrepresentations in the charter holder's application for charter district designation or guarantee under the Charter District Bond Guarantee Program, constitutes a material violation of the open-enrollment charter holder's charter.

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 CDBGP Capacity include Fund investment performance, future increases in the Guarantee Program multiplier, changes in State law that govern the calculation of the CDBGP Capacity, as described below, growth in the relative percentage of students enrolled in open-enrollment charter schools to the total State scholastic census, legislative and administrative changes in funding for charter districts, changes in level of school district or charter district participation in the Program, or a combination of such circumstances.

2017 Legislative Changes to the Charter District Bond Guarantee Program

The CDBGP Capacity is established by the Act. During the 85th Texas Legislature, which concluded on May 29, 2017, Senate Bill 1480 ("SB 1480") was enacted. The complete text of SB 1480 can be found at http://www.capitol.state.tx.us/tlodocs/85R/billtext/pdf/SB01480F.pdf#navpanes=0. SB 1480 modified how the CDBGP Capacity will be established under the Act effective as of September 1, 2017, and made other substantive changes to the Act that affects the Charter District Bond Guarantee Program. Prior to the enactment of SB 1480, the CDBGP Capacity was calculated as the State Capacity Limit less the amount of outstanding bond guarantees under the Guarantee Program multiplied by the percentage of charter district scholastic population relative to the total public school scholastic population. As of August 31, 2020, the amount of outstanding bond guarantees represented 77.00% of the IRS Limit (which is currently the applicable capacity limit) for the Guarantee Program. SB 1480 amended the CDBGP Capacity calculation so that the State Capacity Limit is multiplied by the percentage of charter district scholastic population relative to the total public school scholastic population prior to the subtraction of the outstanding bond guarantees, thereby potentially substantially increasing the CDBGP Capacity. However, certain provisions of SB 1480, described below, and other additional factors described herein, could result in less than the maximum amount of the potential increase provided by SB 1480 being implemented by the SBOE or otherwise used by charter districts. Still other factors used in determining the CDBGP Capacity, such as the percentage of the charter district scholastic population to the overall public school scholastic population, could, in and of itself, increase the CDBGP Capacity, as that percentage has grown from 3.53% in September, 2012 to 6.15% in March 2020. TEA is unable to predict how the ratio of charter district students to the total State scholastic population will change over time.

SB 1480 provides that the implementation of the new method of calculating the CDBGP Capacity will begin with the State fiscal year that commences September 1, 2021 (the State's fiscal year 2022). However, for the intervening four fiscal years, beginning with fiscal year 2018, SB 1480 provides that the SBOE may establish a CDBGP Capacity that increases the amount of charter district bonds that may be guaranteed by up to a cumulative 20% in each fiscal year (for a total maximum increase of 80% in fiscal year 2021) as compared to the capacity figure calculated under the Act as of January 1, 2017. However, SB 1480 provides that in making its annual determination of the magnitude of an increase for any year, the SBOE may establish a lower (or no) increase if the SBOE determines that an increase in the CDBGP Capacity would likely result in a negative impact on the bond ratings for the Bond Guarantee Program (see "Ratings of Bonds Guaranteed Under the Guarantee Program") or if one or more charter districts default on payment of principal or interest on a guaranteed bond, resulting in a negative impact on the bond ratings of the Bond Guarantee Program. The provisions of SB 1480 that provide for discretionary, incremental increases in the CDBGP expire September 1, 2022. If the SBOE makes a determination for any year based upon the potential ratings impact on the Bond Guarantee Program and modifies the increase that would otherwise be implemented under SB 1480 for that year, the SBOE may also make appropriate adjustments to the schedule for subsequent years to reflect the modification, provided that the CDBGP Capacity for any year may not exceed the limit provided in the schedule set forth in SB 1480. 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 CDBGP 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 CDBGP Capacity, SB 1480 provides that the Commissioner, in making a determination as to whether to approve a guarantee for a charter district, may consider any additional reasonable factor that the Commissioner determines to be necessary to protect the Bond Guarantee Program or minimize risk to the PSF, including: (1) whether the charter district had an average daily attendance of more than 75% of its student capacity for each of the preceding three school years, or for each school year of operation if the charter district has not been in operation for the preceding three school years; (2) the performance of the charter district under certain performance criteria set forth in Education Code Sections 39.053 and 39.054; and (3) any other indicator of performance that could affect the charter district's financial performance. Also, SB 1480 provides that the Commissioner's investigation of a charter district application for guarantee may include an evaluation of whether the charter district bond security documents provide a security interest in real property pledged as collateral for the bond and the repayment obligation under the proposed guarantee. The Commissioner may decline to approve the application if the Commissioner determines that sufficient security is not provided. The Act and the CDBGP Rules previously required the Commissioner to make an investigation of the accreditation status and certain financial criteria for a charter district applying for a bond guarantee, which remain in place.

Since the initial authorization of the Charter District Bond Guarantee Program, the Act has established a bond guarantee reserve fund in the State treasury (the "Charter District Reserve Fund"). Formerly, the Act provided that each charter district that has a bond guaranteed must annually remit to the Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 10% 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% of the savings to the charter district that is a result of the lower interest rate on the bond due to the guarantee by the PSF. The amount due shall be paid on receipt by the charter district of the bond proceeds. However, the deposit requirement will not apply if the balance of the Charter District Reserve Fund is at least equal to 3.00% of the total amount of outstanding guaranteed bonds issued by charter districts. As of October 31, 2020, the Charter District Reserve Fund contained $43,875,326, which represented approximately 1.69% 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 is held and invested as a non-commingled fund under the administration of the PSF staff.

Charter District Risk Factors

Open-enrollment charter schools in the State may not charge tuition and, unlike school districts, charter districts have no taxing power. Funding for charter district operations is largely from amounts appropriated by the Legislature. 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, have adversely impacted State, national and global economic activities and, accordingly, materially adversely impacted 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, scheduled bond payments for school districts for the 2020 calendar year have generally not been affected by COVID-19. TEA has issued guidance to school districts and charter districts regarding a variety of matters pertaining to school operations in light of the on-going COVID-19 pandemic. Certain aspects of TEA's guidance include waivers pertaining to State funding provisions, local financial matters and general operations. TEA has implemented "hold harmless" funding for school districts and charter districts for the last 12 weeks of school year 2019–2020 and during the first 12 weeks of the 2020–21 school year. Additional information in this regard is available at the TEA website at https://tea.texas.gov/texas-schools/health-safety-discipline/covid/coronavirus-covid-19-support-and-guidance.

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 "RATING" herein.

Valuation of the PSF and Guaranteed Bonds

Permanent School Fund Valuations

Fiscal Year Ended 8/31	Book Value[(1)]	Market Value[(1)]
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	35,288,344,219	46,464,447,981
2020[(2)]	36,642,000,738	46,764,059,745

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(1) SLB managed assets are included in the market value and book value of the Fund. In determining the market value of the PSF from time to time during a fiscal year, the TEA uses current, unaudited values for TEA managed investment portfolios and cash held by the SLB. With respect to SLB managed assets shown in the table above, market values of land and mineral interests, internally managed real estate, investments in externally managed real estate funds and cash are based upon information reported to the PSF by the SLB. The SLB reports that information to the PSF on a quarterly basis. The valuation of such assets at any point in time is dependent upon a

variety of factors, including economic conditions in the State and nation in general, and the values of these assets, and, in particular, the valuation of mineral holdings administered by the SLB, can be volatile and subject to material changes from period to period.

(2) At August 31, 2020, 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, $200.4 million, $4,255.4 million, $7.5 million, and $333.8 million, respectively, and market values of approximately $2,115.4 million, $628.1 million, $3,824.2 million, $0.9 million, and $333.8 million, respectively. At October 31, 2020, the PSF had a book value of $37,040,181,304 and a market value of $46,902,584,511. October 31, 2020 values are based on unaudited data, which is subject to adjustment.

Permanent School Fund Guaranteed Bonds

At 8/31	Principal Amount(1)
2016	$68,303,328,445
2017	74,266,090,023
2018	79,080,901,069
2019	84,397,900,203
2020	90,336,680,245(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, 2020 (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 $139,992,934,246, of which $49,656,254,001 represents interest to be paid. As shown in the table above, at August 31, 2020, there were $90,336,680,245 in principal amount of bonds guaranteed under the Guarantee Program. Using the IRS Limit of $117,318,653,038 (the IRS Limit is currently the lower of the two federal and State capacity limits of Program capacity), net of the Program's 5% reserve, as of October 31, 2020, 94.88% of Program capacity was available to the School District Bond Guarantee Program and 5.12% was available to the Charter District Bond Guarantee Program.

Permanent School Fund Guaranteed Bonds by Category(1)

	School District Bonds		Charter District Bonds		Totals	
Fiscal Year Ended 8/31	No. of Issues	Principal Amount	No. of Issues	Principal Amount	No. of Issues	Principal Amount
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	3,297	82,537,755,203	49	1,860,145,000	3,346	84,397,900,203
2020(2)	3,296	87,800,478,245	64	2,536,202,000	3,360	90,336,680,245

(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 October 31, 2020 (based on unaudited data, which is subject to adjustment), there were $91,697,104,332 of bonds guaranteed under the Guarantee Program, representing 3,340 school district issues, aggregating $89,106,892,332 in principal amount and 65 charter district issues, aggregating $2,590,212,000 in principal amount. At October 31, 2020, the capacity allocation of the Charter District Bond Guarantee Program was $5,702,716,863 (based on unaudited data, which is subject to adjustment).

Discussion and Analysis Pertaining to Fiscal Year Ended August 31, 2020

The following discussion is derived from the Annual Report for the year ended August 31, 2020, including the Message of the Executive Administrator of the Fund and the Management's Discussion and Analysis contained therein. Reference is made to the Annual Report, as filed with the MSRB, for the complete Message and MD&A. Investment assets managed by the fifteen member SBOE are referred to throughout this MD&A as the PSF(SBOE) and, with respect to the liquidity account, Liquid(SBOE) assets. As of August 31, 2020, the Fund's land, mineral rights and certain real assets are managed by the five-member SLB and these assets are referred to throughout as the PSF(SLB) assets. The current PSF(SBOE) asset allocation policy includes an allocation for real estate investments, and as such investments are made, and become a part of the PSF(SBOE) investment portfolio, those investments will be managed by the SBOE and not the SLB.

At the end of fiscal 2020, the Fund balance was $46.7 billion, an increase of $0.2 billion from the prior year. This increase is primarily due to overall increases in value of all asset classes in which the Fund has invested and restatements of fund balance. During the year, the SBOE updated the long-term strategic asset allocation, diversifying the PSF(SBOE) to strengthen the Fund, and initiated the strategic asset allocation for the Liquid(SBOE). 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, 2020, net of fees, were 7.50%, 7.55% and 8.19%, respectively, and the Liquid(SBOE) annual rate of return for the one year period ending August 31, 2020, net of fees, was 2.35% (total return takes into consideration the change in the market value of the Fund during the year as well as the interest and dividend income generated by the Fund's investments). In addition, the SLB continued its shift into externally managed real asset investment funds, and the one-year, five-year, and ten-year annualized total returns for the PSF(SLB) externally managed real assets, net of fees and including cash, were -12.27%, 2.49%, and 5.15%, 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, 2020, 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, U.S. Treasury Securities, real return commodities, and emerging market debt.

As of August 31, 2020, the SBOE has approved and the Fund made capital commitments to externally managed real estate investment funds in a total amount of $5.7 billion and capital commitments to private equity limited partnerships for a total of $7.5 billion. Unfunded commitments at August 31, 2020, totaled $2.0 billion in real estate investments and $2.4 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, 2020, the remaining commitments totaled approximately $2.73 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 22.37%, 3.44%, 8.80%, and 15.84%, respectively, during the fiscal year ended August 31, 2020. The PSF(SBOE)'s investment in domestic fixed income securities produced a return of 5.50% during the fiscal year and absolute return investments yielded a return of 4.43%. The PSF(SBOE) real estate and private equity investments returned 2.93% and 4.63%, respectively. Risk parity assets produced a return of 2.41%, while real return assets yielded 3.33%. Emerging market debt produced a return of 1.67%. Combined, all PSF(SBOE) asset classes produced an investment return, net of fees, of 7.50% for the fiscal year ended August 31, 2020, under-performing the benchmark index of 8.54% by approximately 104 basis points. The Liquid(SBOE) investment in Short Term Fixed Income yielded 2.78% and Cash Reserves yielded 1.62%. Combined, Liquid(SBOE) asset classes produced an investment return, net of fees, of 2.35%, out-performing the benchmark index of 2.04% by approximately 31 basis points. All PSF(SLB) externally managed investments (including cash) returned -12.27% net of fees for the fiscal year ending August 31, 2020.

For fiscal year 2020, total revenues, inclusive of unrealized gains and losses and net of security lending rebates and fees, totaled $2.0 billion, a decrease of $1.7 billion from fiscal year 2019 earnings of $3.7 billion. This decrease reflects the performance of the securities markets in which the Fund was invested in fiscal year 2020. In fiscal year 2020, 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 5.6% for the fiscal year ending August 31, 2020. 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 2019 and 2020, the distribution from the SBOE to the ASF totaled $1.2 billion and $1.1 billion, respectively. Distributions from the SLB to the ASF for fiscal years 2019 and 2020 totaled $300 and $600 million, respectively.

At the end of the 2020 fiscal year, PSF assets guaranteed $90.3 billion in bonds issued by 872 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 7,789 school district and charter district bond issues totaling $202.1 billion in principal amount. During the 2020 fiscal year, the number of outstanding issues guaranteed under the Guarantee Program totaled 3,360. The dollar amount of guaranteed school and charter bond issues outstanding increased by $5.9 billion or 7.0%. The State Capacity Limit increased by $4.7 billion, or 3.8%, during fiscal year 2020 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 2020 as the IRS Limit was reached in a prior fiscal year, and it is the lower of the two State and federal capacity limits for the 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 2.974% Distribution Rate equating to $2.2 billion for State fiscal biennium 2020-2021, with the transfers to be made in equal monthly increments of $92.2 million. 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. In September 2020, the SBOE approved a special, one-time transfer of $300 million from the portion of the PSF managed by the SBOE to the Real Estate Special Fund Account of the PSF managed by the SLB, which amount is to be transferred to the ASF by the SLB in fiscal year 2021. In approving the special transfer, the SBOE determined that the transfer was in the best interest of the PSF due to the historic nature of the public health and economic circumstances resulting from the COVID-19 pandemic and its impact on the school children of Texas. In November 2020, the SBOE approved a projected $3.4 billion distribution to the ASF for State fiscal biennium 2022-2023. The biennial distribution determined by the SBOE in November 2020 represents a 4.18% Distribution Rate for the 2022-2023 biennium. As in prior biennia, the direct PSF distributions to the ASF will be made in equal monthly increments. In making its determination of the 2022-2023 Distribution Rate, the SBOE took into account the announced planned distribution to the ASF by the GLO of $875 million for the biennium.

Changes in the Distribution Rate for each biennial period have 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 another entity (described in statute as the School Land Board, Chapter 32, Natural Resources Code) that has responsibility for the management of revenues derived from land or other properties of the PSF to determine whether to transfer an amount each year to the ASF from the revenue derived during the current year from such land or properties. Prior to November 2019, the amount authorized to be transferred to the ASF from the GLO or SLB was limited to $300 million per year. On November 5, 2019, a constitutional amendment was approved by State voters that increased the maximum transfer to the ASF to $600 million each year from the revenue derived during that year from the PSF from the GLO or SLB, the SBOE or another entity to the extent such entity has the responsibility for the management of revenues derived from such land or other properties. Any amount transferred to the ASF pursuant to this constitutional provision is excluded from the 6% Distribution Rate limitation applicable to SBOE transfers. Additionally, in making its determination of the amount to distribute to the ASF, the SBOE takes into account information available to it regarding the planned annual distribution to be made to the ASF by the GLO.

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, 2020, certain lawsuits were pending against the State and/or the GLO, which challenge the Fund's title to certain real property and/or past or future mineral income from that property, and other litigation arising in the normal course of the investment activities of the PSF. Reference is made to the Annual Report, when filed, for a description of such lawsuits that are pending, which may represent contingent liabilities of the Fund.

PSF Continuing Disclosure Undertaking

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

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

Annual Reports

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

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

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

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

Event Notices

The TEA will also provide timely notices of certain events to the MSRB. Such notices will be provided not more than ten business days after the occurrence of the event. The TEA will provide notice of any of the following events with respect to the Guarantee Program: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if such event is material within the meaning of the federal securities laws; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax-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 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.

On January 12, 2021, the 87th Legislature convened in general session which is scheduled to adjourn on May 31, 2021. Thereafter, the Texas Governor may call one or more additional special sessions. During this time, the Texas Legislature may enact laws that materially change current law as it relates to funding public school, including the District and its finances. The District makes no representation regarding any actions the Texas Legislature may take but intends to monitor proposed legislation for any developments applicable to the District.

Local Funding for School Districts

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

State Compression Percentage

The "State Compression Percentage" is set at 93% per $100 of taxable value. 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

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

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

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

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

Options for Local Revenue Levels in Excess of Entitlement

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

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

For the 2020-2021 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 2020-21 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 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.

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

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

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

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

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

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

THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT

The Appraisal District has the responsibility for appraising property in the District as well as other taxing units in 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 2020/21 fiscal year, property valued at $76,255,017 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.

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 2020/2021 tax year is approximately $1,847,781,842. 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, 2020, 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, 2020, 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 expected to be 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 are "Aa1" and "AA+", respectively by Moody's and S&P. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

An explanation of the significance of such 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 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.

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.

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 Finance 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 Finance 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.

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.

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

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

CONCLUDING STATEMENT

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

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 and Refunding Bonds, Series 2012B

Maturities Being Redeemed	CUSIP	Principal Amount Outstanding	Interest Rate	Principal Amount Being Refunded	Call Date	Principal Amount Unrefunded
8/15/2029	35880CFV1	$ 3,130,000.00	5.000%	$ 3,130,000.00	August 15, 2022	$ -
8/15/2030	35880CFW9	3,285,000.00	5.000%	3,285,000.00	August 15, 2022	-
8/15/2031	35880CFX7	3,450,000.00	5.000%	3,450,000.00	August 15, 2022	-
8/15/2032	35880CFY5	3,630,000.00	5.000%	3,630,000.00	August 15, 2022	-
8/15/2033	35880CFZ2	3,820,000.00	5.000%	3,820,000.00	August 15, 2022	-
8/15/2034	35880CGA6	2,035,000.00	5.000%	2,035,000.00	August 15, 2022	-
		$ 19,350,000.00		$ 19,350,000.00		$ -

Unlimited Tax School Building Bonds, Series 2013

Maturities Being Redeemed	CUSIP	Principal Amount Outstanding	Interest Rate	Principal Amount Being Refunded	Call Date	Principal Amount Unrefunded
8/15/2031	35880CLZ5	$ 3,205,000.00	5.000%	$ 3,205,000.00	August 15, 2023	$ -
8/15/2032	35880CMA9	3,365,000.00	5.000%	3,365,000.00	August 15, 2023	-
8/15/2033	35880CMB7	3,535,000.00	5.000%	3,535,000.00	August 15, 2023	-
8/15/2034	35880CMC5	3,715,000.00	5.000%	3,715,000.00	August 15, 2023	-
8/15/2035	35880CMD3	3,900,000.00	5.000%	3,900,000.00	August 15, 2023	-
		$ 17,720,000.00		$ 17,720,000.00		$ -

**Preliminary, subject to change.*

FRISCO INDEPENDENT SCHOOL DISTRICT
Unlimited Tax Refunding Bonds, Taxable Series 2021A

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

CABs Delivery Date: June 22, 2021

Date	Accreted Value of 2/15/2029 Maturity @___%
06/22/21	$ -
08/15/21	
02/15/22	
08/15/22	
02/15/23	
08/15/23	
02/15/24	
08/15/24	
02/15/25	
08/15/25	
02/15/26	
08/15/26	
02/15/27	
08/15/27	
02/15/28	
08/15/28	
02/15/29	

APPENDIX A

FINANCIAL INFORMATION OF THE DISTRICT

FRISCO INDEPENDENT SCHOOL DISTRICT

Financial Information

ASSESSED VALUATION [1]

2020/21 Total Valuation……………………………………………………………………………………………		$ 49,245,986,445
Less Exemptions & Deductions [2]:		
State Homestead Exemption	$ 1,269,308,454	
State Over-65 Exemption	80,764,540	
Disabled Exemption	116,680,761	
Veterans Exemption	7,767,670	
Surviving Spouse Disabled Veteran Exemption	4,256,958	
Freeport Exemption	76,255,017	
Pollution Control Exemption	3,660,215	
Productivity Loss	1,376,255,377	
Solar / Wind Exemption	3,544,834	
Prorations	162,116	
Homestead Cap Loss	39,391,242	
	$ 2,978,047,184	
2020/21 Certified Net Taxable Valuation ………………………………………………………………………		$ 46,267,939,261

(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 $528,113,571 for 2020/21.

VOTED GENERAL OBLIGATION DEBT

Unlimited Tax Bonds Outstanding [1]		$ 2,122,543,118
Less: The Refunded Bonds [2]		37,070,000
Plus: The Series 2021A Taxable Refunding Bonds [1] [2]		(37,070,000)
Plus: The Series 2021 School Building Bonds [2]		90,000,000
Total Unlimited Tax Bonds [1] [2]		2,212,543,118
Less: Interest & Sinking Fund Balance (As of June 30, 2020) [3]		(135,622,917)
Net General Obligation Debt		$ 2,076,920,201
Ratio of Net G.O. Debt to Net Taxable Valuation [4]	4.49%	
2021 Population Estimate [5]	310,932	
Per Capita Net Taxable Valuation	$148,804	
Per Capita Net G.O. Debt	$6,680	

(1) Excludes interest accreted on outstanding capital appreciation bonds.
(2) Preliminary, subject to change. The Series 2021 School Building Bonds are anticipated to be issued contemporaneously with the Series 2021A Taxable Refunding Bonds.
(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, 2020" in Appendix D for more information relative to the District's outstanding obligations.
(5) Source: Municipal Advisory Council of Texas.

PROPERTY TAX RATES AND COLLECTIONS

Fiscal Year	Net Taxable Valuation [1]	Tax Rate	% Collections [3] Current [4]	Total [4]
2006/07	$ 12,291,132,177	$ 1.5800 [5]	98.63%	99.51%
2007/08	14,921,727,758	1.3500 [5]	98.75%	100.01%
2008/09	16,633,310,020	1.3700	98.38%	100.01%
2009/10	17,179,508,143	1.3900	98.24%	99.66%
2010/11	16,875,840,490	1.3900	98.84%	100.01%
2011/12	17,504,186,578	1.4200	99.18%	100.77%
2012/13	18,411,180,611	1.4600	99.34%	100.05%
2013/14	20,072,774,219	1.4600	99.11%	99.62%
2014/15	23,005,771,528	1.4600	99.14%	98.94%
2015/16	26,230,139,504 [2]	1.4600	99.41%	100.70%
2016/17	30,621,651,034 [2]	1.4600	99.30%	99.64%
2017/18	35,570,550,343 [2]	1.4600	99.59%	100.34%
2018/19	40,349,486,303 [2]	1.4400	99.33%	99.70%
2019/20	43,491,816,275 [2]	1.3383 [6]	99.37%	100.27%
2020/21	46,267,939,261 [2]	1.3102	(In Process of Collection)	

(1) Source: Comptroller of Public Accounts - Property Tax Division.
(2) The passage of a Texas Constitutional Amendment on November 3, 2015 increased the homestead exemption from $15,000 to $25,000.
(3) Source: Frisco ISD Audited Financial Statements.
(4) Excludes penalties and interest.
(5) 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.
(6) The decline in the District's Maintenance & Operation Tax from the 2018/19 fiscal year to the 2019/20 fiscal year is a function of House Bill 3 adopted by the Texas Legislature in June 2019. See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in Official Statement.

TAX RATE DISTRIBUTION [1]

	2016/17	2017/18	2018/19	2019/20 [2]	2020/21
Maintenance & Operations	$1.0400	$1.0400	$1.1700	$1.0683	$1.0402
Debt Service	$0.4200	$0.4200	$0.2700	$0.2700	$0.2700
Total Tax Rate	$1.4600	$1.4600	$1.4400	$1.3383	$1.3102

(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	1,966,343,118	4.52%
2020/21	46,267,939,261	2,155,930,696 [3]	4.66%

(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, 2020" in Appendix D for more information.
(3) Excludes the Refunded Bonds, includes the Series 2021 School Building Bonds and the proposed Series 2021 Taxable Refunding Bonds. Excludes the interest accreted on outstanding capital appreciation bonds. Preliminary, subject to change.

ESTIMATED OVERLAPPING DEBT STATEMENT

Taxing Body	Amount	Percent Overlapping	Amount Overlapping
Collin County	$ 425,280,000	19.08%	$ 81,143,424
Collin County CCD	524,590,000	19.08%	100,091,772
Denton County	611,835,000	11.25%	68,831,438
Denton County FWSD # 8-C	39,505,000	100.00%	39,505,000
City of Frisco	441,248,478	89.70%	395,799,885
Town of Little Elm	47,559,899	34.11%	16,222,682
City of McKinney	273,645,000	17.52%	47,942,604
City of Plano	446,085,000	12.62%	56,295,927
Total Overlapping Debt [1]			$ 805,832,731
Frisco Independent School District [2]			2,076,920,201
Total Direct & Overlapping Debt [2]			$ 2,882,752,932
Ratio of Net Direct & Overlapping Debt to Net Taxable Valuation		6.23%	
Per Capita Direct & Overlapping Debt		$9,271	

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

(2) Excludes the Refunded Bonds, includes the Series 2021A School Building Bonds and the proposed Series 2021 Taxable Refunding Bonds. Excludes the interest accreted on outstanding capital appreciation bonds. 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]

2020/21 Top Ten Taxpayers

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
JP Morgan Chase Bank NA	Banking & Finance	$ 433,884,153	0.94%
Liberty Mutual Plano LLC	Banking & Finance	385,270,425	0.83%
Toyota Motor North America Inc	Automotive	261,265,214	0.56%
Capital One National Association	Banking & Finance	237,730,753	0.51%
Blue Star HQ Inc	Real Estate Development	224,713,504	0.49%
BPR Shopping Center LP	Real Estate Development	156,196,309	0.34%
Union Investment Real Estate GMBH	Real Estate Development	152,566,435	0.33%
PPF Amli Parkwood Boulevard LLC	Real Estate Development	121,896,962	0.26%
Gaedeke Holdings XI LTD	Real Estate Development	119,362,083	0.26%
Bell Fund VII Frisco Market Center LLC	Real Estate Development	117,500,000	0.25%
		$ 2,210,385,838	4.78%

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%
		$ 2,079,553,856	4.78%

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%
		$ 1,945,646,856	4.82%

(1) Source: Comptroller of Public Accounts - Property Tax Division.

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

Category	2020/21	% of Total	2019/20	% of Total	2018/19	% of Total
Real, Residential, Single-Family	$ 28,858,661,067	58.60%	$ 27,700,222,652	59.35%	$ 26,446,203,218	60.78%
Real, Residential, Multi-Family	5,143,741,573	10.44%	4,312,749,169	9.24%	3,475,935,845	7.99%
Real, Vacant Lots/Tracts	818,924,974	1.66%	716,778,295	1.54%	592,806,009	1.36%
Real, Acreage	1,377,349,895	2.80%	1,555,046,008	3.33%	1,544,597,794	3.55%
Real, Farm & Ranch Improvements	363,530,881	0.74%	386,943,453	0.83%	534,068,422	1.23%
Real, Commercial & Industrial	10,126,029,542	20.56%	9,323,706,887	19.98%	8,646,055,811	19.87%
Utilities	320,762,579	0.65%	302,354,814	0.65%	257,452,561	0.59%
Tangible Personal, Commercial	1,509,492,044	3.07%	1,537,040,764	3.29%	1,273,966,735	2.93%
Tangible Personal, Industrial	994,819	0.00%	877,346	0.00%	832,856	0.00%
Tangible Personal, Mobile Homes & Other	412,098	0.00%	415,622	0.00%	266,728	0.00%
Tangible Personal, Residential Inventory	672,350,754	1.37%	783,004,960	1.68%	672,135,531	1.54%
Tangible Personal, Special Inventory	53,736,219	0.11%	56,519,910	0.12%	64,448,618	0.15%
Total Appraised Value	$ 49,245,986,445	100.00%	$ 46,675,659,880	100.00%	$ 43,508,770,128	100.00%
Less:						
Homestead Cap Adjustment	$ 39,391,242		$ 80,754,171		$ 173,942,795	
Productivity Loss	1,376,255,377		1,553,825,560		1,543,114,334	
Exemptions [(3)]	1,562,400,565		1,549,263,874		1,442,226,696	
Total Exemptions/Deductions [(4)]	$ 2,978,047,184		$ 3,183,843,605		$ 3,159,283,825	
Net Taxable Assessed Valuation	$ 46,267,939,261		$ 43,491,816,275		$ 40,349,486,303	

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

(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: The Refunded Bonds [3]	Plus: The Series 2021A Taxable Refunding Bonds [2] [3]	Plus: The Series 2021 School Building Bonds [3]	Total [1] [2] [3]	Bonds Unpaid At Fiscal Year End	Percent of Principal Retired
2021	$ 67,492,422.40	$ -	$ -	$ -	$ 67,492,422.40	$ 2,155,930,695.85	3.04%
2022	69,010,469.35	-	250,000.00	1,915,000.00	71,175,469.35	2,084,755,226.50	6.24%
2023	68,636,447.95	-	385,000.00	2,835,000.00	71,856,447.95	2,012,898,778.55	9.47%
2024	68,142,844.10	-	405,000.00	2,385,000.00	70,932,844.10	1,941,965,934.45	12.66%
2025	67,697,677.75	-	425,000.00	2,935,000.00	71,057,677.75	1,870,908,256.70	15.85%
2026	74,724,730.30	-	450,000.00	2,495,000.00	77,669,730.30	1,793,238,526.40	19.35%
2027	77,916,872.70	-	470,000.00	3,045,000.00	81,431,872.70	1,711,806,653.70	23.01%
2028	79,325,218.55	-	495,000.00	3,110,000.00	82,930,218.55	1,628,876,435.15	26.74%
2029	82,037,325.85	3,130,000.00	370,000.00	3,170,000.00	82,447,325.85	1,546,429,109.30	30.45%
2030	93,335,115.10	3,285,000.00	3,670,000.00	3,235,000.00	96,955,115.10	1,449,473,994.20	34.81%
2031	88,877,801.00	6,655,000.00	6,975,000.00	3,305,000.00	92,502,801.00	1,356,971,193.20	38.97%
2032	92,938,770.00	6,995,000.00	7,115,000.00	3,370,000.00	96,428,770.00	1,260,542,423.20	43.31%
2033	82,374,731.20	7,355,000.00	7,265,000.00	3,440,000.00	85,724,731.20	1,174,817,692.00	47.16%
2034	85,502,692.00	5,750,000.00	5,420,000.00	3,505,000.00	88,677,692.00	1,086,140,000.00	51.15%
2035	112,530,000.00	3,900,000.00	3,375,000.00	3,575,000.00	115,580,000.00	970,560,000.00	56.35%
2036	109,440,000.00			3,000,000.00	112,440,000.00	858,120,000.00	61.41%
2037	93,160,000.00			2,580,000.00	95,740,000.00	762,380,000.00	65.71%
2038	101,045,000.00			2,630,000.00	103,675,000.00	658,705,000.00	70.37%
2039	104,420,000.00			2,685,000.00	107,105,000.00	551,600,000.00	75.19%
2040	108,190,000.00			2,740,000.00	110,930,000.00	440,670,000.00	80.18%
2041	111,875,000.00			2,795,000.00	114,670,000.00	326,000,000.00	85.34%
2042	74,335,000.00			2,850,000.00	77,185,000.00	248,815,000.00	88.81%
2043	58,230,000.00			2,910,000.00	61,140,000.00	187,675,000.00	91.56%
2044	47,440,000.00			2,970,000.00	50,410,000.00	137,265,000.00	93.83%
2045	33,825,000.00			3,025,000.00	36,850,000.00	100,415,000.00	95.48%
2046	25,860,000.00			3,090,000.00	28,950,000.00	71,465,000.00	96.79%
2047	16,395,000.00			3,150,000.00	19,545,000.00	51,920,000.00	97.66%
2048	15,365,000.00			3,215,000.00	18,580,000.00	33,340,000.00	98.50%
2049	13,240,000.00			3,280,000.00	16,520,000.00	16,820,000.00	99.24%
2050	6,390,000.00			3,345,000.00	9,735,000.00	7,085,000.00	99.68%
2051	3,670,000.00			3,415,000.00	7,085,000.00	-	100.00%
Total	$ 2,133,423,118.25	$ 37,070,000.00	$ 37,070,000.00	$ 90,000,000.00	$ 2,223,423,118.25		

(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. The Series 2021 School Building Bonds are anticipated to be issued contemporaneously with the Series 2021A Taxable Refunding Bonds.

DEBT SERVICE REQUIREMENTS [(1)]

Fiscal Year Ending 8/31	Outstanding Debt Service [(2)]	Less: The Refunded Bonds [(3)]	Plus: The Series 2021A Taxable Refunding Bonds [(2) (3)]			Plus: The Series 2021 School Building Bonds [(3)]			Combined Total [(1) (2) (3) (4)]
			Principal	Interest	Total	Principal	Interest	Total	
2021	$ 146,850,500.57	$ -	$ -	$ -	$ -	$ -	$ -		$ 146,850,500.57
2022	149,573,270.10	1,853,500.00	250,000.00	919,002.92	1,169,002.92	1,915,000.00	2,150,850.00	4,065,850.00	152,954,623.02
2023	149,571,495.10	1,853,500.00	385,000.00	784,390.86	1,169,390.86	2,835,000.00	1,733,350.00	4,568,350.00	153,455,735.96
2024	150,574,570.10	1,853,500.00	405,000.00	764,640.86	1,169,640.86	2,385,000.00	1,681,150.00	4,066,150.00	153,956,860.96
2025	150,572,920.10	1,853,500.00	425,000.00	743,890.86	1,168,890.86	2,935,000.00	1,627,950.00	4,562,950.00	154,451,260.96
2026	151,575,245.90	1,853,500.00	450,000.00	722,015.86	1,172,015.86	2,495,000.00	1,573,650.00	4,068,650.00	154,962,411.76
2027	151,575,605.35	1,853,500.00	470,000.00	699,015.86	1,169,015.86	3,045,000.00	1,518,250.00	4,563,250.00	155,454,371.21
2028	151,574,121.47	1,853,500.00	495,000.00	674,890.86	1,169,890.86	3,110,000.00	1,456,700.00	4,566,700.00	155,457,212.33
2029	151,576,058.64	4,983,500.00	370,000.00	3,922,515.86	4,292,515.86	3,170,000.00	1,393,900.00	4,563,900.00	155,448,974.50
2030	151,573,656.49	4,982,000.00	3,670,000.00	630,518.05	4,300,518.05	3,235,000.00	1,329,850.00	4,564,850.00	155,457,024.54
2031	151,571,579.49	8,187,750.00	6,975,000.00	533,129.61	7,508,129.61	3,305,000.00	1,264,450.00	4,569,450.00	155,461,409.10
2032	151,572,050.89	8,195,000.00	7,115,000.00	399,041.43	7,514,041.43	3,370,000.00	1,197,700.00	4,567,700.00	155,458,792.32
2033	151,571,807.70	8,205,250.00	7,265,000.00	258,161.57	7,523,161.57	3,440,000.00	1,129,600.00	4,569,600.00	155,459,319.27
2034	151,573,252.45	6,232,500.00	5,420,000.00	129,631.58	5,549,631.58	3,505,000.00	1,060,150.00	4,565,150.00	155,455,534.03
2035	151,572,882.26	4,095,000.00	3,375,000.00	36,641.95	3,411,641.95	3,575,000.00	989,350.00	4,564,350.00	155,453,874.21
2036	151,575,252.38			-		3,000,000.00	923,600.00	3,923,600.00	155,498,852.38
2037	126,574,905.06			-		2,580,000.00	867,800.00	3,447,800.00	130,022,705.06
2038	126,574,237.38			-		2,630,000.00	815,700.00	3,445,700.00	130,019,937.38
2039	126,575,668.38			-		2,685,000.00	762,550.00	3,447,550.00	130,023,218.38
2040	126,573,180.71			-		2,740,000.00	708,300.00	3,448,300.00	130,021,480.71
2041	126,573,581.36			-		2,795,000.00	652,950.00	3,447,950.00	130,021,531.36
2042	85,859,993.76			-		2,850,000.00	596,500.00	3,446,500.00	89,306,493.76
2043	66,922,918.76			-		2,910,000.00	538,900.00	3,448,900.00	70,371,818.76
2044	53,758,968.76					2,970,000.00	480,100.00	3,450,100.00	57,209,068.76
2045	38,213,200.00					3,025,000.00	420,150.00	3,445,150.00	41,658,350.00
2046	28,873,250.00					3,090,000.00	359,000.00	3,449,000.00	32,322,250.00
2047	18,360,300.00					3,150,000.00	296,600.00	3,446,600.00	21,806,900.00
2048	16,709,600.00					3,215,000.00	232,950.00	3,447,950.00	20,157,550.00
2049	14,006,150.00					3,280,000.00	168,000.00	3,448,000.00	17,454,150.00
2050	6,650,275.00					3,345,000.00	101,750.00	3,446,750.00	10,097,025.00
2051	3,743,400.00					3,415,000.00	34,150.00	3,449,150.00	7,192,550.00
	$ 3,380,423,898.16	$ 57,855,500.00	$ 37,070,000.00	$ 11,217,488.13	$ 48,287,488.13	$ 90,000,000.00	$ 28,065,900.00	$ 118,065,900.00	$ 3,488,921,786.29

(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. The Series 2021 School Building Bonds are anticipated to be issued contemporaneously with the Series 2021A Taxable Refunding Bonds.
(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 2020/21. 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)]	$ 155,498,852.38
Projected State Financial Assistance for Debt Service in 2020/21 [(2)]	-
Projected Net Debt Service Requirement	$ 155,498,852.38
$0.33948 Tax Rate @ 99% Collections Produces	$ 155,498,852.38
2020/21 Net Taxable Valuation	$ 46,267,939,261

(1) Excludes the Refunded Bonds and Includes the Series 2021A Taxable Refunding Bonds and Series 2021 School Building Bonds. Excludes the accreted value of outstanding capital appreciation bonds.
(2) Based on its wealth per student, the District does not expect to receive state financial assistance for the payment of debt service for the fiscal year 2020/21. The amount of State aid for debt service may substantially differ from year to year, depending on a number of factors, including amounts, if any, appropriated for that purpose by the Texas Legislature. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement.

AUTHORIZED BUT UNISSUED BONDS

Following the issuance of the Series 2021 School Building Bonds, the District will have $26,000,000 of authorized but unissued unlimited ad valorem tax bonds from the May 10, 2014 bond election, and $313,750,000 (preliminary, subject to change) 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				
	2016	**2017**	**2018**	**2019**	**2020**
Beginning Fund Balance	**$ 92,479,106**	**$ 123,493,141**	**$ 133,262,297**	**$ 162,807,920**	**$ 206,607,695**
Revenues:					
Local and Intermediate Sources	$ 289,018,829	$ 336,393,833	$ 387,697,000	$ 487,450,080	$ 478,853,977
State Sources	155,994,420	133,522,734	117,852,445	85,303,754	123,619,347
Federal Sources & Other	2,332,383	2,320,903	2,858,270	6,520,666	4,663,718
Total Revenues	**$ 447,345,632**	**$ 472,237,470**	**$ 508,407,715**	**$ 579,274,500**	**$ 607,137,042**
Expenditures:					
Instruction	$ 252,535,035	$ 282,993,597	$ 285,701,359	$ 312,362,215	$ 348,085,246
Instructional Resources & Media Services	5,903,628	6,557,162	5,698,708	5,987,511	6,311,497
Curriculum & Instructional Staff Development	8,571,708	8,853,065	9,145,472	9,870,038	12,542,301
Instructional Leadership	5,390,706	6,006,327	7,058,674	7,463,056	10,026,450
School Leadership	26,213,068	28,474,277	30,046,554	31,604,561	34,900,930
Guidance, Counseling & Evaluation Services	13,982,202	14,309,802	15,295,267	17,394,606	21,406,422
Social Work Services	356,988	275,677	192,909	193,601	207,193
Health Services	5,050,855	5,386,188	5,572,130	6,203,475	6,576,377
Student (Pupil) Transportation	10,435,043	11,284,361	11,852,424	13,246,684	14,034,400
Food Services	-	268,820	344,704	28,700	360,577
Cocurricular/Extracurricular Activities	13,603,768	14,155,340	14,772,611	16,602,196	17,099,452
General Administration	7,823,941	8,223,475	9,182,456	10,994,089	14,112,405
Plant Maintenance and Operations	32,866,208	33,880,207	36,177,131	38,350,138	40,436,585
Security and Monitoring Services	3,279,043	3,568,407	3,527,117	3,741,441	4,770,191
Data Processing Services	6,138,332	5,982,344	7,728,577	7,783,055	7,467,908
Community Services	830,319	871,383	871,458	1,013,618	1,128,951
Other Intergovernmental Charges	2,377,535	2,683,175	3,040,455	3,492,348	3,798,571
Facilities Acquisition and Construction	-	25,787	-	-	-
Contracted Instructional Services Between Schools	217,771	-	-	14,017,478	3,152,395
Payments to Juvenile Justice Alternative Ed. Program	37,077	67,814	30,118	35,666	30,681
Payments to Tax Increment Fund	20,698,870	22,583,104	25,397,908	25,169,882	27,151,041
Total Expenditures	**$ 416,312,097**	**$ 456,450,312**	**$ 471,636,032**	**$ 525,554,358**	**$ 573,599,573**
Excess (Deficiency) of Revenues over Expenditures	$ 31,033,535	$ 15,787,158	$ 36,771,683	$ 53,720,142	$ 33,537,469
Other Resources and (Uses):					
Sale of Real and Personal Property	$ -	$ -	$ -	$ 75,538	$ 57,518
Transfer In	-	16,998	29,940	18,795	32,698
Transfer Out	(19,500)	(6,035,000)	(7,256,000)	(10,014,700)	(5,104,137)
Total Other Resources (Uses)	**$ (19,500)**	**$ (6,018,002)**	**$ (7,226,060)**	**$ (9,920,367)**	**$ (5,013,921)**
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	$ 31,014,035	$ 9,769,156	$ 29,545,623	$ 43,799,775	$ 28,523,548
Ending Fund Balance	**$ 123,493,141**	**$ 133,262,297**	**$ 162,807,920**	**$ 206,607,695**	**$ 235,131,243**

(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				
	2016	2017	2018	2019	2020
Revenues:					
Program Revenues:					
Charges for Services	$ 22,652,314	$ 23,042,938	$ 24,662,605	$ 25,252,407	$ 36,129,968
Operating Grants and Contributions	34,845,658	38,224,087	(58,806,085)	64,655,694	71,108,796
General Revenues:					
Property Taxes Levied for General Purposes	279,061,789	328,154,575	375,184,044	471,611,015	466,660,821
Property Taxes Levied for Debt Service	105,578,096	124,819,619	142,848,448	104,085,263	112,411,956
State Aid - Formula Grants	139,758,001	115,510,634	98,313,792	64,028,393	97,396,084
Grants and Contributions Not Restricted	2,332,383	2,320,903	2,858,270	6,520,666	4,663,718
Investment Earnings	720,988	1,994,950	5,260,009	9,862,834	8,429,226
Miscellaneous	20,162,030	19,776,576	23,075,918	24,456,995	23,587,596
Total Revenue	$ 605,111,259	$ 653,844,282	$ 613,397,001	$ 770,473,267	$ 820,388,165
Expenses:					
Instruction	$ 305,605,412	$ 325,140,742	$ 227,342,595	$ 385,220,355	$ 444,377,695
Instruction Resources & Media Services	9,796,673	9,325,687	6,373,309	8,849,546	8,932,969
Curriculum & Staff Development	8,937,996	9,447,290	6,858,766	11,026,050	14,315,808
Instructional Leadership	5,474,033	6,192,970	4,615,947	8,153,468	11,116,828
School Leadership	30,178,920	32,328,267	23,791,263	37,705,167	43,158,588
Guidance, Counseling & Evaluation Services	16,612,319	17,508,585	11,811,319	22,074,050	25,968,948
Social Work Services	361,960	279,911	119,107	206,324	227,696
Health Services	5,183,496	5,496,484	3,702,581	6,590,798	7,215,668
Student Transportation	12,127,267	12,899,257	10,690,822	15,649,573	17,135,255
Food Service	25,943,835	25,477,572	21,130,662	26,438,963	26,200,312
Cocurricular/Extracurricular Activities	19,434,773	19,440,200	17,052,390	23,276,818	22,890,618
General Administration	9,432,967	9,747,588	8,358,009	12,707,266	16,605,179
Plant Maintenance & Operations	45,202,540	46,480,755	47,446,326	54,392,409	60,027,110
Security and Monitoring Services	3,916,348	3,826,564	3,293,454	4,399,063	6,577,228
Data Processing Services	9,131,244	8,927,287	9,372,444	11,961,523	10,906,676
Community Services	1,857,437	1,900,499	1,452,458	2,072,276	2,231,893
Debt Service - Interest on Long-term Debt	81,825,335	79,783,468	77,551,045	82,228,452	79,729,973
Debt Service - Bond Issuance Cost and Fees	3,518,708	2,474,789	691,035	2,143,297	924,809
Contracted Instructional Services Between Schools	217,771	-	-	14,017,478	3,152,395
Payments to Juvenile Justice Alternative Ed. Prg.	37,077	67,814	30,118	35,666	30,681
Other Governmental Charges	2,377,535	2,683,175	3,040,455	3,492,348	3,798,571
Payments to Tax Increment Fund	20,698,870	22,583,104	25,397,908	25,169,882	27,151,041
Total Expenditures	$ 617,872,516	$ 642,012,008	$ 510,122,013	$ 757,810,772	$ 832,675,941
Change in Net Assets	$ (12,761,257)	$ 11,832,274	$ 103,274,988	$ 12,662,495	$ (12,287,776)
Beginning Net Assets	$ (245,443,341)	$ (258,204,598)	$ (246,372,324)	$ (420,319,252)	$ (407,656,757)
Prior Period Adjustment	$ -	$ -	$ (277,221,916) [(2)]	$ -	$ -
Ending Net Assets	$ (258,204,598)	$ (246,372,324)	$ (420,319,252)	$ (407,656,757)	$ (419,944,533)

(1) The foregoing information represents government-wide financial information provided in accordance with GASB 34, which the District adopted for the 2002.
(2) 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 2021 population estimate for the District is 310,932 compared to the 2000 population estimate of 34,000. The District's economic base is primarily comprised of commercial and governmental concerns which provide a variety of goods and services. The following table illustrates the leading employers located within the City of Frisco.

Employer	2021 Approximate Number of Employees
Frisco Independent School District	8,203
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 8,203, of which 5,878 are teachers. Approximately 30 percent of the teachers hold advanced degrees. Currently, the District reflects a classroom size of as near as possible to 19-24:1 for grades 5-12 and 19-20:1 for grades K-4. The student to teacher ratio in the district is 14.5:1.

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:

School	Capacity	Grades Provided	Current Enrollment	Teachers	Others[a]	Aides	Admin.	Auxilary
Allen Elementary	760	K-5	702	44.0	3.0	8.0	2.0	3.0
Anderson Elementary	760	K-5	722	47.0	3.0	5.0	2.0	3.0
Ashley Elementary	760	K-5	598	42.0	3.0	9.0	2.0	2.0
Bledsoe Elementary	760	K-5	784	49.0	3.0	7.0	2.0	3.0
Boals Elementary	760	K-5	640	45.0	3.0	10.0	2.0	3.0
Borchardt Elementary	760	K-5	769	46.0	3.0	4.0	2.0	3.0
Bright Elementary	760	K-5	484	40.0	3.0	4.0	3.0	3.0
Carroll Elementary	760	K-5	619	45.0	3.0	8.0	2.0	3.0
Christie Elementary	760	K-5	373	38.0	3.0	11.0	2.0	3.0
Comstock Elementary	760	K-5	705	48.0	3.0	3.0	2.0	3.0
Corbell Elementary	760	K-5	669	46.0	3.0	10.0	3.0	3.0
Curtsinger Elementary	760	K-5	571	41.0	4.0	8.0	2.0	3.0
Elliott Elementary	760	K-5	631	43.0	3.0	5.0	2.0	3.0
Fisher Elementary	760	K-5	554	42.0	3.0	13.0	2.0	3.0
Gunstream Elementary	760	K-5	564	43.0	3.0	7.0	2.0	3.0
Hosp Elementary	760	K-5	687	44.0	3.0	7.0	2.0	3.0
Isbell Elementary	760	K-5	670	44.0	3.0	5.0	2.0	3.0
Liscano Elementary	760	K-5	713	45.0	3.0	4.0	2.0	3.0
McSpedden Elementary	760	K-5	801	47.0	3.0	13.0	2.0	3.0
Miller Elementary	760	K-5	759	47.0	3.0	5.0	2.0	4.0
Mooneyham Elementary	760	K-5	628	42.0	3.0	4.0	2.0	3.0
Newman Elementary	760	K-5	815	43.0	3.0	4.0	2.0	3.0
Nichols Elementary	760	K-5	747	46.0	3.0	3.0	2.0	3.0
Norris Elementary	760	K-5	759	45.0	3.0	9.0	2.0	3.0
Ogle Elementary	760	K-5	727	45.0	3.0	3.0	2.0	3.0
Phillips Elementary	760	K-5	673	43.0	3.0	7.0	2.0	3.0
Pink Elementary	760	K-5	625	43.0	3.0	10.0	2.0	3.0
Purefoy Elementary	760	K-5	552	43.0	3.0	12.0	2.0	3.0
Riddle Elementary	760	K-5	704	47.0	3.0	3.0	2.0	3.0
Robertson Elementary	760	K-5	689	48.0	3.0	3.0	2.0	3.0
Rogers Elementary	760	K-5	569	39.0	3.0	6.0	2.0	3.0
Scott Elementary	760	K-5	657	45.0	3.0	7.0	2.0	3.0
Sem Elementary	760	K-5	602	43.0	3.0	9.0	2.0	3.0
Shawnee Trail Elementary	760	K-5	506	39.0	3.0	14.0	2.0	3.0
Smith Elementary	760	K-5	624	44.0	3.0	9.0	2.0	3.0
Sonntag Elementary	760	K-5	567	42.0	3.0	12.0	2.0	3.0
Sparks Elementary	760	K-5	702	46.0	3.0	5.0	2.0	3.0
Spears Elementary	760	K-5	754	48.0	4.0	4.0	2.0	3.0
Tadlock Elementary	760	K-5	605	44.0	3.0	8.0	2.0	3.0
Talley Elementary	760	K-5	589	37.0	3.0	5.0	2.0	3.0
Taylor Elementary	760	K-5	745	47.0	3.0	9.0	2.0	3.0
Vaughn Elementary	760	K-5	660	43.0	3.0	8.0	2.0	3.0
Clark Middle School	1,000	6-8	853	66.0	4.0	7.0	3.0	4.0
Cobb Middle School	1,000	6-8	895	69.0	4.0	8.0	3.0	5.0
Fowler Middle School	1,000	6-8	1,009	72.0	4.0	6.0	3.0	4.0
Griffin Middle School	1,000	6-8	817	56.0	4.0	6.0	3.0	5.0
Hunt Middle School	1,000	6-8	908	65.0	4.0	3.0	3.0	6.0
Lawler Middle School	1,000	6-8	929	64.0	4.0	8.0	3.0	5.0
Maus Middle School	1,000	6-8	909	66.0	4.0	5.0	3.0	4.0
Nelson Middle School	1,000	6-8	1,026	65.0	4.0	4.0	3.0	5.0
Pearson Middle School	1,000	6-8	1,017	70.0	4.0	8.0	3.0	5.0
Pioneer Heritage Middle School	1,000	6-8	1,045	68.0	4.0	5.0	3.0	5.0
Roach Middle School	1,000	6-8	942	67.0	4.0	4.0	3.0	5.0
Scoggins Middle School	1,000	6-8	1,048	66.0	4.0	5.0	3.0	5.0
Stafford Middle School	1,000	6-8	971	70.0	4.0	4.0	3.0	5.0
Staley Middle School	800	6-8	590	63.0	4.0	9.0	3.0	5.0
Trent Middle School	1,000	6-8	1,079	72.0	4.0	8.0	3.0	4.0
Vandeventer Middle School	1,000	6-8	906	66.0	4.0	3.0	3.0	5.0
Wester Middle School	1,000	6-8	802	65.0	4.0	9.0	3.0	5.0

School	Capacity	Grades Provided	Current Enrollment	Teachers	Others)	Aides	Admin.	Auxilary
Centennial High School	2,100	9-12	2,099	145.0	7.0	8.0	8.0	12.0
Emerson High School	2,100	9-12	-	23.0	-	-	3.0	2.0
Frisco High School	2,100	9-12	1,832	132.0	7.0	13.0	8.0	14.0
Heritage High School	2,100	9-12	2,068	145.0	7.0	10.0	7.0	12.0
Independence High School	2,100	9-12	2,275	146.0	7.0	16.0	7.0	12.0
Lebanon Trail High School	2,100	9-12	1,879	128.0	7.0	9.0	9.0	15.0
Liberty High School	2,100	9-12	2,017	140.0	6.0	11.0	7.0	13.0
Lone Star High School	1,800	9-12	2,140	141.0	7.0	13.0	8.0	15.0
Memorial High School	2,100	9-12	1,810	122.0	7.0	6.0	7.0	13.0
Reedy High School	2,100	9-12	2,111	135.0	7.0	15.0	7.0	14.0
Wakeland High School	2,100	9-12	2,110	133.0	7.0	14.0	7.0	12.0
Career and Technology Center[b]	NA	9-12	-	48.0	2.0	1.0	2.0	9.0
Early Childhood School	1,100	EC	640	42.0	5.0	54.0	3.0	4.0
Student Opportunity Center[c]	NA	1-12	-	26.0	3.0	14.0	3.0	5.0
District Wide				216.0	31.0	39.0	62.0	148.0
Z.T. Acker Special Program Ctr.[d]	NA	EC-1	-	-	-	-	-	-
TOTAL	72,620		64,241	4,700.0	306.0	625.0	285.0	508.0

[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	2020/21	2019/20	2018/19	2017/2018
E.C.	470	404	495	382
PRE-K	781	453	434	419
K	3,850	3,977	4,020	4,033
1	4,183	4,296	4,250	4,182
2	4,526	4,520	4,353	4,391
3	4,701	4,582	4,521	4,473
4	4,730	4,772	4,718	4,678
5	4,912	4,891	4,834	4,785
6	5,075	5,134	4,979	4,759
7	5,327	5,161	4,891	4,727
8	5,345	5,091	4,871	4,852
9	5,309	5,175	5,145	4,647
10	5,212	5,200	4,671	4,349
11	5,071	4,631	4,316	4,021
12	4,749	4,443	4,083	3,763
Total	**64,241**	**62,730**	**60,581**	**58,461**

AVERAGE DAILY ATTENDANCE

School Year	Attendance
2020-2021	60,850.95
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

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
2020-21	64,241	1,511	2.41

STUDENT ENROLLMENT PROJECTIONS

Grade	2021/22	2022/23	2023/24	2024/25
EE-PK	1,079	1,097	1,133	1,165
K	3,934	3,974	4,025	4,082
1	4,183	4,225	4,284	4,344
2	4,406	4,457	4,520	4,587
3	4,607	4,642	4,714	4,785
4	5,036	4,905	4,961	5,043
5	5,286	5,294	5,176	5,241
6	5,286	5,628	5,659	5,539
7	5,444	5,525	5,905	5,944
8	5,487	5,707	5,814	6,221
9	5,873	5,882	6,142	6,264
10	5,851	6,006	6,039	6,312
11	5,720	5,869	6,047	6,086
12	5,396	5,926	6,104	6,296
Total	**67,588**	**69,137**	**70,523**	**71,909**

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 195,238 in 2021, which is a 579% increase over the 2000 census of 33,714. The City's population is estimated to reach 280,000 by the year 2025.

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

POPULATION TRENDS

	City of Frisco	Collin County
2021 Estimate	195,238	1,107,017
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 2021A
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.

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, 2020

The Frisco ISD Finance Department is proud to showcase the artwork of 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

Comprehensive Annual Financial Report

Frisco Independent School District
5515 Ohio Drive
Frisco, Texas 75035

Fiscal Year Ended
June 30, 2020

Prepared by:
Finance Department

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FRISCO
INDEPENDENT SCHOOL DISTRICT

Introductory Section
(Unaudited)

"Infinite Reflections" | Ananya Mahesh | Independence High School

Certificate of the Board

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

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and ✓ approved ___ disapproved for the year ended June 30, 2020, at a meeting of the Board of Trustees of such school district on the 14TH day of DECEMBER, 2020.

Signature of Board President

Signature of Board Secretary

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

FRISCO
INDEPENDENT SCHOOL DISTRICT

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

December 14, 2020

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, 2020, 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, 2020, 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 69% in the past decade, from 37,043 students in 2011 to 62,705 students in 2020. The District is expected to continue to grow by more than 1,000 students a year for the foreseeable future. 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 7,400 full and part-time employees, including 4,280 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. Dual-credit opportunities are available through a partnership with Collin College. We also offer International Baccalaureate Primary Years and Diploma Programmes at one elementary school 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 was offered during the 2019-2020 school year for qualifying families. Beginning in the fall of 2020, that program expanded to a full-day program offered at the Early Childhood School and eight elementary schools.

Frisco ISD continues to raise the bar for student achievement. Test scores continue to be well above state and national averages. In 2019 92% of students met the state standard on the State of Texas Assessments of Academic Readiness (STARR). Additionally, FISD students earn an average ACT score of 25 and an average SAT score of 1194. 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.

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. In fact, 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 158% over the past decade. Values increased approximately 8% from fiscal year 2019 to fiscal year 2020. Approximately 18% of the District's area is still vacant land as of 2020. As the City of Frisco and the District continue to 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 0.87% of the taxable value of the District, and the total assessed value for all of the top ten taxpayers comprises only 4.79% 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. That project is scheduled to open in 2022. 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 are nearing the end of that bond program, the citizens of Frisco ISD approved a new $691 million bond program in 2018 to fund four new schools, expand and update existing facilities, add and refresh classroom technology, enhance school security, and more. The 2018 program is projected to accommodate further growth in the District up to 72,000 students, and projects are anticipated to occur through 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 4% per year for the past 5 years, and the growth from 2019 to 2020 was just over 2,500 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 strengthened and state-wide property values increased, the State 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 infused additional state dollars into the school funding formula and reduced school property tax rates, thus shifting some of the burden back to the state. The bill also allowed more local property tax revenue to remain with school districts by reducing amounts due under the State's recapture program. While House Bill 3 was beneficial to FISD and most other districts throughout the state, there was some discussion during the legislative session that the new formula may be unsustainable in the event of a recession.

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

Budgetary Controls

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

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

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

Awards

The Association of School Business Officials International (ASBO) awarded a Certificate of Excellence in Financial Reporting, and the Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to FISD for its comprehensive annual financial report for the fiscal year ended June 30, 2019. 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, 2020, which will be submitted for review to both associations, continues to meet the criteria of both ASBO and GFOA's certificate programs.

The District published its first Popular Annual Financial Report (PAFR) for the year ended June 30, 2019, and received a Popular Annual Financial Reporting Award from the GFOA for that publication. The PAFR Awards Program encourages state and local governments to extract information from their comprehensive annual financial report to produce high quality popular annual financial reports specifically designed to be readily accessible and easily understandable to the general public and other interested parties without a background in public finance and then recognizes individual governments that are successful in achieving that goal.

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, 2020, FISD 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.

K Smith

Kimberly Smith, Chief Financial Officer

Frisco Independent School District
Principal Officers and Advisors

Board Of Trustees

Name	Term Expires	Length of Service	Occupation
Chad Rudy, President	2022	5 years	Certified Financial PlannerTM, Retirement Investment Advisors, Inc.
Rene Archambault, Vice President	2021	2 years	Deputy Director, Southern Methodist University - Guildhall
John Classe, Secretary	2021	6 years	Certified Financial PlannerTM, Bell Financial Group
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	9 years	Community and school volunteer
Debbie Gillespie	2020	9 years	Community and school volunteer

Appointed Officials

Name	Position	Length of Education Service
Dr. Mike Waldrip	Superintendent	38 years
Dr. Todd Fouche	Deputy Superintendent of Business and Operations	17 years
Kenny Chandler	Deputy Superintendent of Schools	36 years
Dr. Wes Cunningham	Chief Academic Officer	27 years
Amanda McCune	Chief Communications Officer	4 years
Kimberly Smith	Chief Financial Officer	9 years
Dr. Pamela Linton	Chief Human Resources Officer	30 years
Cory McClendon	Chief Leadership Officer	21 years
Erin Miller	Chief Student Services Officer	24 years
Melissa Fouche	Chief Technology Officer	26 years

Consultants And Advisors

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

SAMCO Capital Markets, Inc.
Financial Advisors

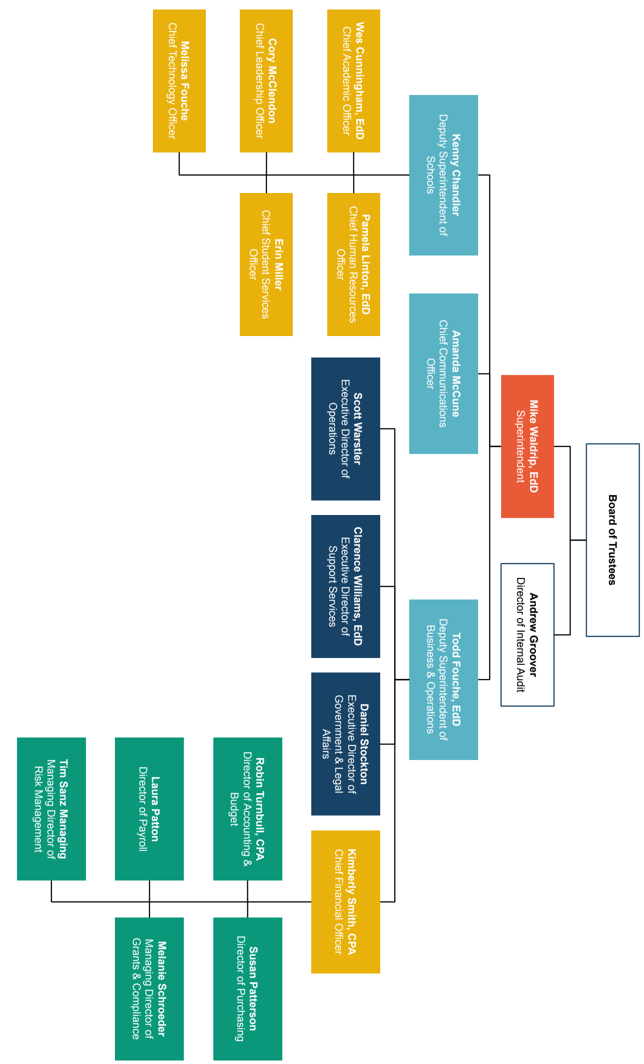
McCall, Parkhurst & Horton, L.L.P.
Bond Counsel

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

Abernathy, Roeder, Boyd, & Hullett, P.C.
Attorneys

First Southwest Asset Management
Investment Advisors

Frisco Independent School District
Administration and Finance
2020/2021



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

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

Frisco Independent School District

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2019.**

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

CERTIFICATE OF EXCELLENCE IN FINANCIAL REPORTING

Claire Hertz

Claire Hertz, SFO
President

David J. Lewis
Executive Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Frisco Independent School District
Texas**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morrill

Executive Director/CEO

Financial Section

"Face In The Flowers" | Campbell Williams | Independence High School

weaver
Assurance • Tax • Advisory

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, 2020, 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, 2020, 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, L.L.P.
2300 North Field Street, Suite 1000 | Dallas, Texas 75201
Main: 972.490.1970
CPAs AND ADVISORS | WEAVER.COM

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 5 through 17, and 61 through 66, 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 December 3, 2020, 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
December 3, 2020

Management's Discussion and Analysis (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, 2020. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal, which can be found on pages ii-vii of this report, as well as the District's financial statements, which follow this section.

Financial Highlights

- The 86th Texas Legislature passed a comprehensive school finance reform bill, House Bill 3, in June 2019. The bill, which included $6.5 billion in new spending for public education and $5.1 billion in property tax relief, made sweeping changes to school finance that began in the 2020 fiscal year. Highlights of the bill included:
  - An 8-cent state-wide property tax reduction
  - Increases in basic educational funding per student
  - Requirements for teacher raises
  - The implementation of full-day pre-kindergarten programs for eligible 4-year-olds
  - A reduction in the amount of money property wealthy districts, like Frisco ISD, must spend to subsidize educational spending through the State's recapture program

  House Bill 3 reduced the FISD's property tax rate from $1.44 to $1.3383 per $100 valuation for the 2019 tax year while providing approximately $25.2 million in new unrecaptured funding that was appropriated in the 2020 General Fund budget.
- The District's overall net position decreased by $12.3 million from the prior year, resulting in a year-end deficit net position of ($419,944,533). Of the total net position, ($373,647,743) 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 opened in the past 5 years. We therefore have more debt outstanding than capital assets. As building needs slow and debt is repaid, the net investment in capital assets will shift from negative to positive.
- The General Fund, which is the District's main operating fund, recognized a $28.5 million surplus for the year, which was largely attributable to greater than projected enrollment growth. Further details are described on pages 12-13 of Management's Discussion and Analysis. The General Fund ended the year with an unassigned fund balance of $198,853,860, which represents 32.6% of the 2021 adopted budget.
- When combined, the total fund balance for all of the District's funds decreased by $11.3 million from the prior year due mainly to construction spending in the Capital Projects Fund. We ended the year with a total combined governmental fund balance of $530,271,086.
- The District issued $101,705,000 of school building and refunding bonds during the year. $68,285,000 was issued for new construction, and the remainder was used to refund $33,895,000 of outstanding debt at an interest cost savings of approximately $8.5 million.

(Continued)

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

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

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

(Continued)

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 21-22 of this report.

Fund Financial Statements

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

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

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

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

(Continued)

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 25 and 27 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 31 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 33-58 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.

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, 2020, the District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources by $419.9 million.

(Continued)

Table A-2. The District's Net Position

	June 30, 2020	June 30, 2019	Increases / (Decreases)
Assets:			
Current and other assets	$ 642,592,614	$ 633,809,037	$ 8,783,577
Capital assets	1,662,742,864	1,610,279,610	52,463,254
Total Assets	2,305,335,478	2,244,088,647	61,246,831
Deferred outflows of resources	161,910,953	140,217,544	21,693,409
Total Assets and Deferred Outflows	**$ 2,467,246,431**	**$ 2,384,306,191**	**$ 82,940,240**
Liabilities:			
Current liabilities	$ 201,085,268	$ 169,339,665	$ 31,745,603
Long-term liabilities	2,570,714,928	2,542,903,604	27,811,324
Total Liabilities	2,771,800,196	2,712,243,269	59,556,927
Deferred inflows of resources	115,390,768	79,719,679	35,671,089
Net Position:			
Net investment in capital assets	(373,647,743)	(363,992,174)	(9,655,569)
Restricted	108,617,859	117,272,373	(8,654,514)
Unrestricted	(154,914,649)	(160,936,956)	6,022,307
Total Net Position	(419,944,533)	(407,656,757)	(12,287,776)
Total Liabilities, Deferred Inflows and Net Position	**$ 2,467,246,431**	**$ 2,384,306,191**	**$ 82,940,240**

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 30 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, $108.6 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 total assets and total liabilities grew by roughly equal amounts from June 30, 2019 to June 30, 2020, but the District's overall net position decreased by $12,287,776. That decrease was the result of new deferred inflows of resources related to the District's proportionate share of the TRS net pension liability.

The total cost of all governmental activities for the fiscal year ended June 30, 2020 was $832,675,941. Approximately $107.2 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.

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).

(Continued)

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

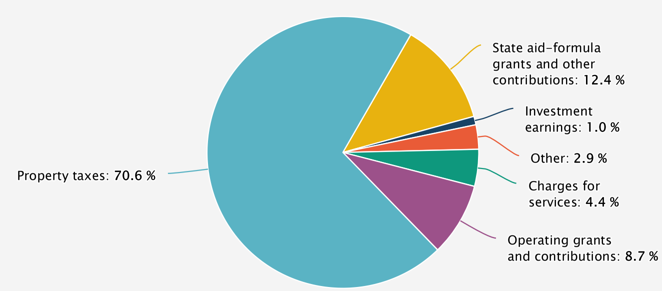
	Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2019	Increases / (Decreases)
Revenues:			
Program Revenues:			
Charges for services	$ 36,129,968	$ 25,252,407	$ 10,877,561
Operating grants and contributions	71,108,796	64,655,694	6,453,102
General Revenues:			
Property taxes	579,072,777	575,696,278	3,376,499
State aid- formula grants and other contributions	102,059,802	70,549,059	31,510,743
Investment earnings	8,429,226	9,862,834	(1,433,608)
Other	23,587,596	24,456,995	(869,399)
Total Revenues	820,388,165	770,473,267	49,914,898
Expenses:			
Instruction	444,377,695	385,220,355	59,157,340
Instructional resources and media services	8,932,969	8,849,546	83,423
Curriculum and instructional staff development	14,315,808	11,026,050	3,289,758
Instructional leadership	11,116,828	8,153,468	2,963,360
School leadership	43,158,588	37,705,167	5,453,421
Guidance, counseling and evaluation services	25,968,948	22,074,050	3,894,898
Social work services	227,696	206,324	21,372
Health services	7,215,668	6,590,798	624,870
Student transportation	17,135,255	15,649,573	1,485,682
Food services	26,200,312	26,438,963	(238,651)
Extracurricular activities	22,890,618	23,276,818	(386,200)
General administration	16,605,179	12,707,266	3,897,913
Facilities maintenance and operations	60,027,110	54,392,409	5,634,701
Security and monitoring services	6,577,228	4,399,063	2,178,165
Data processing services	10,906,676	11,961,523	(1,054,847)
Community services	2,231,893	2,072,276	159,617
Debt service - interest on long-term debt	79,729,973	82,228,452	(2,498,479)
Debt service - bond issuance costs and fees	924,809	2,143,297	(1,218,488)
Contracted instructional services between schools	3,152,395	14,017,478	(10,865,083)
Payments to juvenile justice alternative education programs	30,681	35,666	(4,985)
Payments to tax increment fund	27,151,041	25,169,882	1,981,159
Other intergovernmental charges	3,798,571	3,492,348	306,223
Total Expenses	832,675,941	757,810,772	74,865,169
Change in Net Position	(12,287,776)	12,662,495	(24,950,271)
Beginning Net Position	(407,656,757)	(420,319,252)	12,662,495
Ending Net Position	**$ (419,944,533)**	**$ (407,656,757)**	**$ (12,287,776)**

(Continued)

House Bill 3 passed by the 86th Texas Legislature altered the school funding formula and reduced our recapture payment ("contracted instructional services between schools") by $10.9 million. In total, the bill provided the District with approximately $25 million more in unrecaptured revenue than we would have otherwise received under the previous financing formula. Revenue from the new formula, coupled with enrollment growth, allowed us to increase our general operating budget by almost $50 million. One of the stipulations of the school finance bill required districts to spend at least 30% of the increase in funding per student on non-administrative compensation. Frisco ISD went above and beyond this requirement and allocated $17.1 million to additional compensation for staff throughout the District. Additionally, we added approximately $19 million in new personnel to accommodate enrollment growth and build up professional support systems. The majority of new staff and compensation was paid for from the instruction and instructional support functions.

The following Figure A-4 illustrates the District's sources of revenue for the 2020 fiscal year. General revenues provide 86.9% of the funding available to cover the District's annual expenses. The remaining 13.1% of revenues come from operating grants or charges for services specifically attributable to District programs.

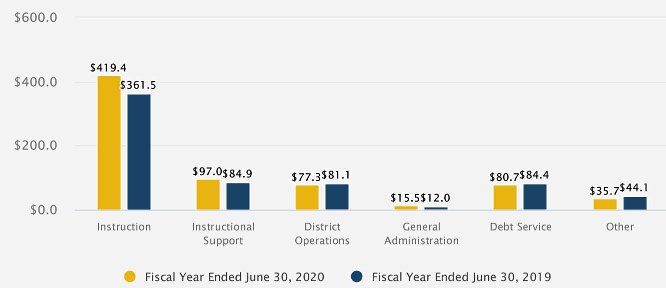
Figure A-4. Sources of Revenue for the Fiscal Year Ended June 30, 2020



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, 2020, and June 30, 2019. The net cost reflects the portion funded by local tax dollars, state aid and other miscellaneous general revenues.

(Continued)

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, 2020, the District's total combined fund balances for governmental funds were $530,271,086, which represents an decrease of $11.3 million from June 30, 2019. Approximately 37.5%, or $198,844,595, 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 $294,873 are not in spendable form because they relate to prepaid expenditures.
- *Restricted* balances of $266,330,856 are either legally required to remain intact or are restricted for particular purposes by a third party.
- *Committed* balances of $2,755,728 have been committed by the District's Board of Trustees to service programs funded by local grants, awards or contributions.
- *Assigned* balances of $62,045,034 have been tentatively earmarked by management for a particular program or purpose.

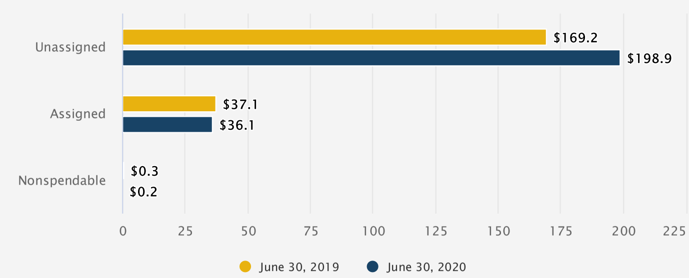
Further details of each type of fund balance can be found within note 1 on pages 37-38 of this report.

General Fund

Figure A-6 depicts the breakdown of fund balances in the General Fund, the District's main operating fund, as of June 30, 2020 and 2019.

(Continued)

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 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, 2020 unassigned fund balance represents 32.6% of the subsequent fiscal year's adopted budget.

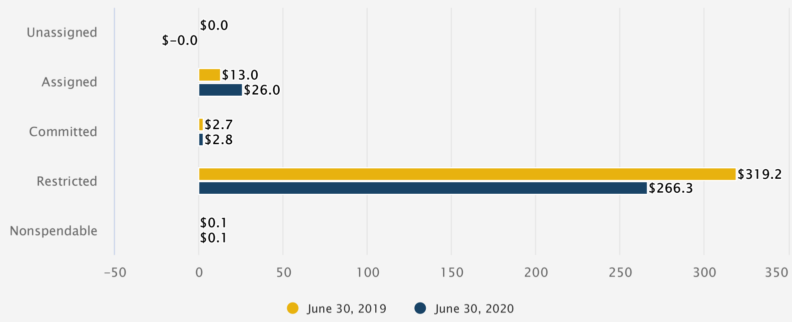
The General Fund recognized a surplus of $33.5 million before transfers. The majority of this surplus was the result of greater than anticipated enrollment. Approximately 650 more students enrolled during the year than we originally anticipated. Other changes in the state's funding formula and greater than anticipated federal reimbursements for school health and related services also attributed to the surplus. At the end of the year, $5 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 $28,523,548 .

Other Governmental Funds

The District's combined total fund balance decreased by $11.3 million from June 30, 2019, to June 30, 2020. The General Fund's fund balance increased by $28.5 million , which was explained above. The overall decrease was mainly attributable to the Capital Projects Fund as we spent more on construction projects than we issued in new bonds during the year. The components of fund balance in the District's other governmental funds for the 2019 and 2020 fiscal years are illustrated in Figure A-7.

(Continued)

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



Other fund balance changes can be explained as follows:

- The Debt Service Fund recognized an increase in fund balance of $3.6 million because property tax revenue levied for debt service was greater than our total debt payments. Refinancing activities lowered our annual debt payment below the amount originally anticipated when we adopted our debt service tax rate.
- Non-Major Governmental Funds recognized a net decrease in fund balance of $6.3 million from the previous year. The majority of non-major funds are used to account for reimbursement grants, which recognize 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 deficit of $3.7 million because free meals were served to all students after the onset of the coronavirus pandemic. 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 deficit of $2.8 million in 2020 because revenue for this biennium was received in 2019.

General Fund Budgetary Highlights

The Board of Trustees originally adopted a $12.4 million surplus for the 2020 fiscal year. As previously discussed, the actual surplus was $28.5 million

Revenues were greater than originally expected due to higher than anticipated enrollment growth. Approximately 650 more students enrolled during the year than expected. Additionally, the budget was adopted before official guidance was issued by the Texas Education Agency for all the changes made to the State's funding formula by the 86th Texas Legislature. We therefore budgeted conservatively for state aid payments and omitted several newly created allotments from our original budget until further guidance was issued. Actual revenues exceeded our original budget by $30.2 million.

Expenditures exceeded the originally adopted budget by $9 million. Certain state revenue allotments that were not originally included in the revenue budget were appropriated and spent during the year.

(Continued)

Additionally, required contributions to the Teacher Retirement System were greater than originally budgeted.

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 exceeding actual expenditures by $24.2 million.

Capital Assets And Debt Administration

Capital Assets

The District's investment in capital assets as of June 30, 2020 was $ 1,662,742,864 (net of accumulated depreciation). This investment includes land, buildings, building improvements, furniture, equipment, and vehicles and represents a net increase of 3.26% in capital assets over the previous year.

Table A-8. Capital Assets

	As of June 30, 2020	As of June 30, 2019	Increases / (Decreases)
Land	$ 201,974,868	$ 193,928,724	$ 8,046,144
Buildings	1,820,304,285	1,798,235,340	22,068,945
Furniture and equipment	72,317,412	63,269,867	9,047,545
Construction in progress	75,528,693	13,193,624	62,335,069
Total Capital Assets	2,170,125,258	2,068,627,555	101,497,703
Accumulated depreciation	(507,382,394)	(458,347,945)	(49,034,449)
Net Capital Assets	$ 1,662,742,864	$ 1,610,279,610	$ 52,463,254

The increase in net capital assets is due to the construction of a new high school along with other miscellaneous building renovations and new equipment purchased through our bond program.

More detailed information about the District's capital assets can be found in Note 6 on pages 44-45 of this report.

Long-Term Debt

Management strives to maintain the most favorable debt profile and funding structure for the District while adhering to taxpayers' expectations that we will be a prudent and conservative steward of public funds. Our debt repayment schedule is structured to match asset useful lives with the liabilities incurred to finance those assets. We also continuously monitor the interest rate climate and restructure or repay debt when we are able to recognize positive savings. Taxable bonds are issued to refund debt in advance of its call date; otherwise all bonds issued are tax exempt.

During the year, the District maintained 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.

(Continued)

At the end of the 2020 fiscal year, the District had total bonded debt outstanding of $2,252,532,141, 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, 2020	As of June 30, 2019	Increases / (Decreases)
Bonds payable	$ 2,044,020,964	$ 2,029,542,224	$ 14,478,740
Accreted interest	71,390,619	66,581,281	4,809,338
Unamortized bond premium	137,120,558	140,256,071	(3,135,513)
Total Bonded Debt	2,252,532,141	2,236,379,576	16,152,565
District's portion of TRS net pension liability	182,078,056	170,483,528	11,594,528
District's portion of TRS net OPEB liability	195,016,124	189,371,760	5,644,364
Total Long-Term Liabilities	$ 2,629,626,321	$ 2,596,234,864	$ 33,391,457

Total outstanding long-term liabilities increased by 1.29% from the previous year due to a combination of increases in our proportionate share of the state's pension and OPEB liabilities as well as the issuance of new debt. The District issued $101.7 million of new bonds during the year, $68.3 million of which were used to finance new construction. The remainder of the bonds were issued to refinance outstanding debt. Note 7 on pages 45-47 of this report contains more detailed information about the District's long-term debt activity, including incremental payment schedules, and Note 11 on pages 49-58 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 101 of this report.

Economic Factors And Next Year's Budget

Enrollment growth continues to be a significant challenge for the District as it drives all aspects of our operations, from General Fund appropriations to programmatic initiatives to capital planning. In 2020, 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 2,523 students in 2020 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.

As an added challenge, the 2020 fiscal year ended amid an economic and social crisis created by the coronavirus pandemic. Schools across the country were forced to close in March 2020 and transition to virtual education for the remainder of the school year. The 2021 budget was developed while the economic shock of the pandemic was still settling in, and little was known about how schools would operate during the 2021 school year.

The unprecedented level of uncertainty surrounding the 2021 fiscal year and the challenging economic times lead us to develop a very conservative budget. An approximately $10 million surplus was adopted

(Continued)

for next year's budget to accommodate unforeseeable costs related to disease mitigation, virtual learning, and the possibility of students withdrawing from public schools altogether.

More information about the District's annual budget and economic challenges can be found in the 2021 Budget Book, which can be obtained on the Frisco ISD website 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.

(Concluded)

Basic Financial Statements

"Catching Sight" | Ruby Hinckley | Independence High School

FRISCO
INDEPENDENT SCHOOL DISTRICT

Government-Wide Financial Statements

Exhibit A-1

Frisco Independent School District
Statement of Net Position
June 30, 2020

Data Control Codes		Governmental Activities
	Assets	
1110	Cash and investments	$ 610,321,279
1220	Property taxes receivable (delinquent)	5,475,010
1230	Allowance for uncollectible taxes	(930,752)
1240	Due from other governments	26,590,560
1250	Accrued interest	195,179
1290	Other receivables, net	646,465
1410	Prepaid Expenses	294,873
1510	Land	201,974,868
1520	Buildings and improvements, net	1,364,591,769
1530	Furniture and equipment, net	20,647,534
1580	Construction in progress	75,528,693
1000	**Total Assets**	2,305,335,478
	Deferred Outflows of Resources	
1701	Deferred losses on debt refunding transactions	19,673,642
1705	Deferred pension outflows	93,121,715
1710	Deferred OPEB outflows	49,115,596
1700	**Total Deferred Outflows of Resources**	161,910,953
	Liabilities	
2110	Accounts payable	22,780,450
2113	Retainage payable	3,651,024
2140	Accrued interest payable	33,292,688
2150	Payroll deductions and withholdings	4,248,553
2160	Accrued wages payable	73,189,457
2200	Accrued expenses	2,612,000
2300	Unearned revenues	2,399,703
	Noncurrent Liabilities:	
2501	Due within one year	58,911,393
2502	Due in more than one year	2,193,620,748
2540	Net pension liability	182,078,056
2545	Net OPEB liability	195,016,124
2000	**Total Liabilities**	2,771,800,196
	Deferred Inflows of Resources	
2601	Deferred gains on debt refunding transactions	330,080
2605	Deferred pension inflows	30,693,817
2610	Deferred OPEB inflows	84,366,871
2600	**Total Deferred Inflows of Resources**	115,390,768
	Not Position	
3200	Net investment in capital assets	(373,647,743)
	Restricted for:	
3820	Federal and state grant programs	5,300,585
3850	Debt service	103,317,274
3900	Unrestricted	(154,914,649)
3000	**Total Net Position**	$ (419,944,533)

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

Exhibit B-1

Frisco Independent School District

Statement of Activities

For The Year Ended June 30, 2020

Data Control Codes		1	Program Revenues 3	4	Net (Expense)/ Revenue and Changes in Net Position 6
		Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:					
11	Instruction	$ 444,377,695	$ 797,595	$ 45,311,286	$ (398,268,814)
12	Instructional resources and media services	8,932,969		531,367	(8,401,602)
13	Curriculum and instructional staff development	14,315,808		1,625,204	(12,690,604)
21	Instructional leadership	11,116,828		1,012,525	(10,104,303)
23	School leadership	43,158,588		3,698,532	(39,460,056)
31	Guidance, counseling and evaluation services	25,968,948		4,438,612	(21,530,336)
32	Social work services	227,696		21,466	(206,230)
33	Health services	7,215,668		641,206	(6,574,462)
34	Student transportation	17,135,255		943,954	(16,191,301)
35	Food services	26,200,312	13,189,756	6,608,377	(6,402,179)
36	Extracurricular activities	22,890,618	1,916,707	1,895,940	(19,077,971)
41	General administration	16,605,179		1,150,084	(15,455,095)
51	Facilities maintenance and operations	60,027,110	20,225,910	1,769,470	(38,031,730)
52	Security and monitoring services	6,577,228		155,310	(6,421,918)
53	Data processing services	10,906,676		695,934	(10,210,742)
61	Community services	2,231,893		609,529	(1,622,364)
72	Debt service - interest on long-term debt	79,729,973			(79,729,973)
73	Debt service - bond issuance costs and fees	924,809			(924,809)
91	Contracted instructional services between schools	3,152,395			(3,152,395)
95	Payments to juvenile justice alternative education programs	30,681			(30,681)
97	Payments to tax increment fund	27,151,041			(27,151,041)
99	Other intergovernmental charges	3,798,571			(3,798,571)
TG	**Total Governmental Activities**	$ 832,675,941	$ 36,129,968	$ 71,108,796	$ (725,437,177)

Data Control Codes	**General Revenues**	
	Taxes:	
MT	Property taxes, levied for general purposes	466,660,821
DT	Property taxes, levied for debt service	112,411,956
SF	State aid - formula grants	97,396,084
GC	Grants and contributions not restricted to specific programs	4,663,718
IE	Investment earnings	8,429,226
MI	Miscellaneous local and intermediate revenue	23,587,596
TR	**Total General Revenues**	713,149,401
CN	Change in net position	(12,287,776)
NB	Net position - beginning	(407,656,757)
NE	**Net position - ending**	$ (419,944,533)

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

FRISCO
INDEPENDENT SCHOOL DISTRICT

Governmental Funds Financial Statements

Exhibit C-1

Frisco Independent School District
Balance Sheet
Governmental Funds
June 30, 2020

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Non-Major Governmental Funds	98 Total Governmental Funds
	Assets					
1110	Cash and investments	$ 289,000,382	$ 135,592,212	$ 173,764,297	$ 11,964,388	$ 610,321,279
1220	Property taxes receivable (delinquent)	4,248,804	1,226,206			5,475,010
1230	Allowance for uncollectible taxes	(722,297)	(208,455)			(930,752)
1240	Due from other governments	23,243,943			3,346,617	26,590,560
1250	Accrued interest	195,179				195,179
1260	Due from other funds	1,588,001				1,588,001
1290	Other receivables	505,000		80,465	61,000	646,465
1410	Prepaid expenditures	200,193			94,680	294,873
1000	**Total Assets**	$ 318,259,205	$ 136,609,963	$ 173,844,762	$ 15,466,685	$ 644,180,615
	Liabilities					
2110	Accounts payable	2,357,902		18,818,541	1,604,007	22,780,450
2113	Retainage payable			3,651,024		3,651,024
2140	Accrued interest payable		264,050			264,050
2150	Payroll deductions and withholdings	4,248,553				4,248,553
2160	Accrued wages payable	70,515,532			2,673,925	73,189,457
2170	Due to other funds				1,588,001	1,588,001
2200	Accrued expenditures	2,612,000				2,612,000
2300	Unearned revenue	940,680			1,459,023	2,399,703
2000	**Total Liabilities**	80,674,667	264,050	22,469,565	7,324,956	110,733,238
	Deferred inflows of Resources					
2601	Unavailable property tax revenue	2,453,295	722,996			3,176,291
2600	**Total Deferred Inflows of Resources**	2,453,295	722,996	-	-	3,176,291
	Fund Balances					
	Nonspendable:					
3430	Prepaid expenditures	200,193			94,680	294,873
	Restricted for:					
3450	Federal and state grant programs				5,300,586	5,300,586
3470	Capital acquisitions and contractual obligations			125,407,353		125,407,353
3480	Retirement of long-term debt		135,622,917			135,622,917
	Committed to:					
3545	Local grants, awards and contributions				2,755,728	2,755,728
	Assigned to:					
3560	Claims and judgments	6,000,000		15,201,102		21,201,102
3570	Capital expenditures			10,766,742		10,766,742
3590	Employee compensation	26,864,754				26,864,754
3590	Future expenditures	3,212,436				3,212,436
3600	Unassigned	198,853,860			(9,265)	198,844,595
3000	**Total Fund Balances**	235,131,243	135,622,917	151,375,197	8,141,729	530,271,086
4000	**Total Liabilities, Deferred Inflows of Resources and Fund Balances**	$ 318,259,205	$ 136,609,963	$ 173,844,762	$ 15,466,685	$ 644,180,615

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

Exhibit C-1R

Frisco Independent School District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2020

Total Fund Balances - Governmental Funds (Exhibit C-1)	$ 530,271,086
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.	1,662,742,864
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	19,673,642
Deferred gains on debt refunding transactions	(330,080)
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	(2,044,020,964)
Accrued interest on the bonds	(33,028,638)
Accreted interest on capital appreciation bonds	(71,390,619)
Unamortized bond premiums	(137,120,558)
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.	3,176,291
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	(182,078,056)
Deferred pension inflows	(30,693,817)
Deferred pension outflows	93,121,715
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	(195,016,124)
Deferred OPEB inflows	(84,366,871)
Deferred OPEB outflows	49,115,596
Net Position - Governmental Activities (Exhibit A-1)	$ (419,944,533)

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

Exhibit C-2

Frisco Independent School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Non-Major Governmental Funds	98 Total Governmental Funds
	Revenues					
5700	Local and intermediate sources	$ 478,853,977	$ 135,334,381	$ 2,501,749	$ 15,267,788	$ 631,957,895
5800	State program revenues	123,619,347	1,350,448		6,318,874	131,288,669
5900	Federal program revenues	4,663,718			16,831,321	21,495,039
5020	**Total Revenues**	607,137,042	136,684,829	2,501,749	38,417,983	784,741,603
	Expenditures					
	Current:					
0011	Instruction	348,085,246		1,356,476	16,414,518	365,856,240
0012	Instructional resources and media services	6,311,497		13,706	5,060	6,330,263
0013	Curriculum and instructional staff development	12,542,301			682,108	13,224,409
0021	Instructional leadership	10,026,450		51,372	64,097	10,141,919
0023	School leadership	34,900,930			236,970	35,137,900
0031	Guidance, counselling and evaluation services	21,406,422			2,333,424	23,739,846
0032	Social work services	207,193				207,193
0033	Health services	6,576,377			98,052	6,674,429
0034	Student transportation	14,034,400			38,006	14,072,406
0035	Food services	360,577			22,976,508	23,337,085
0036	Extracurricular activities	17,099,452		794,610	642,643	18,536,705
0041	General administration	14,112,405		65,957	111,863	14,290,225
0051	Facilities maintenance and operations	40,436,585		7,327,086	374,508	48,138,179
0052	Security and monitoring services	4,770,191		26,127	10,908	4,807,226
0053	Data processing services	7,467,908		58,848	70,953	7,597,709
0061	Community services	1,128,951			734,682	1,863,633
	Debt Service:					
0071	Principal on long-term debt		53,331,260			53,331,260
0072	Interest on long-term debt		79,716,249			79,716,249
0073	Bond issuance costs and fees		316,758	608,052		924,810
	Capital Outlay:					
0081	Facilities acquisitions and construction			127,456,227		127,456,227
	Intergovernmental:					
0091	Contracted instructional services between schools	3,152,395				3,152,395
0095	Payments to juvenile justice alternative education programs	30,681				30,681
0097	Payments to tax increment fund	27,151,041				27,151,041
0099	Other intergovernmental charges	3,798,571				3,798,571
6030	**Total Expenditures**	573,599,573	133,364,267	137,758,461	44,794,300	889,516,601
1100	Excess (deficiency) of revenues over (under) expenditures	33,537,469	3,320,562	(135,256,712)	(6,376,317)	(104,774,998)
	Other Financing Sources (Uses)					
7901	Refunding bonds issued		33,420,000			33,420,000
7911	Capital related debt issued (regular bonds)			68,285,000		68,285,000
7916	Premium on issuance of bonds		1,448,078	7,323,052		8,771,130
7912	Proceeds from the sale of property	57,518			5,272	62,790
7915	Transfers in	32,698		5,000,000	104,137	5,136,835
7956	Insurance Recovery			17,500,000		17,500,000
8911	Transfers out	(5,104,137)			(32,698)	(5,136,835)
8949	Payment to refunded bond escrow agent		(34,568,630)			(34,568,630)
7080	**Total Other Financing Sources (Uses)**	(5,013,921)	299,448	98,108,052	76,711	93,470,290
1200	Net change in fund balances	28,523,548	3,620,010	(37,148,660)	(6,299,606)	(11,304,708)
0100	Fund balances - beginning	206,607,695	132,002,907	188,523,857	14,441,335	541,575,794
3000	**Fund balances - ending**	$ 235,131,243	$ 135,622,917	$ 151,375,197	$ 8,141,729	$ 530,271,086

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

Exhibit C-2R

Frisco Independent School District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
Year Ended June 30, 2020

Total Net Change in Fund Balances - Governmental Funds (Exhibit C-2)	$ (11,304,708)
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 ($102,537,347) exceeded depreciation ($50,036,911) in the current period.	52,500,436
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.	(37,182)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	(315,955)
Repayment of long-term debt principal ($87,226,260) and payments of accreted interest on capital appreciation bonds ($1,558,740) are expenditures in the governmental funds, but these activities reduce long-term liabilities in the Statement of Activities.	88,785,000
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	(101,705,000)
Premiums on bonds	(8,771,130)
The excess of the reacquisition price of refunded debt over its carrying amount is deferred and amortized in the government-wide financial statements.	673,631
Certain debt related items that effect the Statement of Net Position but are not reported in the governmental funds:	
Amortization of bond premiums	11,906,643
Amortization of deferred gains and losses on refunding transactions	(1,349,800)
Accreted interest on capital appreciation bonds	(6,368,078)
Change in interest payable	(5,761,230)
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	2,140,161
Contributions after the measurement date	11,096,108
Proportionate share of collective pension expense	(23,854,182)
Net proportionate share of deferred pension inflows/outflows	(14,496,952)
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	616,098
Contributions after the measurement date	2,631,305
Proportionate share of collective OPEB expense	(8,585,412)
Net proportionate share of deferred OPEB inflows/outflows	(87,529)
Change in Net Position of Governmental Activities (Exhibit B-1)	$ (12,287,776)

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

FRISCO
INDEPENDENT SCHOOL DISTRICT

Fiduciary Fund Financial Statements

Exhibit E-1

Frisco Independent School District
Statement of Fiduciary Assets and Liabilities
June 30, 2020

Data Control Codes		Agency Fund
	ASSETS	
1110	Cash and investments	$ 1,405,210
	Total Assets	$ 1,405,210
	LIABILITIES	
2110	Accounts payable	$ 12,665
2190	Due to student groups	1,392,545
	Total Liabilities	$ 1,405,210

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

Notes to the Basic Financial Statements

“Colorful Thinking” | Aishwarya Kothalanka | Independence High School

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,

(Continued)

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, 2019, which were not available as of June 30, 2020.

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:

(Continued)

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 capital projects.

Other Non-Major Governmental Funds - The 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 practices, 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

(Continued)

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

(Continued)

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 governmental fund *Balance Sheet* report separate sections for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position/fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent the acquisition of net position/fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. In addition to deferred gains and losses on debt refunding transactions, which are reported as deferred inflows and outflows of resources, respectively, 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 grantors, bondholders, and high levels of government), through constitutional provisions, or by enabling legislation. Debt service resources are to be used for future servicing of the District's bonded debt and are restricted through debt covenants. Capital Projects bond funds are restricted by the bondholders for the specific purpose of capital projects and capital outlays. Federal and State grant resources are restricted pursuant to the mandates of the granting agencies.

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

(Continued)

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, 2020, 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.

(Continued)

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 goods or services. 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 outstanding encumbrances in the General Fund at June 30, 2020. 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, 2020, the carrying amount of the District's deposits (cash) and outstanding checks was $ 26,346,004. The combined bank balance was $18,836,640. At June 30, 2020 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 January 14, 2020, when combined cash, savings and time deposits amounted to $53,612,779.

C. The amount of bond and pledged collateral as of the date of the highest combined balance on deposit was $60,037,418.

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

(Continued)

- Investment staff qualifications and capabilities
- 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.

(Continued)

- 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 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.

		Fair Value Measurements Using			
	Value at June 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Percent of Total Investments	Weighted Average Maturity (Days)
Cash and Cash Equivalents:					
Bank Deposits	$ 26,346,004				
Total Cash and Cash Equivalents	$ 26,346,004				
Investments measured at Amortized Costs:					
TexPool	$ 51,604,159			8.84%	33
Lone Star Investment Pool	456,706,367			78.20%	35
Investments measured at Net Asset Value:					
TexasTERM portfolio – Texas DAILY	20,441,468			3.50%	55
Investments by Fair Value Level:					
US Government Agency Securities:					
U.S. Treasury Bonds	10,214,063	$ 10,214,063		1.75%	319
Commercial Paper	45,009,218		45,009,218	7.71%	79
Total Investments	583,975,275	10,214,063	45,009,218		
Total Cash and Investments	$ 610,321,279	$ 10,214,063	$ 45,009,218		

(Continued)

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:

- 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
- Hold investments that are highly rated by nationally recognized statistical rating organizations
- Have no more than 5% of portfolio with one issuer (excluding US government securities)
- 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 a 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, 2020, the District had no investments in the TexasTERM portfolio. $20,441,468 was invested in the TexasDAILY portfolio. TexasDAILY has received an AAAm rating from S&P, and the TexasTERM portfolio has received a rating of AAAf from S&P, which meets the standards set by the Public Funds Investment Act.

Note 3. Property Taxes

The District's ad valorem property tax is levied on all real and business personal property located in the District. A lien exists on all property on January 1st of each year. Tax statements are mailed on October 1st each year or as soon thereafter as possible. Taxes are due upon receipt and become delinquent if not paid before February 1st of the following calendar year. The assessed value of the roll as of the end of the fiscal year was $43,491,816,275.

The tax rates levied for the fiscal year ended June 30, 2020, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were $1.0683 and 0.2700 per $100 valuation, respectively, for a total of $1.3383 per $100 valuation.

Current year tax collections for the period ended June 30, 2020, were 99.37% 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.

(Continued)

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, 2020, 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, establishing the 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.

The District 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 and interest on bonds or other indebtedness for educational facilities within or adjacent to the zone. As of June 30, 2020, approximately $234.3 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, 2020, 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	$ 23,243,943		$ 23,243,943
Due from the Federal Government		$ 3,267,192	3,267,192
Due from Other Governments		79,425	79,425
Total	$ 23,243,943	$ 3,346,617	$ 26,590,560

Note 5. Interfund Transactions

Interfund balances at June 30, 2020, consisted of the following individual fund receivables and payables:

	Receivable	Payable
General fund	$ 1,588,001	
Non-major governmental funds		$ 1,588,001
Total	$ 1,588,001	$ 1,588,001

(Continued)

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, 2020, were liquidated shortly after year-end.

The following is a summary of the District's internal transfers for the fiscal year ended June 30, 2020:

From	To	Amount	Purpose
Non-Major Funds	General Fund	$ 8,098	Camp Payroll Costs
Non-Major Funds	General Fund	24,600	Advanced Placement Training
General Fund	Non-Major Funds	104,137	Child Development Center Cash Flow
General Fund	Capital Project Fund	5,000,000	Locally Defined Capital Outlay
Total Transfers		$ 5,136,835	

Note 6. Capital Assets

A summary of changes in capital assets for the fiscal year ended June 30, 2020, follows:

	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance
Capital assets not being depreciated:				
Land	$ 193,928,724	$ 8,046,144		$ 201,974,868
Construction in progress	13,193,624	87,072,623	$ 24,737,554	75,528,693
	207,122,348	95,118,767	24,737,554	277,503,561
Capital assets being depreciated:				
Buildings and improvements	1,798,235,340	22,068,945		1,820,304,285
Furniture and equipment	63,269,867	10,087,189	1,039,644	72,317,412
	1,861,505,207	32,156,134	1,039,644	1,892,621,697
Less: Accumulated depreciation for:				
Buildings and improvements	410,473,061	45,239,455		455,712,516
Furniture and equipment	47,874,884	4,797,456	1,002,462	51,669,878
	458,347,945	50,036,911	1,002,462	507,382,394
Total capital assets for governmental activities, net	$ 1,610,279,610	$ 77,237,990	$ 24,774,736	$ 1,662,742,864

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

Function		Expensed
11	Instruction	$ 32,895,507
12	Instructional resources and media services	1,839,858
13	Curriculum and instructional staff development	19,909
23	School leadership	3,455,028
34	Student transportation	2,163,327
35	Food services	2,580,357
36	Extracurricular activities	3,988,499
41	General administration	1,213,320
51	Facilities maintenance and operations	1,082,648
52	Security and monitoring services	84,033
53	Data processing services	456,178
61	Community services	258,247
	Total depreciation expense	$ 50,036,911

(Continued)

Construction Commitments

The District was obligated at June 30, 2020, 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 $51.9 million as of June 30, 2020.

Note 7. Long-Term Debt

A summary of changes in long-term debt for the fiscal year ended June 30, 2020, is as follows:

Description	Original Issue Amount	Interest Rate(s)	Maturity	Balance at June 30, 2019	Issued/ Increases	Retired/ Refunded	Balance at June 30, 2020	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	12,250,000		12,250,000		
Series 2009	$ 85,000,000	4.000%- 5.500%	8/15/2041	825,000		825,000		
Series 2009A	$ 34,570,000	2.000%- 5.000%	8/15/2039	250,000		250,000		
Series 2010	$ 20,195,000	0.00%	2/15/2027	10,780,000		1,345,000	9,435,000	$ 1,345,000
Series 2011	$ 50,000,000	4.625%- 5.000%	8/15/2041	50,000,000			50,000,000	
Series 2013	$ 90,845,000	3.000%- 5.000%	8/15/2043	84,530,000		1,910,000	82,620,000	1,965,000
Series 2014	$ 159,795,000	2.000%- 5.000%	8/15/2044	150,525,000		3,300,000	147,225,000	3,475,000
Series 2015A	$ 68,125,000	2.000%- 5.000%	8/15/2045	65,535,000		1,390,000	64,145,000	1,460,000
Series 2016B	$ 75,790,000	2.500%- 5.000%	8/15/2046	74,545,000		1,300,000	73,245,000	1,370,000
Series 2018	$ 49,865,000	3.000%- 5.000%	8/15/2048	49,865,000		870,000	48,995,000	915,000
Unlimited Tax School Refunding Bonds:								
Series 2009	$ 14,170,000	2.000%- 4.750%	8/15/2025	930,000		930,000		
Series 2009A	$ 50,680,000	2.000%- 5.000%	8/15/2029	3,755,000		3,755,000		
Series 2010	$ 26,855,000	4.000%- 4.250%	8/15/2024	6,515,000		1,015,000	5,500,000	1,040,000
Series 2011	$ 62,078,491	2.000%- 5.000%	8/15/2030	60,608,491		395,000	60,213,491	400,000
Series 2013	$ 19,040,000	2.000%- 5.000%	7/15/2033	16,320,000		750,000	15,570,000	785,000
Series 2016	$ 104,555,000	3.000%- 5.000%	8/15/2037	95,850,000		3,660,000	92,190,000	3,845,000
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	1,231,393
Series 2011A	$ 83,981,260	4.000%- 5.000%	8/15/2041	66,216,260		5,871,260	60,345,000	4,515,000
Series 2012	$ 85,531,867	2.000%- 5.000%	8/15/2041	84,391,867		240,000	84,151,867	250,000
Series 2012A	$ 71,190,000	2.000%- 5.000%	8/15/2041	68,840,000		1,155,000	67,685,000	985,000
Series 2012B	$ 99,545,000	2.000%- 5.000%	8/15/2042	93,485,000		3,250,000	90,235,000	3,415,000
Series 2013	$ 68,471,992	2.000%- 5.000%	8/15/2043	61,845,000		265,000	61,580,000	275,000
Series 2014	$ 111,455,000	2.000%- 4.000%	8/15/2044	102,835,000		2,615,000	100,220,000	2,715,000
Series 2015	$ 139,525,000	0.420%- 5.000%	8/15/2045	128,300,000		5,020,000	123,280,000	5,270,000
Series 2016A	$ 208,960,000	2.000%- 5.000%	8/15/2046	201,390,000		7,005,000	194,385,000	7,350,000
Series 2017	$ 206,445,000	2.000%- 5.000%	8/15/2047	206,230,000		6,215,000	200,015,000	6,545,000
Series 2019	$ 265,390,000	3.000%- 5.000%	8/15/2049	265,390,000			265,390,000	4,835,000
Series 2020	$ 101,705,000	2.000%- 5.000%	8/15/2050		$ 101,705,000		101,705,000	4,925,000
CAB Premiums:								
Series 1999				9,122,362			9,122,362	
Series 2002A				14,594,401			14,594,401	
Series 2012				1,161,610			1,161,610	
Total bonds payable				2,029,542,224	101,705,000	87,226,260	2,044,020,964	58,911,393
Accreted interest on capital appreciation bonds				66,581,281	6,368,078	1,558,740	71,390,619	
Unamortized bond premium				140,256,071	8,771,130	11,906,643	137,120,558	
Total bonded debt				2,236,379,576	116,844,208	100,691,643	2,252,532,141	58,911,393
District's portion of net pension liability				170,483,528	23,854,182	12,259,654	182,078,056	
District's portion of net OPEB liability				189,371,760	8,585,412	2,941,048	195,016,124	
Total long- term debt				$ 2,596,234,864	$ 149,283,802	$ 115,892,345	$ 2,629,626,321	$ 58,911,393

(Continued)

Changes in debt-related deferred outflows and inflows of resources for the fiscal year ended June 30, 2020, were:

	Balance at June 30, 2019	Issued/ Increases	Retired/ Refunded	Balance at June 30, 2020
Deferred loss on refunding transactions	$ 20,406,396	$ 673,631	$ 1,406,385	$ 19,673,642
Deferred gain on refunding transactions	$ 386,665	$	$ 56,585	$ 330,080

During the year the District issued $101,705,000 of Unlimited Tax School Building and Refunding Bonds, Series 2020 with interest rates of 2.00 to 5.00%. Proceeds were delivered on February 12, 2020. $68,285,000 (par value) was issued to acquire, construct, renovate and equip school buildings. Deposits to escrow agents of $34,568,630 were used to purchase direct obligations of the U.S. government which were irrevocably pledged to the payment of $21,645,000 of the District's Unlimited Tax School Building Bonds, Series 2006A, and $12,250,000 of the Districts' Unlimited Tax School Building Bonds, Series, 2007A. The District's refunding resulted in an economic gain of $6,458,883 and a book loss of $673,631 which will be amortized over the life of the refunded debt. The refunding decreased the District's future debt service requirement by $8,523,453.

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 periodic increases in the obligation to reflect the bonds at their 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 $6,368,078, and $1,558,740 of outstanding accreted interest was paid off during the year. Total accreted interest on CABs at June 30, 2020 is $71,390,619, 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. As of June 30, 2020, $135,622,917 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, 2020.

In May 2014, voters in the District approved $775,000,000 of general obligation bonds. As of June 30, 2020, $69,000,000 remains authorized but unissued.

In November 2018, voters in the District approved $691,000,000 of general obligation bonds. As of June 30, 2020, $567,000,000 remains authorized but unissued.

(Continued)

The following table summarizes the annual debt service requirements of outstanding debt at June 30, 2020, to maturity:

Year ending June 30,	Principal*	Interest	Total
2021	$ 58,911,393	$ 84,699,503	$ 143,610,896
2022	63,976,761	81,667,802	145,644,563
2023	66,816,545	78,736,670	145,553,215
2024	67,436,610	78,884,601	146,321,211
2025	62,723,181	80,094,963	142,818,144
2026-2030	348,478,862	365,603,310	714,082,172
2031-2035	398,716,001	313,829,545	712,545,546
2036-2040	498,066,611	163,218,625	661,285,236
2041-2045	389,455,000	50,002,561	439,457,561
2046-2050	89,440,000	6,675,476	96,115,476
Total	$ 2,044,020,964	$ 1,303,413,056	$ 3,347,434,020

includes premiums on capital appreciation bonds

Note 8. Unearned Revenue

Unearned revenue at June 30, 2020, consisted of the following:

	General Fund	Non-Major Funds	Total
Summer school tuition	$ 802,593		$ 802,593
School lunch deposits		$ 1,389,023	1,389,023
Student fees and charges	123,087		123,087
Tower rentals	15,000		15,000
Advance funded grant revenue		$ 70,000	70,000
Total	$ 940,680	$ 1,459,023	$ 2,399,703

Note 9. Revenues From Local and Intermediate Sources

During fiscal year 2020, 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	$ 464,467,483	$ 111,884,487			$ 576,351,970
Penalties, interest and other tax related income	2,386,016	22,137,899			24,523,915
Food sales				$ 13,189,756	13,189,756
Investment income	4,738,037	1,311,995	$ 2,256,874	122,320	8,429,226
Co-curricular student activities	1,916,707				1,916,707
Shared Services Revenue				206,215	206,215
Facilities rentals	2,725,910				2,725,910
Other miscellaneous	2,619,824		244,875	1,749,497	4,614,196
Total	$ 478,853,977	$ 135,334,381	$ 2,501,749	$ 15,267,788	$ 631,957,895

(Continued)

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 2020, 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, 2020, 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 $350 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. As of June 30, 2020, the District's unpaid claims totaled $ 2,612,000, 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 2019 and fiscal year 2020 were:

	2019	2020
Beginning liability	$ 1,887,000	$ 2,335,000
Claims and changes in estimates	2,451,000	2,176,000
Claim payments	(2,003,000)	(1,899,000)
Ending liability	$ 2,335,000	$ 2,612,000

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.

(Continued)

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 receivables at June 30, 2020, 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 Employment Benefits

Defined Benefit Pension Plan

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

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

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

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.

(Continued)

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.

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

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for plan years 2020 thru 2025.

Contribution Rates	2019	2020
Member	7.70%	7.70%
Non-employer contributing entity (State)	6.80%	7.50%
Employers	6.80%	7.50%
FISD 2020 fiscal year member contributions		$ 31,247,073
FISD 2020 fiscal year State contributions		$ 21,325,323
FISD 2020 fiscal year District contributions		$ 13,144,338

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.
- On 1.5% of covered payroll. This contribution, known as the Public Education Employer Contribution, replaced the Non(OASDI) surcharge that was in effect until 2019.

(Continued)

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

- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the State contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the State contribution rate for certain instructional or administrative employees and 100% of the State contribution rate for all other employees. This surcharge was in effect through the end of the 2019 plan year and was replaced with the Public Education Employer Contribution explained above.

Actuarial Assumptions - The total pension liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	August 31, 2018 rolled forward to August 31, 2019
Actuarial cost method	Individual Entry Age Normal
Asset valuation method	Market Value
Single discount rate	7.25%
Long-term expected investment rate of return	7.25%
Municipal Bond Rate as of August 2019	2.63% *Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municpal GO AA Index."*
Inflation	2.30%
Salary increases including inflation	3.50% to 9.05% including inflation
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2018. For a full description of these assumptions, please see the actuarial valuation report dated November 9, 2018.

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

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 7.25% The long-term expected rate of return 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

(Continued)

weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2019 are summarized below:

Asset Class	Plan Year 2019 Allocation(1)	New Target Allocation(2)	Long-Term Expected Geometric Real Rate of Return
Global Equity			
USA	18.00%	18.00%	6.40%
Non-U.S. Developed	13.00%	13.00%	6.30%
Emerging Markets	9.00%	9.00%	7.30%
Directional Hedge Funds	4.00%	-	-
Private Equity	13.00%	14.00%	8.40%
Stable Value			
U.S. Treasuries(4)	11.00%	16.00%	3.10%
Stable Value Hedge Funds	4.00%	5.00%	4.50%
Absolute Return	0.00%	0.00%	0.00%
Real Return			
Global Inflation Linked Bonds(4)	3.00%	-	-
Real Estate	14.00%	15.00%	8.50%
Energy, Natural Resources and Infrastructure	5.00%	6.00%	7.30%
Commodities	-	-	-
Risk Parity			
Risk Parity	5.00%	8.00%	5.8%/6.5%(5)
Leverage			2.30%
Cash	1.00%	2.00%	2.50%
Asset Allocation Leverage	-	(6.00%)	2.70%
Total	100.00%	100.00%	7.23%

(1) Target allocations are based on the Strategic Asset Allocation as of plan year 2019
(2) New allocations are based on the Strategic Asset Allocations to e implemented in plan year 2020
(3) 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.1%

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 (7.25%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
FISD's proportionate share of the net pension liability:	$ 279,880,423	$ 182,078,056	$ 102,839,262

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions - At June 30, 2020, the District reported a liability of $182,078,056 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:

(Continued)

FISD's proportionate share of the collective net pension liability	$ 182,078,056
State's proportionate share that is associated with FISD	249,283,125
Total	$ 431,361,181

The net pension liability was measured as of August 31, 2018 and rolled forward to August 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2018 thru August 31, 2019.

At August 31, 2019, the District's proportion of the collective net pension liability was 0.3502637672%, which was a decrease of 0.0405326424% from its proportion measured as of August 31, 2018.

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 single discount rate as of August 31, 2018 was a blended rate of 6.907%, and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.
- With the enactment of Senate Bill 3 by the 2019 Texas Legislature, it is assumed that eligible active members will each receive a $2,700 increase in plan year 2020 in addition to the salary increase expected in the actuarial assumptions.
- The Texas Legislature approved funding for a thirteenth check in 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or $2,000, whichever was less.

For the year ended June 30, 2020, the District recognized pension expense of $42,948,409 and contributions paid by the state on-behalf of the District of $16,783,987.

At June 30, 2020, 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	$ 764,891	$ 6,322,039
Changes in actuarial assumptions	56,489,555	23,344,157
Difference between projected and actual investment earnings	1,828,273	
Changes in proportion and differences between District contributions and the proportionate share of contributions	22,942,888	1,027,621
District contributions paid to TRS subsequent to the measurement date	11,096,108	
Total	$ 93,121,715	$ 30,693,817

The amount 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

(Continued)

Year ended June 30:		
2021	$	11,509,066
2022		9,598,547
2023		13,419,812
2024		12,342,412
2025		5,264,834
Thereafter		(802,881)
	$	51,331,790

The General Fund is typically used to liquidate pension and OPEB liabilities.

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 positon is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling 512.542.6592.

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

Eligible 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 retirees are reflected in the following table:

	TRS-Care Monthly Premium Rates Plan Year 2020	
	Medicare	Non-Medicare
Retiree or surviving spouse	$ 135	$ 200
Retiree and spouse	529	689
Retiree or surviving spouse and children	468	408
Retiree and ramily	1,020	999

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate, which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate, which is 0.75% 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	
	2019	2020
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 2020 fiscal year member contributions		$ 2,637,767
FISD 2020 fiscal year State contributions		$ 4,987,698
FISD 2020 fiscal year District contributions		$ 3,128,440

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 $73.6 million in fiscal year 2019.

Actuarial Assumptions – The total OPEB liability in the August 31, 2018 actuarial valuation was rolled forward to August 31, 2019. The actuarial valuation was determined using specific actuarial assumptions, including rates of mortality, rates of retirement, rates of termination, rates of disability, general inflation, wage inflation, and salary increases.

All assumptions described in the preceding paragraph and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2018 TRS pension actuarial valuation that was rolled forward to August 31, 2019.

Additional actuarial methods and assumptions include:

Valuation date	August 31, 2018 rolled forward to August 31, 2019
Actuarial cost method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	2.63% as of August 31, 2019
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	3.05% to 9.05% including inflation
Healthcare Trend Rates	10.25% for MEdicare retirees and 7.5% for non-Medicare retirees. The initial trend rates decrease to an ultimate trend rate of 4.5% over a period of 13 years.
Election Rates	Normal retirement: 65% participation prior to age 65 and 50% after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at 65.
Ad hoc post-employment benefit changes	None

Discount Rate – A single discount rate of 2.63% was used to measure the total OPEB liability. There was a decrease of 1.06% 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 (2.63%) in measuring the Net OPEB Liability:

	1% Decrease in Discount Rate (1.63%)	Discount Rate (2.63%)	1% Increase in Discount Rate (3.63%)
FISD's proportionate share of the net OPEB liability:	$ 235,447,034	$ 195,016,124	$ 163,386,982

OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEBs – At June 30, 2020, FISD reported a liability of $195,016,124 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	$ 195,016,124
State's proportionate share that is associated with FISD	259,132,805
Total	$ 454,148,929

The Net OPEB Liability was measured as of August 31, 2018 and rolled forward to August 31, 2019, 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, 2018 thru August 31, 2019.

(Continued)

At June 30, 2020, FISD's proportion of the collective Net OPEB Liability was 0.4123727445% which was an increase of 0.0331051945% from June 30, 2019.

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:	$ 159,087,311	$ 195,016,124	$ 243,144,230

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:

- The discount rate changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change increased the Total OPEB Liability.
- The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the Total OPEB Liability.
- The participation rate for pre-65 retirees was lowered from 70% to 65%. The participation rate for post-65 retirees was lowered from 75% to 50%. 25% of pre-65 retirees are assumed to discontinue their coverage at 65. There was no lapse assumption in the prior valuation. These changes decreased the Total OPEB Liability.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20% to 15%. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20% to 10%. These changes decreased the Total OPEB Liability.

There were no changes in benefit terms since the prior measurement date.

For the year ended June 30, 2020, FISD recognized OPEB expense of $6,021,171 and contributions paid by the state on behalf of the District of $3,888,702.

At June 30, 2020, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 9,567,198	$ 31,912,320
Changes in actuarial assumptions	10,831,625	52,454,551
Difference between projected and actual investment earnings	21,040	
Changes in proportion and differences between District contributions and the proportionate share of contributions	26,064,428	
District contributions paid to TRS subsequent to the measurement date	2,631,305	
Total	$ 49,115,596	$ 84,366,871

The amount 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized as pension expense as follows:

(Continued)

Year ended June 30:	
2021	$ (7,379,681)
2022	(7,379,681)
2023	(7,386,491)
2024	(7,390,386)
2025	(7,389,320)
Thereafter	(957,021)
	$ (37,882,580)

The General Fund is typically used to liquidate pension and OPEB liabilities.

Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the year ended June 30, 2020, these on-behalf payments were $1,260,689 and were recorded as equal revenues and expenditures in the General Fund.

Note 12. Subsequent Events

Bond Issue

On July 15, 2020 the District issued $183,585,000 of Unlimited Tax School Refunding Bonds, Taxable Series 2020 with interest rates of 0.795% to 5.592%. Deposits to escrow agents of $195,436,386 were used to purchase direct obligations of the U.S. government which were irrevocably pledged to the payment of $50,000,000 of the District's Unlimited Tax School Building Bonds, Series 2011, $31,170,000 of the District's Unlimited Tax School Refunding Bonds, Series 2011, $39,495,000 of the District's Unlimited Tax School Building and Refunding Bonds, Series 2011A and $62,920,000 of the Districts' Unlimited Tax School Building and Refunding Bonds, Series 2012. The refunding decreased the District's future debt service requirement by $69,870,287.

Coronavirus Pandemic

In March 2020, the World Health Organization declared the novel coronavirus ('COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected public education, workforces, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses and organizations. It is not possible for management to predict the duration or magnitude of the adverse results of the outbreak and its disruptive effects on the District's operations and financial results at this time.

(Continued)

FRISCO
INDEPENDENT SCHOOL DISTRICT

Required Supplementary Information (Unaudited)

"Abstract Man With Loose Brushwork" | Adelaide Ortiz | Centennial High School

Exhibit F-1

Frisco Independent School District
Budgetary Comparison Schedule
General Fund
For the Year ended June 30, 2020

Data Control Codes		Budgeted Amounts – Original	Budgeted Amounts – Final	Actual Amounts	Variance with Final Budget Over/(Under)
	Revenues				
5700	Local and intermediate sources	$ 484,113,700	$ 477,996,200	$ 478,853,977	$ 857,777
5800	State program revenues	90,366,000	117,938,840	123,619,347	5,680,507
5900	Federal program revenues	2,500,000	4,600,000	4,663,718	63,718
5020	**Total Revenues**	576,979,700	600,535,040	607,137,042	6,602,002
	Expenditures				
	Current:				
0011	Instruction	345,191,174	357,049,977	348,085,246	(8,964,731)
0012	Instructional resources and media services	5,893,016	6,614,223	6,311,497	(302,726)
0013	Curriculum and instructional staff development	10,213,102	13,339,227	12,542,301	(796,926)
0021	Instructional leadership	8,899,946	10,243,010	10,026,450	(216,560)
0023	School leadership	33,104,493	36,030,986	34,900,930	(1,130,056)
0031	Guidance, counselling and evaluation services	19,287,877	22,568,383	21,406,422	(1,161,961)
0032	Social work services	218,542	336,133	207,193	(128,940)
0033	Health services	6,673,137	6,997,470	6,576,377	(421,093)
0034	Student transportation	12,365,581	15,214,291	14,034,400	(1,179,891)
0035	Food services		448,108	360,577	(87,531)
0036	Extracurricular activities	16,923,806	18,303,461	17,099,452	(1,204,009)
0041	General administration	13,549,880	14,585,585	14,112,405	(473,180)
0051	Facilities maintenance and operations	44,411,499	43,757,547	40,436,585	(3,320,962)
0052	Security and monitoring services	3,675,995	5,497,348	4,770,191	(727,157)
0053	Data processing services	8,638,981	9,105,075	7,467,908	(1,637,167)
0061	Community services	766,394	1,138,119	1,128,951	(9,168)
	Intergovernmental:				
0091	Contracted instructional services between schools	4,394,000	4,394,000	3,152,395	(1,241,605)
0095	Payments to juvenile justice alternative education programs	50,000	50,000	30,681	(19,319)
0097	Payments to tax increment fund	26,793,000	27,348,700	27,151,041	(197,659)
0099	Other intergovernmental charges	3,500,000	4,763,776	3,798,571	(965,205)
6030	**Total Expenditures**	564,550,423	597,785,419	573,599,573	(24,185,846)
1100	Excess (deficiency) of revenues over (under) expenditures	12,429,277	2,749,621	33,537,469	30,787,848
	OTHER FINANCING SOURCES (USES)				
7912	Proceeds from the sale of property			57,518	57,518
7915	Transfers in			32,698	32,698
8911	Transfers out			(5,104,137)	(5,104,137)
7080	**Total Other Financing Sources (Uses)**			(5,013,921)	(5,013,921)
1200	Net change in fund balances	12,429,277	2,749,621	28,523,548	25,773,927
0100	Fund balances - beginning	206,607,695	206,607,695	206,607,695	
3000	Fund balances - ending	$ 219,036,972	$ 209,357,316	$ 235,131,243	$ 25,773,927

Frisco Independent School District
Notes To Budgetary Comparison Schedule
For The Year Ended June 30, 2020

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 procedures followed in establishing the budgetary data reflected in the financial statements include:

1. 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.
2. 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.
3. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board of Trustees.

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

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

Exhibit F-2

Frisco Independent School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Teacher Retirement System of Texas
For the Last Ten Plan Years[1]

Plan Year:	2014	2015	2016	2017	2018	2019
District's proportion of the net pension liability	0.002314258000	0.002881151000	0.002910236766	0.003137632412	0.003097311248	0.003502637672
District's proportionate share of the net pension liability[2]	$ 61,817,031	$ 101,844,853	$ 109,973,520	$ 100,324,581	$ 170,483,528	$ 182,078,056
State's Share of the net pension liability associated with the District	121,412,312	163,966,596	179,382,090	155,507,727	249,283,125	249,283,125
Total	$ 183,229,343	$ 265,811,449	$ 289,355,610	$ 255,832,308	$ 419,766,653	$ 431,361,181
District's covered payroll	$ 253,369,679	$ 279,985,062	$ 304,425,906	$ 331,387,964	$ 336,805,214	$ 376,024,626
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%	48.42%
Plan fiduciary net position as a percentage of the total pension liability	83.25%	78.43%	78.00%	82.17%	73.74%	75.24%

(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).

Exhibit F-3

Frisco Independent School District
Schedule of District Pension Contributions
Teacher Retirement System of Texas
For the Last Ten Fiscal Years

Fiscal Year:	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Contractually required contribution[1]	$ 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	$ 13,144,338
Contributions in relation to the contractually required contribution	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	13,144,338
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll[2]	$ 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	$ 405,810,347
Contributions as a percentage of covered payroll	1.56%	1.68%	1.82%	2.27%	2.94%	3.04%	3.10%	3.16%	3.15%	3.24%

[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).

Exhibit F-4

Frisco Independent School District
Schedule of the District's Proportionate Share
of the Net OBEP Liability
Teacher Retirement System of Texas
For the Last Ten Plan Years[1]

Plan Year:	2017	2018	2019
District's proportion of the net OPEB liability	0.003631283	0.003792676	0.004123727
District's proportionate share of the net OPEB liability	$ 157,910,868	$ 189,371,760	$ 195,016,124
State's proportionate share associated with the District	271,372,899	300,003,424	259,132,805
Total	$ 429,283,767	$ 489,375,184	$ 454,148,929
District's covered payroll[2]	$ 331,387,964	$ 336,805,214	$ 376,024,626
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	47.65%	56.23%	51.86%
Plan fiduciary net position as a percentage of the total OPEB liability	0.91%	1.57%	2.66%

[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).

Exhibit F-5

Frisco Independent School District
Schedule of District OPEB Contributions
Teacher Retirement System of Texas
for the Last Ten Fiscal Years

Fiscal Year:	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Contractually required contribution[1]	$ 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	$ 3,128,440
Contributions in relation to the contractually required contribution	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	3,128,440
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll[2]	$ 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	$ 405,810,347
Contributions as a percentage of covered payroll	0.58%	0.57%	0.56%	0.57%	0.57%	0.57%	0.57%	0.74%	0.75%	0.77%

[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).

Other Supplementary Information

"Women In Red" | Shreya Sahu | Independence High School

FRISCO
INDEPENDENT SCHOOL DISTRICT

Budgetary Comparison Schedule

Exhibit G-1

Frisco Independent School District
Budgetary Comparison Schedule
Debt Service Fund
For the Year Ended June 30, 2020

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over/(Under)
	Revenues				
5700	Local and intermediate sources	$ 134,144,400	$ 134,144,400	$ 135,334,381	$ 1,189,981
5800	State program revenues			1,350,448	1,350,448
5020	**Total Revenues**	134,144,400	134,144,400	136,684,829	2,540,429
	Expenditures				
	Debt Service:				
0071	Principal on long-term debt	53,331,260	53,331,260	53,331,260	
0072	Interest on long-term debt	86,606,740	86,606,740	79,716,249	(6,890,491)
0073	Bond issuance costs and fees	1,500,000	1,500,000	316,758	(1,183,242)
6030	**Total Expenditures**	141,438,000	141,438,000	133,364,267	(8,073,733)
1100	Excess (deficiency) of revenues over (under) expenditures	(7,293,600)	(7,293,600)	3,320,562	10,614,162
	Other Financing Sources (Uses)				
7901	Refunding bonds issued			33,420,000	33,420,000
7916	Premium on issuance of bonds			1,448,078	1,448,078
8949	Payment to refunded bond escrow agent			(34,568,630)	(34,568,630)
7080	**Total Other Financing Sources (Uses)**			299,448	299,448
1200	Net change in fund balances	(7,293,600)	(7,293,600)	3,620,010	10,913,610
0100	Fund balances - beginning	132,002,907	132,002,907	132,002,907	
3000	Fund balances - ending	$ 124,709,307	$ 124,709,307	$ 135,622,917	$ 10,913,610

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, Part 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, Part 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, Part 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.

ESSER Fund is the Elementary and Secondary School Emergency Relief Fund of the Coronavirus, Relief, and Economic Security (CARES) Act funded by the U.S. Department of Education, as passed through the State of Texas to account for federal stimulus funds granted to FISD to support our ability to operate and instruct our students during the COVID-19 pandemic.

(Continued)

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.

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.

Non-Educational 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 have to be placed in residential facilities for educational reasons without the provision of the 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.

Special Education Fiscal Support Fund provides additional funding by the State of Texas to secure evaluation staff, related services personnel, and/or special education teachers to fill short-term needs in the area of initial evaluations, compensatory services and extended school year services (ESY).

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.

(Concluded)

Exhibit G-2

Frisco Independent School District
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2020

Data Control Codes		205 Head Start Fund	211 ESEA, Title I, Part A Fund	224 IDEA, Part B, Formula Fund	225 IDEA, Part B, Preschool Fund	226 IDEA, Part B, Discretionary Fund	240 Child Nutrition Fund	244 Career and Technical – Basic Grant Fund	255 ESEA, Title II, Part A, Fund
	Assets								
1110	Cash and investments						$ 7,179,760		
1240	Due from other governments	$ 87,069	$ 174,665	$ 1,710,032	$ 63,335	$ 332,051	144,296	$ 43,861	$ 37,073
1290	Other receivables, net						61,000		
1410	Prepaid expenditures		2,375						6,890
1000	**Total Assets**	$ 87,069	$ 177,040	$ 1,710,032	$ 63,335	$ 332,051	$ 7,385,056	$ 43,861	$ 43,963
	Liabilities								
2110	Accounts payable			428,255	63,335	78,622	374,489	15,005	
2160	Accrued wages payable	26,294	80,493	837,238			1,543,742		22,379
2170	Due to other funds	60,775	96,547	444,539		253,429		28,856	21,584
2300	Unearned revenue						1,389,023		
2000	**Total Liabilities**	87,069	177,040	1,710,032	63,335	332,051	3,307,254	43,861	43,963
	Fund Balances								
	Nonspendable:								
3430	Prepaid expenditures		2,375						6,890
	Restricted for:								
3450	Federal and state grant programs						4,077,802		
	Committed to:								
3545	Local grants, awards and contributions								
3600	Unassigned		(2,375)						(6,890)
3000	**Total Fund Balances**	-	-	-	-	-	4,077,802	-	-
4000	**Total Liabilities and Fund Balances**	$ 87,069	$ 177,040	$ 1,710,032	$ 63,335	$ 332,051	$ 7,385,056	$ 43,861	$ 43,963

(Continued)

Exhibit G-2

Frisco Independent School District
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2020

Data Control Codes		263 ESEA, Title III, Part A, Fund	266 ESSER	272 Medicaid Administrative Claiming Fund	289 Sumer School LEP Fund	385 Visually Impaired SSVI Fund	392 Non-Educational Community-Based Support Fund	397 Advanced Placement Incentives Fund	410 State Textbook Fund
	Assets								
1110	Cash and investments			$ 84,100	$ 6,407			$ 8,239	$ 1,720,357
1240	Due from other governments	$ 103,881	$ 570,929		19,295				
1290	Other receivables, net								
1410	Prepaid expenditures								
1000	**Total Assets**	$ 103,881	$ 570,929	$ 84,100	$ 25,702	$ -	$ -	$ 8,239	$ 1,720,357
	Liabilities								
2110	Accounts payable			4,869					610,894
2160	Accrued wages payable	52,669							
2170	Due to other funds	51,212	570,929						
2300	Unearned revenue								
2000	**Total Liabilities**	103,881	570,929	4,869	-	-	-	-	610,894
	Fund Balances								
	Nonspendable:								
3430	Prepaid expenditures								
	Restricted for:								
3450	Federal and state grant programs			79,231	25,702			8,239	1,109,463
	Committed to:								
3545	Local grants, awards and contributions								
3600	Unassigned								
3000	**Total Fund Balances**	-	-	79,231	25,702	-	-	8,239	1,109,463
4000	**Total Liabilities and Fund Balances**	$ 103,881	$ 570,929	$ 84,100	$ 25,702	$ -	$ -	$ 8,239	$ 1,720,357

Exhibit G-2

Frisco Independent School District
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2020

Data Control Codes		427 Special Ed Fiscal Support Funds	429 Read to Succeed Fund	459 Shared Services Arrangement	461 Campus Activity Fund	480 Restricted Donations and Grants	497 Frisco Partners Fund	498 Child Development Center Fund	Total Non-Major Governmental Funds
	Assets								
1110	Cash and investments	$ 70,000	$ 149		$ 2,579,740	$ 195,973	$ 8,553	$ 111,110	$ 11,964,388
1240	Due from other governments			$ 60,130					3,346,617
1290	Other receivables, net								61,000
1410	Prepaid expenditures				85,415				94,680
1000	**Total Assets**	$ 70,000	$ 149	$ 60,130	$ 2,665,155	$ 195,973	$ 8,553	$ 111,110	$ 15,466,685
	Liabilities								
2110	Accounts payable				19,935	50	8,553		1,604,007
2160	Accrued wages payable							111,110	2,673,925
2170	Due to other funds			60,130					1,588,001
2300	Unearned revenue	70,000							1,459,023
2000	**Total Liabilities**	70,000	-	60,130	19,935	50	8,553	111,110	7,324,956
	Fund Balances								
	Nonspendable:								
3430	Prepaid expenditures				85,415				94,680
	Restricted for:								
3450	Federal and state grant programs		149						5,300,586
	Committed to:								
3545	Local grants, awards and contributions				2,559,805	195,923			2,755,728
3600	Unassigned								(9,265)
3000	**Total Fund Balances**	-	149	-	2,645,220	195,923	-	-	8,141,729
4000	**Total Liabilities and Fund Balances**	$ 70,000	$ 149	$ 60,130	$ 2,665,155	$ 195,973	$ 8,553	$ 111,110	$ 15,466,685

Exhibit G-3

Frisco Independent School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2020

Data Control Codes		205 Head Start Fund	211 ESEA, Title I, Part A Fund	224 IDEA-B Formula Fund	225 IDEA-B Preschool Fund	226 IDEA-B Discretionary Fund	240 Child Nutrition Fund	244 Career and Technical Basic Grant Fund	255 ESEA, Title II, Part A Fund
	Revenues								
5700	Local and intermediate sources						$ 13,315,183		
5800	State program revenues						104,948		
5900	Federal program revenues	$ 180,479	$ 659,860	$ 8,027,101	$ 92,671	$ 367,965	6,082,319	$ 173,753	$ 201,952
5020	**Total Revenues**	180,479	659,860	8,027,101	92,671	367,965	19,502,450	173,753	201,952
	Expenditures								
	Current:								
0011	Instruction	180,479	586,674	5,467,770	92,671	367,965		173,753	11,721
0012	Instructional resources and media services								
0013	Curriculum and instructional staff development		53,016	211,339					163,017
0021	Instructional leadership		14,405						27,214
0023	School leadership		5,765	20,106					
0031	Guidance, counselling and evaluation services			2,327,886					
0033	Health services								
0034	Student transportation								
0035	Food services						22,917,451		
0036	Extracurricular activities								
0041	General administration								
0051	Facilities maintenance and operations						242,885		
0052	Security and monitoring services								
0053	Data processing services								
0061	Community services								
6030	**Total Expenditures**	180,479	659,860	8,027,101	92,671	367,965	23,160,336	173,753	201,952
1100	Excess (deficiency) of revenues over (under) expenditures						(3,657,886)		
	Other Financing Sources (Uses)								
7912	Proceeds from the sale of property						5,272		
7915	Transfers in								
8911	Transfers out								
7080	**Total Other Financing Sources (Uses)**	-	-	-	-	-	5,272	-	-
1200	Net change in fund balances						(3,652,614)		
0100	Fund balances - beginning						7,730,416		
3000	**Fund balances - ending**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 4,077,802**	**$ -**	**$ -**

Exhibit G-3

Frisco Independent School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
for the Year Ended June 30, 2020

Data Control Codes		263 ESEA, Title III, Part A Fund	266 ESSER	272 Medicaid Administrative Claiming Fund	289 Summer School LEP Fund	385 Visually Impaired SSVI Fund	392 Noneducational Community Based Support Fund	397 Advanced Placement Incentives Fund	410 State Textbook Fund
	Revenues								
5700	Local and intermediate sources								$ 6,992
5800	State program revenues					$ 15,974	$ 6,213	$ 68,839	6,122,713
5900	Federal program revenues	$ 347,839	$ 570,929	$ 85,537	$ 40,916				
5020	**Total Revenues**	347,839	570,929	85,537	40,916	15,974	6,213	68,839	6,129,705
	Expenditures								
	Current:								
0011	Instruction	332,320	8,868		21,616	15,974			8,882,138
0012	Instructional resources and media services								
0013	Curriculum and instructional staff development	15,200			251			36,000	
0021	Instructional leadership	319	21,611						
0023	School leadership		113,639						
0031	Guidance, counselling and evaluation services		2,227						
0033	Health services		27	97,890					
0034	Student transportation		38,006						
0035	Food services		56,527						
0036	Extracurricular activities		4,620						
0041	General administration		111,863						
0051	Facilities maintenance and operations		131,623						
0052	Security and monitoring services		10,908						
0053	Data processing services		70,953						
0061	Community services		57				6,213		
6030	**Total Expenditures**	347,839	570,929	97,890	21,867	15,974	6,213	36,000	8,882,138
1100	Excess (deficiency) of revenues over (under) expenditures			(12,353)	19,049			32,839	(2,752,433)
	Other Financing Sources (Uses)								
7912	Proceeds from the sale of property								
7915	Transfers in								
8911	Transfers out							(24,600)	
7080	**Total Other Financing Sources (Uses)**	-	-	-	-	-	-	(24,600)	-
1200	Net change in fund balances			(12,353)	19,049			8,239	(2,752,433)
0100	Fund balances - beginning			91,584	6,653				3,861,896
3000	**Fund balances - ending**	**$ -**	**$ -**	**$ 79,231**	**$ 25,702**	**$ -**	**$ -**	**$ 8,239**	**$ 1,109,463**

(Concluded)

Exhibit G-3

Frisco Independent School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
for the Year Ended June 30, 2020

Data Control Codes		427 Special Ed Fiscal Support Funds	429 Read to Succeed Fund	459 Shared Services Arrangement	461 Campus Activity Fund	480 Restricted Donations and Grants	497 Frisco Partners Fund	498 Child Development Center Fund	Total Non-Major Governmental Funds
	Revenues								
5700	Local and intermediate sources			$ 206,215	$ 840,547	$ 308,445	$ 59,913	$ 530,493	$ 15,267,788
5800	State program revenues	$ -	$ 187						6,318,874
5900	Federal program revenues								16,831,321
5020	**Total Revenues**		187	206,215	840,547	308,445	59,913	530,493	38,417,983
	Expenditures								
	Current:								
0011	Instruction			10,630		207,557	54,382		16,414,518
0012	Instructional resources and media services		90			1,507	3,463		5,060
0013	Curriculum and instructional staff development			195,585		7,700			682,108
0021	Instructional leadership					548			64,097
0023	School leadership					97,460			236,970
0031	Guidance, counselling and evaluation services					1,243	2,068		2,333,424
0033	Health services					135			98,052
0034	Student transportation								38,006
0035	Food services					2,530			22,976,508
0036	Extracurricular activities				542,215	95,808			642,643
0041	General administration								111,863
0051	Facilities maintenance and operations								374,508
0052	Security and monitoring services								10,908
0053	Data processing services								70,953
0061	Community services							728,412	734,682
6030	**Total Expenditures**		90	206,215	542,215	414,488	59,913	728,412	44,794,300
1100	Excess (deficiency) of revenues over (under) expenditures		97		298,332	(106,043)		(197,919)	(6,376,317)
	Other Financing Sources (Uses)								
7912	Proceeds from the sale of property								5,272
7915	Transfers in							104,137	104,137
8911	Transfers out				(8,098)				(32,698)
7080	**Total Other Financing Sources (Uses)**	-	-	-	(8,098)	-	-	104,137	76,711
1200	Net change in fund balances		97		290,234	(106,043)		(93,782)	(6,299,606)
0100	Fund balances - beginning		52		2,354,986	301,966		93,782	14,441,335
3000	**Fund balances - ending**	**$ -**	**$ 149**	**$ -**	**$ 2,645,220**	**$ 195,923**	**$ -**	**$ -**	**$ 8,141,729**

Exhibit G-4

Frisco Independent School District
Budgetary Comparison Schedule
Child Nutrition Fund
For the Year Ended June 30, 2020

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over/(Under)
	Revenues				
5700	Local and intermediate sources	$ 19,047,621	$ 19,047,621	$ 13,315,183	$ (5,732,438)
5800	State program revenues	122,500	122,500	104,948	(17,552)
5900	Federal program revenues	6,837,300	6,837,300	6,082,319	(754,981)
5020	**Total Revenues**	26,007,421	26,007,421	19,502,450	(6,504,971)
	Expenditures				
	Current:				
0035	Food services	25,725,381	27,073,529	22,917,451	(4,156,078)
0051	Facilities maintenance and operations	282,040	282,040	242,885	(39,155)
6030	**Total Expenditures**	26,007,421	27,355,569	23,160,336	(4,195,233)
1100	Excess (deficiency) of revenues over (under) expenditures		(1,348,148)	(3,657,886)	(2,309,738)
	OTHER FINANCING SOURCES (USES)				
7912	Proceeds from the sale of property			5,272	5,272
7080	**Total Other Financing Sources (Uses)**			5,272	5,272
1200	Net change in fund balances		(1,348,148)	(3,652,614)	(2,304,466)
0100	Fund balances - beginning	7,730,416	7,730,416	7,730,416	
3000	Fund balances - ending	$ 7,730,416	$ 6,382,268	$ 4,077,802	$ (2,304,466)

Agency Fund

Exhibit G-5

Frisco Independent School District
Statement of Changes in Assets and Liabilities
Agency Fund
For the Year Ended June 30, 2020

Data Control Codes		Balance July 1,2019	Additions	Deductions	Balance June 30, 2020
	ASSETS				
1110	Cash and investments	$ 1,343,980	$ 1,531,124	$ 1,469,894	$ 1,405,210
	Total Assets	$ 1,343,980	$ 1,531,124	$ 1,469,894	$ 1,405,210
	LIABILITIES				
2110	Accounts payable	$ 59,624	$ 1,350,666	$ 1,397,625	$ 12,665
2190	Due to student groups	1,284,356	1,663,113	1,554,924	1,392,545
	Total Liabilities	$ 1,343,980	$ 3,013,779	$ 2,952,549	$ 1,405,210

Exhibit H-1

Frisco Independent School District
Schedule of Delinquent Taxes Receivable
As of June 30, 2020

	1	2	3	10	20	31	32	40	50
	Tax Rates								
Last Ten Fiscal Years	Maintenance	Debt Service	Assessed/ Appraised Value for School Tax Purposes	Beginning Balance	Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance
Prior to 2012	Various	Various	Various	$ (82,391)		$ 31,573	$ 11,336	$ (95,796)	$ (221,096)
2012	$ 1.00	$ 0.42	17,504,188,590	(29,449)		22,818	9,584	6,200	(55,651)
2013	$ 1.04	$ 0.42	18,411,182,624	119,107		28,291	11,425	17,660	97,051
2014	$ 1.04	$ 0.42	20,072,776,233	226,297		85,085	34,361	43,443	150,294
2015	$ 1.04	$ 0.42	23,005,771,528	439,920		472,944	190,996	330,946	106,926
2016	$ 1.04	$ 0.42	26,230,139,504	670,657		602,743	243,416	426,991	251,489
2017	$ 1.04	$ 0.42	30,621,651,034	860,831		903,764	364,982	798,446	390,531
2018	$ 1.04	$ 0.42	35,570,550,343	1,008,280		214,233	86,517	(179,703)	527,827
2019	$ 1.17	$ 0.27	40,349,486,303	3,829,063		1,393,298	321,531	(1,488,706)	625,528
2020	$ 1.0683	$ 0.27	43,491,816,275		$ 558,809,139	456,845,716	115,462,264	17,100,952	3,602,111
Totals				$ 7,042,315	$ 558,809,139	$ 460,600,465	$ 116,736,412	$ 16,960,433	$ 5,475,010

Portion of total collections paid into Tax Increment Zone Under Chapter 311, Tax Code $ 22,859,330

Required TEA Schedule

Statistical Section (Unaudited)

"My Dog In Grass" | Samantha Jones | Independence High School

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

Exhibit S-1

Frisco Independent School District
Net Position By Component
Last Ten Fiscal Years
(Unaudited)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental Activities										
Net Investment in capital assets	$ (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)	(373,647,743)
Restricted for Federal and State grant programs	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	5,300,585
Restricted for debt services	64,478,051	71,170,986	72,023,378	53,919,728	54,250,586	57,086,768	80,911,177	110,066,081	105,581,772	103,317,274
Unrestricted Net Position	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)	(154,914,649)
Total Net Position	$ (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)	$ (419,944,533)

Source: Frisco ISD Annual Financial Reports

Financial Trends

Exhibit S-2

Frisco Independent School District
Expenses, Program Revenues, and Net (Expense)/Revenue
Last Ten Fiscal Years
(Unaudited)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental Activities:										
Instruction	$ 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	$ 444,377,695
Instructional resources and media services	7,041,284	5,072,392	6,878,260	7,563,264	9,187,036	9,796,673	9,325,687	6,373,309	8,849,546	8,932,969
Curriculum and instructional staff development	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	14,315,808
Instructional leadership	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	11,116,828
School leadership	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	43,158,588
Guidance, counseling and evaluation services	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	25,968,948
Social work services	309,809	292,395	343,427	360,371	352,044	361,960	279,911	119,107	206,324	227,696
Health services	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	7,215,668
Student transportation	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	17,135,255
Food services	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	26,200,312
Extracurricular activities	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	22,890,618
General administration	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	16,605,179
Facilities maintenance and operations	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	60,027,110
Security and monitoring services	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	6,577,228
Data processing services	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	10,906,676
Community services	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	2,231,893
Debt service - interest on long-term debt	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	79,729,973
Debt service - bond issuance costs and fees	303,281	784,857	1,034,160	1,288,269	2,511,829	3,518,708	2,474,789	691,035	2,143,297	924,809
Contracted instructional services between schools	3,004,389	1,582,625	1,785,899	1,004,896	1,177,873	217,771			14,017,478	3,152,395
Payments to fiscal agent/member districts of SSA	195,897									
Payments to juvenile justice alternative education programs	90,309	60,791	44,573	23,499	47,931	37,077	67,814	30,118	35,666	30,681
Payments to tax increment fund	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	27,151,041
Other intergovernmental charges	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	3,798,571
Total Governmental Activities Expenses	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	832,675,941
Program Revenues										
Governmental Activities:										
Charges for Services:										
Instruction	234,762	206,936	290,231	350,717	396,872	403,481	310,309	733,927	923,344	797,595
Food services	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	13,189,756
Extracurricular activities	1,475,974	1,522,873	1,506,143	1,525,824	1,605,535	1,798,238	2,423,340	2,379,643	2,362,725	1,916,707
Facilities maintenance and operations	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	20,225,910
Operating Grants and Contributions	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	71,108,796
Total Governmental Activities Program Revenues	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	107,238,764
Net (Expense) Revenue	(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)	(725,437,177)

Source: Frisco ISD Annual Financial Reports

Statistical Section (Unaudited) | Financial Trends

Exhibit S-3

Frisco Independent School District
General Revenues and Total Changes in Net Position
Last Ten Fiscal Years
(Unaudited)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net (Expense) Revenue	$ (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)	$ (725,437,177)
General Revenues										
Governmental Activities:										
Taxes:										
Property taxes, levied for general purposes	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	466,660,821
Property taxes, levied for debt service	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	112,411,956
State aid - formula grants	99,211,962	104,324,856	117,087,935	119,733,020	120,405,390	139,758,001	115,510,634	98,313,792	64,028,393	97,396,084
Grants and contributions not restricted to specific programs	180	20,083	516,970			2,332,383	2,320,903	2,858,270	6,520,666	4,663,718
Investment earnings	246,295	184,963	238,659	98,009	166,062	720,988	1,994,950	5,260,009	9,862,834	8,429,226
Miscellaneous local and intermediate revenue	17,308,973	21,901,571	20,559,060	2,754,365	3,625,774	20,162,030	19,776,576	23,075,918	24,456,995	23,587,596
Total General Revenue	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	713,149,401
Change in net position	(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	(12,287,776)
Net position - beginning, as adjusted	(105,496,957)	(140,142,850)	(158,272,278)	(167,422,224)	(220,322,202)	(245,443,341)	(258,204,598)	(523,594,240)	(420,319,252)	(407,656,757)
Net position - ending	$ (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)	$ (419,944,533)

Source: Frisco ISD Annual Financial Reports

Exhibit S-4

Frisco Independent School District
Fund Balances - Governmental Funds
Last Ten Fiscal Years
(Unaudited)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
Reserved	$ 51,281									
Nonspendable	251,404	$ 141,684	$ 163,824	$ 264,523	$ 410,917	$ 702,073	$ 905,361	$ 171,510	$ 315,816	$ 200,193
Restricted										
Committed										
Assigned						11,058,554	3,750,957	3,665,783	37,077,190	36,077,190
Unreserved /Unassigned	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	198,853,860
Total General Fund	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	235,131,243
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	94,680
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	266,330,856
Committed			2,171,829	2,117,958	2,088,957	2,225,283	2,469,521	2,516,879	2,691,345	2,755,728
Assigned							5,889,126	6,803,546	13,017,077	25,967,844
Unreserved/Unassigned	1,750,466	1,958,933	1,958,933							(9,265)
Total All Other Governmental Funds	120,507,317	80,900,249	129,948,873	176,133,894	228,262,106	206,312,134	183,824,314	214,496,840	334,968,099	295,139,843
Total Governmental Funds	$ 163,577,712	$ 141,165,268	$ 202,614,675	$ 261,298,601	$ 320,741,212	$ 329,805,275	$ 317,086,611	$ 377,304,760	$ 541,575,794	$ 530,271,086

(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

Exhibit S-5

Frisco Independent School District
Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years
(Unaudited)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
Local and intermediate sources	$ 265,159,734	$ 286,574,924	$ 309,077,472	$ 333,806,178	$ 381,193,995	$ 432,689,498	$ 499,188,264	$ 573,074,722	$ 637,277,475	$ 631,957,895
State program revenues	111,289,016	115,321,314	129,671,656	133,799,695	133,975,235	161,187,530	139,189,304	123,769,796	94,347,645	131,288,669
Federal program revenues	20,551,186	14,169,400	10,477,603	11,423,023	12,432,495	13,641,401	14,684,530	16,954,826	24,786,725	21,495,039
	396,999,936	416,065,638	449,226,731	479,028,896	527,601,725	607,518,429	653,062,098	713,799,344	756,411,845	784,741,603
Current Expenditures:										
Instruction	182,496,322	176,860,360	196,244,658	210,384,860	234,760,839	259,362,734	288,828,129	297,585,386	325,454,888	365,856,240
Instructional resources and media services	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	6,330,263
Curriculum and instructional staff development	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	13,224,409
Instructional leadership	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	10,141,919
School leadership	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	35,137,900
Guidance, counseling and evaluation services	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	23,739,846
Social work services	309,809	292,395	343,427	360,371	343,027	356,988	275,677	192,909	193,601	207,193
Health services	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	6,674,429
Student transportation	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	14,072,406
Food services	15,105,284	15,090,635	16,800,946	18,146,918	19,973,220	23,090,610	23,401,047	22,890,630	23,179,124	23,337,085
Extracurricular activities	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	18,536,705
General administration	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	14,290,225
Facilities maintenance and operations	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	48,138,179
Security and monitoring services	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	4,807,226
Data processing services	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	7,597,709
Community services	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	1,863,633
Debt Service:										
Principal on long-term debt	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	53,331,260
Interest on long-term debt	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	79,716,249
Bond issuance costs and fees	942,386	555,641	1,034,160	1,288,269	2,511,829	3,518,708	2,474,790	691,035	2,143,297	924,810
Capital Outlay:										
Facilities acquisition and construction	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	127,456,227
Intergovernmental:										
Contracted instructional services between schools	3,004,389	1,582,625	1,785,899	1,004,896	1,177,873	217,771			14,017,478	3,152,395
Payments to fiscal agent/member districts of SSA	195,897									
Payments to juvenile justice alternative education programs	90,309	60,791	44,573	23,499	47,931	37,077	67,814	30,118	35,666	30,681
Payments tax increment fund	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	27,151,041
Other intergovernmental charges	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	3,798,571
	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	889,516,601
Excess (deficiency) of revenues over (under) expenditures	(69,112,116)	(73,395,326)	(66,845,963)	(149,191,486)	(214,991,626)	(173,317,747)	(130,166,722)	9,547,298	12,073,256	(104,774,998)
Other Financing Sources (Uses)										
Capital related debt issued (regular and refunding bonds)	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	101,705,000
Premium on issuance of bonds	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	8,771,130
Sale of real and personal property	13,057	2,412	7,464,755	2,253,199	6,916,575	3,884,912			75,538	62,790
Transfers in	12,325,434	8,958,340	16,486,477	14,511,144	7,774,470	7,119,500	6,051,998	7,285,940	10,033,495	5,136,835
Insurance recovery										17,500,000
Transfers out	(13,621,257)	(13,241,447)	(16,422,968)	(14,511,144)	(7,774,470)	(7,119,500)	(6,051,998)	(7,285,940)	(10,033,495)	(5,136,835)
Payment to refunded bond escrow agent	(79,846,745)	(103,431,052)	(169,710,776)	(5,155,000)	(50,990,000)	(241,194,517)	(197,534,075)		(143,547,975)	(34,568,630)
	109,594,729	50,982,882	126,336,437	209,834,345	274,434,237	182,381,810	117,448,058	50,670,851	152,197,774	93,470,290
Net change in fund balances	40,482,613	(22,412,444)	59,490,474	60,642,859	59,442,611	9,064,063	(12,718,664)	60,218,149	164,271,034	(11,304,708)
Fund balances - beginning, as adjusted	123,095,099	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
Fund balances - ending	$ 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	$ 530,271,086
Debt service as a percentage of non-capital expenditures	19.41%	20.37%	19.38%	19.18%	18.35%	18.35%	19.64%	20.16%	18.26%	16.91%

Source: Frisco ISD Annual Financial Reports

Exhibit S-6

Frisco Independent School District
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years
(Unaudited)

	Actual Value												
Fiscal Year	Single Family Property	Multi-Family Property	Vacant Lots Tracts	Acreage (Land Only)	Farm and Ranch Improvements	Commercial & Industrial (Real)	Utilities	Commercial & Industrial (Personal)	Other	Total Assessed Value	Less: Exemptions	Total Taxable Value	Total District Rate
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
2020	27,700,222,652	4,312,749,169	716,778,295	1,555,046,008	386,943,453	9,323,706,887	302,354,814	1,537,918,110	839,940,492	46,675,659,880	3,183,843,605	43,491,816,275	$ 1.3383

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

Revenue Capacity

Exhibit S-7

Frisco Independent School District
Direct and Overlapping Tax Rates
Last Ten Fiscal Years
(Unaudited)

	Frisco ISD Direct Rate			Overlapping Rates								
Tax Year	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
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
2019	1.0683	0.2700	1.3383	0.4466	0.1750	0.0812	0.5156	0.4482	0.2253	0.6499	0.2403	1.0000

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

Exhibit S-8

Frisco Independent School District
Principal Property Taxpayers
Current Year and Nine Years Ago
(Unaudited)

		2020	
Taxpayer	Business Type	Taxable Value	Percentage of Total Taxable Value
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%
		$ 2,079,553,856	4.79%

		2011	
Taxpayer	Business Type	Taxable Value	Percentage of Total Taxable Value
Tollway/121 Partners LTD	Real Estate Development	$ 83,317,858	0.49%
Tenet Frisco LTD	Medical	75,621,942	0.45%
Hall Office Portfolio DB LLC	Commercial Development	74,100,000	0.44%
Capital One National Association	Banking & Finance	56,508,651	0.33%
La Valencia at Starwood LLC	Apartments	49,483,692	0.29%
Inland American McKinney Town Crossing	Real Estate Development	45,700,559	0.27%
Capital One National Association	Banking & Finance	43,198,890	0.26%
Virtu Investments LLC	Apartment Development	41,285,240	0.24%
Rodman LLC	Excavation	40,000,000	0.24%
OTR	Real Estate Development	39,130,730	0.23%
		$ 548,347,562	3.24%

Source: Collin and Denton County Appraisal Districts

Exhibit S-9

Frisco Independent School District
Property Tax Levies and Collections
Last Ten Fiscal Years
(Unaudited)

		Collected within the Fiscal Year of the Levy				Total Collections to Date	
Fiscal Year	Taxes Levied for the Fiscal Year[1]	Amount	Percentage of Levy	Collections in Subsequent Years	Current Year Adjusted Levy[2]	Amount	Percentage of Levy[3]
2011	236,338,412	232,171,603	98.24%	5,088,432	237,239,872	237,260,035	100.01%
2012	233,360,846	230,656,112	98.84%	5,171,840	235,801,750	235,827,952	100.01%
2013	246,595,889	244,576,313	99.18%	6,951,089	251,505,346	251,527,402	100.01%
2014	271,222,819	269,428,955	99.34%	7,493,289	276,846,241	276,922,244	100.03%
2015	292,572,378	289,972,452	99.11%	9,357,841	298,997,299	299,330,293	100.11%
2016	333,326,629	330,473,983	99.14%	6,551,111	336,605,926	337,025,094	100.12%
2017	440,260,516	437,197,385	99.30%	4,215,634	440,942,719	441,413,019	100.11%
2018	510,093,437	508,013,897	99.59%	2,220,904	509,840,865	510,234,801	100.08%
2019	570,724,935	566,895,872	99.33%	1,714,829	565,407,166	568,610,701	100.57%
2020	575,910,091	572,307,980	99.37%		575,910,091	572,307,980	99.37%

[1] Includes adjustments during the year of the levy.
[2] Includes all adjustments to the levy made in subsequent years.
[3] Total collections, net of penalties and interest, may exceed 100% of the original levy due to adjustments.

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

FRISCO INDEPENDENT SCHOOL DISTRICT

Debt Capacity

Exhibit S-10

Frisco Independent School District
Estimated Overlapping Debt Statement
June 30, 2020
(Unaudited)

Taxing Body	Amount	Percentage Overlapping	Amount Overlapping
Collin County	$ 532,195,000	19.08%	$ 101,542,806
Collin County CCD	542,110,000	19.08%	103,434,588
Denton County	638,280,000	10.57%	67,466,196
Denton County FWSD # 8-C	39,865,000	100.00%	39,865,000
City of Frisco	785,215,000	89.70%	704,337,855
Town of Little Elm	96,980,000	34.11%	33,079,878
City of McKinney	254,210,000	18.42%	46,825,482
City of Plano	475,460,000	12.62%	60,003,052
Subtotal, overlapping debt			1,156,554,857
District gross bonded debt			2,252,532,141
Total direct and overlapping debt			$ 3,409,086,998
Ratio of net direct and overlapping debt to net taxable valuation			7.84%
Per capita direct and overlapping debt			$ 7,338.53

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

Exhibit S-11

Frisco Independent School District
Ratio of Bonded Debt to Taxable Assessed Valuation
And Net Bonded Debt per Capita
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Taxable Assessed Value	Bonded Debt Outstanding at Year-End	Ratio of Bonded Debt to Taxable Assessed Value	Estimated Population	Taxable Assessed Value per Capita	Bonded Debt per Capita	Personal Income	Ratio of Bonded Debt to Personal Income
2011	16,875,840,490	1,265,634,232	7.50%	188,207	100,852	7,564	7,054,209,240	17.94%
2012	17,504,186,578	1,310,323,851	7.49%	181,852	101,179	7,574	7,941,628,760	16.50%
2013	18,411,180,611	1,353,110,843	7.35%	197,043	98,591	7,246	8,423,152,562	16.06%
2014	20,072,774,219	1,679,166,027	8.37%	226,696	102,644	8,587	8,423,152,562	19.94%
2015	23,005,771,528	1,911,006,819	8.31%	244,329	111,193	9,236	8,906,351,924	21.46%
2016	26,230,139,504	2,066,361,628	7.88%	262,357	120,116	9,462	9,520,014,530	21.71%
2017	30,621,651,034	2,147,871,338	7.01%	274,693	133,555	9,368	10,951,884,012	19.61%
2018	35,570,550,343	2,137,073,341	6.01%	284,947	138,905	8,345	11,710,037,600	18.25%
2019	40,349,486,303	2,236,379,576	5.54%	293,209	150,974	8,368	13,092,363,594	17.08%
2020	43,491,816,275	2,252,532,141	5.18%	306,946	141,692	7,339	15,504,763,298	14.53%

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

Statistical Section (Unaudited) | Debt Capacity

Exhibit S-12

Frisco Independent School District
Legal Debt Margin Information
Last Ten Fiscal Years
(Unaudited)

Legal Debt Margin Calculation for the Fiscal Year 2020:

Taxable Assessed value		$ 43,491,816,275
Debt limit (10% of assessed value)[1]		4,349,181,628
Total bonded debt	$ 2,252,532,141	
Less reserve for retirement of debt[2]	135,622,917	
Debt applicable to limit		2,116,909,224
Legal debt margin		$ 2,232,272,404

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt Limit	$ 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	$ 4,349,181,628
Total net debt applicable to limit	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	2,116,909,224
Legal debt Margin	$ 485,148,811	$ 525,304,995	$ 534,567,933	$ 503,169,507	$ 578,730,337	$ 792,820,382	$ 1,021,795,837	$ 1,557,224,772	$ 1,930,571,961	$ 2,232,272,404
Total net debt applicable to the limit as a percentage of the debt limit	71.25%	69.99%	70.97%	74.93%	74.84%	69.77%	66.63%	56.22%	52.15%	48.67%

[1] Bonded Debt Limitation: Total principal amount of tax fund indebtedness cannot exceed 10% of assessed valuation of taxable property in the District according to the approved ad valorem tax roll at the time of the issuance of bonds.

[2] Amount represents fund balance restricted for the retirement of long-term debt. See Exhibit C-1. This amount differs from government-wide net position restricted for debt service by amounts payable for accrued or accreted interest.

Source: Frisco ISD Annual Financial Reports

Demographic Information

Exhibit S-13

Frisco Independent School District
Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Estimated Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2011	188,207	7,054,209,240	37,513	6.30%
2012	181,852	7,941,628,760	40,775	5.40%
2013	197,043	8,423,152,562	42,527	5.00%
2014	226,696	8,423,152,562	43,072	5.40%
2015	244,329	8,906,351,924	40,711	3.20%
2016	262,357	9,520,014,530	40,785	2.70%
2017	274,693	10,951,884,012	41,521	3.80%
2018	284,947	11,710,037,600	42,768	2.90%
2019	293,209	13,092,363,594	43,815	3.20%
2020	306,946	15,504,763,298	50,513	4.90%

Sources:
Estimated population - Municipal Advisory Council of Texas
Per Capita Personal Income - City of Frisco, Texas
Unemployement Rate - Population and Survey Analysts data for the City of Frisco, Texas
Note: There is no mechanism to track unemployement or per capita income for our specific jurisdiction as Frisco ISD crosses both city and county lines. In these cases, the City of Frisco's data is used because the majority of Frisco ISD residents reside in the City of Frisco.

Exhibit S-14

Frisco Independent School District
Principal Employers
Current Year and Nine Years Ago
(Unaudited)

	2020		
Employer	Approximate Number of Employees	Percentage of Total Estimated Employees	Rank
Frisco Independent School District	7,048	6.57%	1
T-Mobile	1,500	1.40%	2
City of Frisco	1,102	1.03%	3
Mario Sinacola & Sons Excavating	603	0.56%	4
CCCD Preston Ridge Campus	550	0.51%	5
Amerisource Bergen Specialty Group	500	0.47%	6
CLA USA, Inc.	450	0.42%	7
IKEA Frisco	400	0.37%	8
Tenet of Texas RBO	300	0.28%	9
Market Street	300	0.28%	10
	12,753		

	2011		
Employer	Approximate Number of Employees	Percentage of Total Estimated Employees	Rank
Frisco Independent School District	5,051	8.84%	1
T-Mobile	1,500	2.62%	2
City of Frisco	1,102	1.93%	3
Mario Sinacola & Sons Excavating	603	1.06%	4
CCCD Preston Ridge Campus	603	1.06%	5
Amerisource Bergen Specialty Group	500	0.87%	6
CLA USA, Inc.	450	0.79%	7
IKEA Frisco	400	0.70%	8
Tenet of Texas RBO	300	0.52%	9
Market Street	300	0.52%	10
	10,809		

Source: The Municipal Advisory Council of Texas

FRISCO
INDEPENDENT SCHOOL DISTRICT

Operating Information

Exhibit S-15

Frisco Independent School District
Full-Time-Equivalent District Employees by Identifiable Activities
Fiscal Year Ended June 30, 2020
(Unaudited)

	FTE Count		Average Base Pay
Teaching Staff			
Early Education			
Pre-Kindergarten	11.62	$	60,368
Kindergarten	226.68	$	58,993
Elementary (Grades 1-6)	1,257.69	$	59,255
Middle School (Grades 6-8)	927.96	$	59,942
High School (Grades 9-12)	1,317.65	$	60,370
All Grade Levels	537.80	$	56,934
	4,279.40	**$**	**59,445**
Support Staff			
Athletics - other than Athletic Director	1.00	$	86,558
Audiologist	1.00	$	72,898
Business Service Professional	16.88	$	84,999
Communications Professional	8.00	$	80,745
Counselor	148.00	$	73,292
Custodial	1.00	$	133,364
Educational Diagnostician	50.96	$	69,796
Food Service Professional	16.00	$	69,237
Internal Auditor	2.00	$	96,528
LEA/Comp Info Tech Professional	28.88	$	89,242
Legal Services	2.99	$	100,206
Librarian	62.00	$	64,693
LSSP/Psychologist	28.92	$	67,462
Maintenance	3.00	$	111,399
Music Therapist	2.50	$	56,089
Occupational Therapist	17.81	$	66,624
Orientation/Mobility Specialist	3.50	$	60,323
Other LEA Exempt Professional Auxiliary	45.01	$	82,752
Physical Therapist	6.00	$	70,623
Psychological Associate	2.00	$	28,750
Research/Evaluation Professional	1.00	$	61,800
School Nurse	74.05	$	59,118
Security	1.00	$	126,176
Speech Therapist/Pathologist	76.73	$	65,779
Teacher Facilitator	159.63	$	62,878
Transportation	2.92	$	80,985
Truant Officer/Visiting Teacher	2.00	$	74,557
	764.78	**$**	**69,341**
Administrative Staff			
Assistant Principal	133.83	$	79,227
Asst./Deputy Superintendent	9.00	$	171,707
Athletic Director	4.00	$	120,017
Business Manager	1.00	$	190,000
Director of Personnel/Human Resources	5.00	$	133,037
District Instructional Program Director	59.00	$	102,457
Principal	70.86	$	99,714
Superintendent	1.00	$	325,000
	283.69	**$**	**94,889**
Paraprofessional Staff/Auxiliary			
Educational Aide	568.62	$	25,046
Auxiliary	1,502.67	$	28,318
	2,071.29	**$**	**27,420**
Total	**7,399.16**	**$**	**52,862**

Source: Public Education Information Management System (TEA)

Frisco Independent School District
School Building Information - High Schools
Last Ten Fiscal Years
(Unaudited)

Exhibit S-17

			2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
High Schools (Grades 9-12):												
Frisco High												
Site:	45.10 acres	Square Feet	245,024	289,866	289,866	289,866	352,978	357,510	357,510	357,510	357,510	357,510
Opened:	1996	Enrollment	1,587	1,688	1,810	1,893	2,139	1,804	1,677	1,521	1,589	1,771
Centennial High												
Site:	76.48 acres	Square Feet	335,346	335,346	335,346	335,346	379,897	370,350	370,350	370,350	370,350	370,350
Opened:	2001	Enrollment	1,800	1,904	2,010	2,156	2,021	2,001	2,026	2,014	1,979	1,991
Wakeland High												
Site:	71.39 acres	Square Feet	302,645	339,716	339,716	339,716	345,646	354,413	354,413	354,413	354,413	354,413
Opened:	2007	Enrollment	1,727	1,639	1,868	1,993	2,199	2,031	2,100	2,188	2,052	2,052
Liberty High												
Site:	63.33 acres	Square Feet	306,179	344,261	344,261	344,261	348,496	346,994	346,994	346,994	346,994	346,994
Opened:	2008	Enrollment	1,739	1,772	2,009	2,203	2,025	2,080	2,052	1,947	1,971	1,898
Heritage High												
Site:	46.81 acres	Square Feet	355,695	355,695	355,695	355,695	356,738	357,001	357,001	357,001	357,001	357,001
Opened:	2010	Enrollment	1,043	1,541	1,753	1,951	1,802	1,904	2,073	2,153	2,003	2,000
Lone Star High												
Site:	56.32 acres	Square Feet	354,722	354,722	354,722	354,722	345,445	352,564	352,564	352,564	352,564	352,564
Opened:	2011	Enrollment	523	823	963	1,245	1,379	1,715	1,930	2,130	2,069	2,093
Independence High												
Site:	63.43 acres	Square Feet	NA	NA	NA	NA	345,969	382,158	382,158	382,158	382,158	382,158
Opened:	2015	Enrollment	NA	NA	NA	NA	1,168	1,692	1,832	1,934	2,061	2,172
Reedy High												
Site:	56 acres	Square Feet	NA	NA	NA	NA	NA	390,207	390,207	390,207	390,207	390,207
Opened:	2016	Enrollment	NA	NA	NA	NA	NA	913	1,344	1,801	1,883	1,938
Lebanon Trail High												
Site:	69.3 acres	Square Feet	NA	NA	NA	NA	NA	NA	368,260	368,260	368,260	368,260
Opened:	2017	Enrollment	NA	NA	NA	NA	NA	NA	450	955	1,427	1,880
Memorial High												
Site:	100.1 acres	Square Feet	NA	NA	NA	NA	NA	NA	NA	NA	387,898	387,898
Opened:	2019	Enrollment	NA	NA	NA	NA	NA	NA	NA	NA	1,156	1,650

Source: Frisco ISD real property inventory and demographic records

Frisco Independent School District
Expenditures, Enrollment, and per Pupil Costs
Last Ten Fiscal Years
(Unaudited)

Exhibit S-16

Fiscal Year	Operating Expenditures[1]	Enrollment	Cost per Pupil	Student to Teacher Ratio	Percentage of Students Receiving Free or Reduced-price Meals
2011	267,150,573	37,043	7,212	14.0	12.40%
2012	261,574,596	39,903	6,555	15.0	12.30%
2013	299,997,480	42,707	7,025	15.1	12.00%
2014	316,372,082	46,053	6,870	15.1	11.30%
2015	353,341,296	50,349	7,018	15.1	12.16%
2016	387,843,616	53,301	7,276	15.1	10.58%
2017	431,116,219	55,923	7,709	14.7	10.49%
2018	482,838,984	58,450	8,261	15.3	10.90%
2019	496,856,462	60,182	8,256	14.8	12.53%
2020	539,466,885	62,705	8,603	14.7	12.94%

[1] Excludes intergovernmental charges.

Source: Frisco ISD Financial Statements

Exhibit S-18

Frisco Independent School District
School Building Information - Middle Schools
Last Ten Fiscal Years
(Unaudited)

			2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Middle Schools (Grades 6-8):												
Staley												
Site:	74.87 acres	Square Feet	128,330	128,330	128,330	128,330	128,330	128,330	128,330	128,330	128,330	128,330
Opened:	1988	Enrollment	606	643	675	717	707	715	667	663	651	663
Clark												
Site:	36.69 acres	Square Feet	147,926	147,926	147,926	147,926	147,926	147,926	147,926	147,926	147,926	147,926
Opened:	2001	Enrollment	800	826	865	864	853	844	816	777	810	791
Pioneer												
Site:	39.99 acres	Square Feet	135,803	135,803	135,803	135,803	135,803	135,803	135,803	135,803	135,803	135,803
Opened:	2001	Enrollment	609	701	762	897	1,085	735	824	875	953	984
Wester												
Site:	20.35 acres	Square Feet	135,803	135,803	135,803	135,803	135,803	135,803	135,803	135,803	135,803	135,803
Opened:	2003	Enrollment	809	829	879	902	877	899	1,001	1,029	808	830
Griffin												
Site:	31.43 acres	Square Feet	138,428	138,428	138,428	138,428	138,428	138,428	138,428	138,428	138,428	138,428
Opened:	2005	Enrollment	526	598	672	705	855	853	900	867	850	829
Roach												
Site:	20.21 acres	Square Feet	138,651	138,651	138,651	138,651	138,428	138,428	138,428	138,428	138,428	138,428
Opened:	2006	Enrollment	619	691	784	865	855	1,095	770	864	914	971
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	138,651
Opened:	2007	Enrollment	1,076	1,172	859	890	939	1,060	1,091	1,148	1,046	1,063
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	142,108
Opened:	2009	Enrollment	820	853	586	683	805	938	988	1,011	930	956
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	142,108
Opened:	2009	Enrollment	689	793	928	1,029	1,134	745	818	889	903	930
Cobb												
Site:	21.65 acres	Square Feet	143,160	143,160	143,160	143,160	143,160	143,160	143,160	143,160	143,160	143,160
Opened:	2011	Enrollment	643	756	817	911	906	954	966	940	911	929

Exhibit S-18

Frisco Independent School District
School Building Information - Middle Schools
Last Ten Fiscal Years
(Unaudited)

			2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Maus												
Site:	25.00 acres	Square Feet	NA	143,160	143,160	143,160	143,160	143,160	143,160	143,160	143,160	143,160
Opened:	2011	Enrollment	NA	491	604	723	831	907	981	981	967	983
Hunt												
Site:	32.44 acres	Square Feet	NA	143,160	143,160	143,160	143,160	143,160	143,160	143,160	143,160	143,160
Opened:	2011	Enrollment	NA	573	625	698	738	797	833	833	842	874
Vandeventer												
Site:	20 acres	Square Feet	NA	NA	NA	143,160	143,160	143,160	143,160	143,160	143,160	143,160
Opened:	2013	Enrollment	NA	NA	NA	782	891	1,056	1,056	1,056	877	932
Pearson												
Site:	25 acres	Square Feet	NA	NA	NA	NA	NA	143,160	143,160	143,160	143,160	143,160
Opened:	2016	Enrollment	NA	NA	NA	NA	NA	616	691	691	878	993
Trent												
Site:	25.378 acres	Square Feet	NA	NA	NA	NA	NA	143,160	143,160	143,160	143,160	143,160
Opened:	2016	Enrollment	NA	NA	NA	NA	NA	652	786	786	931	962
Nelson												
Site:	17.781 acres	Square Feet	NA	NA	NA	NA	NA	NA	145,000	145,000	145,000	145,000
Opened:	2017	Enrollment	NA	NA	NA	NA	NA	NA	653	653	800	956
Lawler												
Site:	34.34 acres	Square Feet	NA	NA	NA	NA	NA	NA	NA	NA	155,000	155,000
Opened:	2019	Enrollment	NA	NA	NA	NA	NA	NA	NA	NA	721	830

Source: Frisco ISD real property inventory and demographic records

Exhibit S-19

Frisco Independent School District
School Building Information - Elementary Schools
Last Ten Fiscal Years
(Unaudited)

			2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Elementary Schools (Grades K-5):												
Rogers												
Site:	9.81acres	Square Feet	64,586	64,586	64,586	64,586	64,586	64,586	64,586	64,586	64,586	64,586
Opened:	1988	Enrollment	673	662	622	610	557	547	539	528	502	525
Curtsinger												
Site:	15.22 acres	Square Feet	76,762	76,762	76,762	76,762	76,762	76,762	76,762	76,762	76,762	76,762
Opened:	1996	Enrollment	672	642	660	813	661	730	812	749	542	596
Smith												
Site:	Shared	Square Feet	73,922	73,922	73,922	73,922	73,922	73,922	73,922	73,922	73,922	73,922
Opened:	1998	Enrollment	778	721	694	646	617	602	601	652	634	659
Anderson												
Site:	7.99 acres	Square Feet	74,010	74,010	74,010	74,010	74,010	74,010	74,010	74,010	74,010	74,010
Opened:	2000	Enrollment	651	717	688	656	710	714	687	670	724	734
Christie												
Site:	8.83 acres	Square Feet	74,010	74,010	74,010	74,010	74,010	74,010	74,010	74,010	74,010	74,010
Opened:	2000	Enrollment	735	730	700	707	640	663	611	568	502	437
Shawnee												
Site:	9.51 acres	Square Feet	74,977	74,977	74,977	74,977	74,977	74,977	74,977	74,977	74,977	74,977
Opened:	2001	Enrollment	681	655	614	639	583	589	584	600	509	481
Borchardt												
Site:	8.31 acres	Square Feet	71,806	71,806	71,806	71,806	71,806	71,806	71,806	71,806	71,806	71,806
Opened:	2002	Enrollment	637	633	662	725	725	750	716	760	761	778
Bright												
Site:	10.36 acres	Square Feet	74,591	74,591	74,591	74,591	74,591	74,591	74,591	74,591	74,591	74,591
Opened:	2002	Enrollment	549	535	536	541	558	494	415	379	527	514
Fisher												
Site:	10.00 acres	Square Feet	73,327	73,327	73,327	73,327	73,327	73,327	73,327	73,327	73,327	73,327
Opened:	2002	Enrollment	704	708	658	660	664	667	633	582	566	559
Sparks												
Site:	8.00 acres	Square Feet	72,399	72,399	72,399	72,399	72,399	72,399	72,399	72,399	72,399	72,399
Opened:	2003	Enrollment	704	708	658	689	710	728	736	744	762	749

Exhibit S-19

Frisco Independent School District
School Building Information - Elementary Schools
Last Ten Fiscal Years
(Unaudited)

			2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Spears												
Site:	9.76 acres	Square Feet	71,755	71,755	71,755	71,755	71,755	71,755	71,755	71,755	71,755	71,755
Opened:	2003	Enrollment	708	732	716	741	780	770	722	726	692	771
Gunstream												
Site:	8.67 acres	Square Feet	71,755	71,755	71,755	71,755	71,755	71,755	71,755	71,755	71,755	71,755
Opened:	2003	Enrollment	710	695	705	709	708	721	704	654	656	660
Riddle												
Site:	9.38 acres	Square Feet	73,572	73,572	73,572	73,572	73,572	73,572	73,572	73,572	73,572	73,572
Opened:	2004	Enrollment	743	814	756	772	761	749	740	757	737	731
Boals												
Site:	8.08 acres	Square Feet	75,736	75,736	75,736	75,736	75,736	75,736	75,736	75,736	75,736	75,736
Opened:	2004	Enrollment	784	810	643	679	715	742	759	688	658	655
Isbell												
Site:	12.00 acres	Square Feet	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904
Opened:	2005	Enrollment	764	782	765	737	684	642	617	709	687	640
Pink												
Site:	Shared	Square Feet	75,326	75,326	75,326	75,326	75,326	75,326	75,326	75,326	75,326	75,326
Opened:	2006	Enrollment	635	735	710	719	586	543	516	484	552	568
Ashley												
Site:	9.15 acres	Square Feet	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904
Opened:	2006	Enrollment	570	687	754	850	828	573	655	674	660	628
Bledsoe												
Site:	8.00 acres	Square Feet	75,326	75,326	75,326	75,326	75,326	75,326	75,326	75,326	75,326	75,326
Opened:	2006	Enrollment	721	789	705	845	700	749	737	693	695	709
Taylor												
Site:	10.70 acres	Square Feet	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904
Opened:	2007	Enrollment	565	561	615	674	678	652	705	734	725	755
Corbell												
Site:	9.00 acres	Square Feet	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904
Opened:	2007	Enrollment	589	616	608	675	712	723	742	726	712	677

Frisco Independent School District
School Building Information - Elementary Schools
Last Ten Fiscal Years
(Unaudited)

			2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Ogle												
Site:	10.00 acres	Square Feet	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904
Opened:	2007	Enrollment	607	643	604	684	647	658	672	682	669	721
Sem												
Site:	acres	Square Feet	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904	75,904
Opened:	2007	Enrollment	464	517	514	679	651	735	810	816	651	639
Carroll												
Site:	12.03 acres	Square Feet	75,902	75,902	75,902	75,902	75,902	75,902	75,902	75,902	75,902	75,902
Opened:	2008	Enrollment	704	730	713	729	520	502	452	524	544	585
Mooneyham												
Site:	10.55 acres	Square Feet	75,902	75,902	75,902	75,902	75,902	75,902	75,902	75,902	75,902	75,902
Opened:	2008	Enrollment	627	735	792	810	807	775	810	832	672	623
Robertson												
Site:	7.69 acres	Square Feet	75,902	75,902	75,902	75,902	75,902	75,902	75,902	75,902	75,902	75,902
Opened:	2008	Enrollment	721	854	736	810	780	861	709	752	738	745
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	75,902
Opened:	2009	Enrollment	780	829	506	553	553	534	575	599	637	664
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	77,184
Opened:	2009	Enrollment	533	617	685	783	723	721	685	656	686	668
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	83,960
Opened:	2010	Enrollment	683	748	614	654	630	623	639	645	574	623
Purefoy												
Site:	8.75 acres	Square Feet	79,884	79,844	79,844	79,844	79,844	79,844	79,844	79,844	79,844	79,844
Opened:	2011	Enrollment	625	683	713	703	690	650	601	588	528	521
Sonntag												
Site:	9.38 acres	Square Feet	77,184	77,184	77,184	77,184	77,184	77,184	77,184	77,184	77,184	77,184
Opened:	2011	Enrollment	511	586	668	814	696	683	625	604	568	549

Exhibit S-19

Frisco Independent School District
School Building Information - Elementary Schools
Last Ten Fiscal Years
(Unaudited)

			2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Comstock												
Site:	15.09 acres	Square Feet	NA	NA	79,844	79,844	79,844	79,844	79,844	79,844	79,844	79,844
Opened:	2013	Enrollment	NA	NA	442	533	640	741	756	735	704	715
Nichols												
Site:	10.95 acres	Square Feet	NA	NA	83,332	83,332	83,332	83,332	83,332	83,332	83,332	83,332
Opened:	2013	Enrollment	NA	NA	619	717	677	761	463	570	745	825
Phillips												
Site:	12.52 acres	Square Feet	NA	NA	79,844	79,844	79,844	79,844	79,844	79,844	79,844	79,844
Opened:	2013	Enrollment	NA	NA	570	804	758	772	645	676	672	692
Newman												
Site:	9.43 acres	Square Feet	NA	NA	NA	NA	82,530	82,530	82,530	82,530	82,530	82,530
Opened:	2015	Enrollment	NA	NA	NA	NA	650	838	762	814	688	736
Scott												
Site:	8.56 acres	Square Feet	NA	NA	NA	NA	82,530	82,530	82,530	82,530	82,530	82,530
Opened:	2015	Enrollment	NA	NA	NA	NA	618	633	694	760	697	693
McSpedden												
Site:	17.99 acres	Square Feet	NA	NA	NA	NA	81,118	81,118	81,118	81,118	81,118	81,118
Opened:	2015	Enrollment	NA	NA	NA	NA	587	652	649	705	599	604
Hosp												
Site:	9.05 acres	Square Feet	NA	NA	NA	NA	81,118	81,118	81,118	81,118	81,118	81,118
Opened:	2015	Enrollment	NA	NA	NA	NA	471	664	685	749	705	682
Norris												
Site:	9.254 acres	Square Feet	NA	NA	NA	NA	NA	79,844	79,844	79,844	79,844	79,844
Opened:	2016	Enrollment	NA	NA	NA	NA	NA	580	692	835	445	574
Miller												
Site:	9.549 acres	Square Feet	NA	NA	NA	NA	NA	NA	79,844	79,844	79,844	79,844
Opened:	2017	Enrollment	NA	NA	NA	NA	NA	NA	545	635	698	751
Vaughn												
Site:	9.675 acres	Square Feet	NA	NA	NA	NA	NA	NA	79,844	79,844	79,844	79,844
Opened:	2017	Enrollment	NA	NA	NA	NA	NA	NA	510	584	612	701

Statistical Section (Unaudited) | Operating Information

Exhibit S-19

(Concluded)

Frisco Independent School District
School Building Information - Elementary Schools
Last Ten Fiscal Years
(Unaudited)

			2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Talley												
Site:	14.64 acres	Square Feet	NA	NA	NA	NA	NA	NA	NA	NA	84,128	84,128
Opened:	2019	Enrollment	NA	NA	NA	NA	NA	NA	NA	NA	529	755
Liscano												
Site:	14.61 acres	Square Feet	NA	NA	NA	NA	NA	NA	NA	NA	84,128	84,128
Opened:	2019	Enrollment	NA	NA	NA	NA	NA	NA	NA	NA	754	812

Source: Frisco ISD real property inventory and demographic records

Federal Awards Section

"Painting of Aunt With Variety Bkgd" | Laasya Kunam | Heritage High School

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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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 3, 2020.

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, L.L.P.
2300 North Field Street, Suite 1000 | Dallas, Texas 75201
Main: 972.490.1970
CPAs AND ADVISORS | WEAVER.COM

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
December 3, 2020

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, 2020. 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, 2020.

Weaver and Tidwell, L.L.P.
2300 North Field Street, Suite 1000 | Dallas, Texas 75201
Main: 972.490.1970

CPAs AND ADVISORS | WEAVER.COM

The Board of Trustees of
Frisco Independent School District

Report on Internal Control over Compliance

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

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

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

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
December 3, 2020

Exhibit K-1

Frisco Independent School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Direct Programs:			
Impact Aid- P.L. 81874	84.041		$ 23,644
Total Direct Programs			23,644
Passed Through Region X ESC:			
ESEA, Title I - Part A - Improving Basic Programs	84.010A	19610101057950	64,857
ESEA, Title I - Part A - Improving Basic Programs	84.010A	20610101057950	595,003
ESEA, Title II - Part A, Teacher and Principal Training and Recruiting	84.367A	19694501057950	111,609
ESEA, Title II - Part A, Teacher and Principal Training and Recruiting	84.367A	20694501057950	90,343
Title III - Part A - Immigrant	84.365A	19671003057950	2,611
Title III - Part A - Immigrant	84.365A	20671003057950	147,329
Title III - Part A - English Language Acquisition	84.365A	19671001057950	6,628
Title III - Part A - English Language Acquisition	84.365A	20671001057950	191,271
Title IV - Part A - Discretionary- Student Support and Academic Enrichment	84.424A	19680101057950	251
Total passed through Region X ESC			1,209,902
Passed through Texas Education Agency			
Special Education Cluster:			
IDEA B - Part B, Formula	84.027A	186600010439056600	1,801,910
IDEA B - Part B, Formula	84.027A	19660001043905660	293,956
IDEA B - Part B, Formula	84.027A	206600010439056600	5,931,235
IDEA B - Part B - Preschool	84.173A	186610010439056610	29,336
IDEA B - Part B - Preschool	84.173A	206610010439056610	63,335
IDEA B - Part B, Discretionary - Residental	84.027A	196600120439056677	35,914
IDEA B - Part B, Discretionary - Residental	84.027A	206600120439056677	332,051
Total Special Education Cluster (IDEA)			8,487,737
Title I, Part C Carl D. Perkins Basic Formula Grant	84.048A	20420006043905	173,753
LEP Summer School	84.369A	69551802	2,322
LEP Summer School	84.369A	69551902	19,294
ESSER Grant	84.425D	20521001043905	570,929
Total passed through Texas Education Agency			9,254,035
TOTAL U.S. DEPARTMENT OF EDUCATION			10,487,581
U.S.DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Texas Education Agency			
Head Start	93.600	529-12-0041-00045	3,371
Head Start	93.600	06CH010655	177,108
Total passed through Texas Education Agency			180,479
Direct Program:			
Medicaid Administrative Claiming	93.778		97,890
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			278,369
U.S DEPARTMENT OF AGRICULTURE			
Passed through Texas Department of Human Services:			
*National School Lunch Program - Noncash Assistance (Commodities)	10.555	806780706	1,454,906
Passed through Texas Department of Agriculture:			
*National School Breakfast Program	10.553	806780706	511,665
*COVID-19 National School Breakfast Program	10.553	806780706	178,796
*National School Lunch Program	10.555	806780706	3,589,011
*COVID-19 National School Lunch Program	10.555	806780706	347,941
Total Passed through Texas Department of Agriculture			4,627,413
TOTAL U.S. DEPARTMENT OF AGRICULTURE			6,082,319
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 16,848,269

*Child Nutrition Cluster

Frisco Independent School District
Notes To Schedule Of Expenditures Of Federal Awards
For The Year Ended June 30, 2020

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 $1,454,906 for the year ended June 30, 2020.
5. School Health and Related Services reimbursements of $4,640,074 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 $6,696.

(Continued)

Federal Awards Section

7. 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, 2020 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, 2020.

(Concluded)

Frisco Independent School District
Schedule of Findings and Questioned Costs
June 30, 2020

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:

Child Nutrition Cluster	10.553, 10.555
The dollar threshold used to distinguish between Type A and Type B programs.	$750,000
Auditee qualified as a low-risk auditee.	x Yes ____ No

Frisco Independent School District
Schedule of Findings and Questioned Costs - Continued
June 30, 2020

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

FRISCO
INDEPENDENT SCHOOL DISTRICT

Our mission is to know
every student
by name and need

FRISCO
INDEPENDENT SCHOOL DISTRICT
5515 Ohio Drive | Frisco, Texas 75035 | www.friscoisd.org

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Financial Advisory Services
Provided By:

SAMCO Capital